NEW ISSUE - Book Entry Only

In the opinion of Fulbright & Jaworski L.L.P., bond counsel, and Ballard Spahr LLP, special tax counsel, to the Panhandle-Plains Higher Education Authority, Inc. (the "Authority"), interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Series 2010-1 A-1 Bonds is a tax preference item that is subject to the federal alternative minimum tax ("AMT") imposed on individuals and corporations. Interest on the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds and the Series 2010-1 A-4 Bonds is exempt from individual and corporate AMT and is not includable in adjusted current earnings for purposes of corporate AMT.

$208,200,000
PANHANDLE-PLAINS HIGHER EDUCATION AUTHORITY, INC.
STUDENT LOAN REVENUE BONDS
SERIES 2010-1

Consisting of

$76,300,000
Student Loan Revenue Bonds
Series 2010-1 A-1
(AMT Tax-Exempt LIBOR Floating Rate Bonds)

$44,375,000
Student Loan Revenue Bonds
Series 2010-1 A-2
(Non-AMT Tax-Exempt LIBOR Floating Rate Bonds)

$27,000,000
Student Loan Revenue Bonds
Series 2010-1 A-3
(Non-AMT Tax-Exempt LIBOR Floating Rate Bonds)

$60,525,000
Student Loan Revenue Bonds
Series 2010-1 A-4
(Non-AMT Tax-Exempt LIBOR Floating Rate Bonds)

The Panhandle-Plains Higher Education Authority, Inc. (the "Authority") is issuing its $208,200,000 aggregate principal amount of Student Loan Revenue Bonds, Series 2010-1 consisting of $76,300,000 aggregate principal amount of Series 2010-1 A-1 Bonds (AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-1 Bonds"), $44,375,000 aggregate principal amount of Series 2010-1 A-2 Bonds (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-2 Bonds"), $27,00,000 aggregate principal amount of Series 2010-1 A-3 Bonds (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-3 Bonds") and $60,525,000 aggregate principal amount of Series 2010-1 A-4 Bonds (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-4 Bonds" and collectively with the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds and the Series 2010-1 A-3 Bonds, the "Bonds").

The Bonds are being issued under a 2010-1 Indenture of Trust dated as of November 1, 2010 (the "Indenture"), among the Authority, Wells Fargo Bank, National Association, as trustee (the "Trustee") and Wells Fargo Bank, National Association, as eligible lender trustee (the "Eligible Lender Trustee"). The Bonds 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 Bonds. Individual purchases will be made in book-entry-only form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as DTC is the registered owner of the Bonds, payments of the principal of, and interest on the Bonds will be made directly to DTC. Disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants. See "THE BONDS—Book-Entry-Only System" herein. The Bonds shall be issued in denominations of $5,000 and any integral multiples thereof. All capitalized terms not otherwise defined herein have the meanings as set forth in Appendix A attached to this Official Statement. The following table summarizes certain aspects of the Bonds and reference is made to the more complete description set forth in this Official Statement.

Series	Interest Rate[1]	Price to Public	Final Maturity Date	Expected Ratings[2]
2010-1 A-1	100% of 3-Month LIBOR plus 0.65%	100%	January 1, 2018	AAA (sf)/AAA
2010-1 A-2	100% of 3-Month LIBOR plus 0.80%	100%	October 1, 2020	AAA (sf)/AAA
2010-1 A-3	100% of 3-Month LIBOR plus 1.05%	100%	October 1, 2023	AAA (sf)/AAA
2010-1 A-4	100% of 3-Month LIBOR plus 1.25%	100%	April 1, 2035	AAA (sf)/AAA

[1] The interest rates are subject to certain maximum levels as described herein under "THE BONDS—Interest Payments—Maximum Interest Rates."
[2] See the caption "RATINGS" herein.

UPON ISSUANCE, THE BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE BONDS FOR SALE.

The Authority will make quarterly distributions of principal and interest on the Bonds on the 1st day of each January, April, July and October as described in this Official Statement (or the next business day if such dates are not a business day), commencing on April 1, 2011 (each, a "Quarterly Distribution Date"). The principal of the Series 2010-1 A-1 Bonds is to be paid in full prior to payment of principal of the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds and the principal of the Series 2010-1 A-2 Bonds is to be paid in full prior to the payment of principal of the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds and the principal of the Series 2010-1 A-3 Bonds is to be paid in full prior to the payment of principal of the Series 2010-1 A-4 Bonds. Within a Series of the Bonds, Bonds in a principal amount equal to the funds available for principal distributions on each Quarterly Distribution Date will be selected for redemption on a random basis and redeemed on each Quarterly Distribution Date.

The Bonds are being issued for the purpose of providing the Authority with funds to retire certain outstanding obligations of the Authority issued to acquire Eligible Loans which are guaranteed by authorized guarantee agencies (as described herein) and reinsured by the federal government pursuant to the Federal Family Education Loan Program under the Higher Education Act of 1965, as amended (the "Higher Education Act"). Upon the issuance of the Bonds and the refunding of such outstanding obligations, certain of the Eligible Loans held with respect to the refunded obligations will be pledged under the Indenture, as more fully described herein. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS."

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE ASSETS HELD IN THE TRUST ESTATE, EQUALLY AND RATABLY, AND ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY. The Bonds are the only bonds issued under the Indenture and no other bonds may be issued under the terms of the Indenture. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" and "CERTAIN RISK FACTORS."

AS MORE FULLY DESCRIBED HEREIN, PROCEEDS OF THE BONDS WILL BE USED TO REFINANCE CERTAIN ELIGIBLE LOANS. RECEIPTS OF PRINCIPAL, INTEREST AND CERTAIN OTHER PAYMENTS ASSOCIATED WITH THE FINANCED ELIGIBLE LOANS WILL GENERALLY BE ALLOCATED FOR PAYMENT OF FEES RELATED TO SUCH LOANS AND THE BONDS AND THEN TO INTEREST AND PRINCIPAL DUE ON THE BONDS. INVESTORS SHOULD CONSIDER CAREFULLY THE "CERTAIN RISK FACTORS" AS SET FORTH IN THIS OFFICIAL STATEMENT.

The Bonds are subject to optional redemption by the Authority on any Quarterly Distribution Date occurring after the end of a Collection Period on which the then outstanding Pool Balance for the Bonds is 10% or less of the Initial Pool Balance (all as hereinafter defined), in whole only, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, due and payable on the Bonds to such Quarterly Distribution Date. The Bonds are not otherwise subject to optional redemption prior to maturity.

This cover page contains certain information for quick reference only. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE AUTHORITY, A NON-PROFIT CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF TEXAS. NEITHER THE STATE OF TEXAS, THE CITY OF HEREFORD, TEXAS, NOR ANY AGENCY OR OTHER POLITICAL SUBDIVISION OF THE STATE WILL BE LIABLE ON THE BONDS, AND THE BONDS WILL NOT BE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF TEXAS OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY PURPOSE WHATSOEVER.

Simultaneous with the issuance of the Bonds, the Authority is expected to issue its $218,970,000 aggregate principal amount of Student Loan Revenue Bonds, Series 2010-2 (Taxable LIBOR Floating Rate Bonds) (the "Series 2010-2 Bonds"). The Series 2010-2 Bonds will be issued under a separate indenture and will not be secured by the Financed Eligible Loans.

The Bonds are offered when, as and if issued and received by the Underwriter, and subject to the approving opinions of the Attorney General of the State of Texas, Fulbright & Jaworski L.L.P., bond counsel, and Ballard Spahr LLP, special tax counsel. Certain legal matters will be passed on for the Authority by its counsel, T. Neal Combs, and by Ballard Spahr LLP, as disclosure counsel to the Authority, and for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The Bonds are expected to be available for delivery through the facilities of The Depository Trust Company on or about November 17, 2010.

BofA Merrill Lynch

November 5, 2010

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 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Information set forth herein has been furnished by the Panhandle-Plains Higher Education Authority, Inc. (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 above or that the other information or opinions are correct as of any time subsequent to the date hereof.

The information in this Official Statement concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry-only system has been obtained from DTC, and the Authority takes no responsibility for the accuracy thereof. Such information has not been independently verified by the Authority, and the Authority makes no representation as to the accuracy or completeness of such information.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 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 Bonds and the security therefor, including an analysis of the risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the 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 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 Bonds for sale.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the Bonds, certain documents related to the security for the 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 Bonds, and all references to the 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 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IRS CIRCULAR 230 NOTICE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, THE SERIES 2010 BONDHOLDERS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFICIAL STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY BONDHOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH BONDHOLDER UNDER THE CODE; (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE BONDS OR MATTERS ADDRESSED IN THIS OFFICIAL STATEMENT; AND (III) BONDHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- changes in the general interest rate environment, which may increase the costs of financings or decrease the yield on student loans;
- losses from student loan defaults; and
- changes in prepayment rates and credit spreads.

Many of these risks and uncertainties are discussed in greater detail under the heading "CERTAIN RISK FACTORS."

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

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SUMMARY 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 the Panhandle-Plains Higher Education Authority, Inc.'s Student Loan Revenue Bonds, Series 2010-1 consisting of Series 2010-1 A-1 Bonds (AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-1 Bonds"), Series 2010-1 A-2 Bonds (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-2 Bonds"), Series 2010-1 A-3 Bonds (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-3 Bonds") and Series 2010-1 A-4 Bonds (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) (the "Series 2010-1 A-4 Bonds" and collectively with the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds and the Series 2010-1 A-3 Bonds, the "Bonds") to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All capitalized terms used in this Summary Statement shall have the same meaning as defined in this Official Statement.

General Terms of the Bonds

Distribution Dates. Distribution dates for the Bonds will be the 1st day of each January, April, July and October, as described in this Official Statement (or the next business day if such dates are not a business day), beginning on April 1, 2011. These dates are sometimes referred to herein as "Quarterly Distribution Dates."

Certain fees and expenses of the Trust Estate (such as Servicing Fees, Administration Fees and Back-Up Administration Fees) will be paid on a monthly basis on the first day of each month, or if not a business day, the next business day. These dates are sometimes referred to herein as "monthly payment dates."

Collection Periods. The initial Collection Period will begin on the date of issuance and end on February 28, 2011. Thereafter, each Collection Period will be the three calendar months immediately succeeding the previous Collection Period.

Interest Accrual Periods. The initial interest accrual period for the Bonds begins on the date of issuance and ends on the day prior to the April 2011 Quarterly Distribution Date. For all other Quarterly Distribution Dates, the interest accrual period will begin on the prior Quarterly Distribution Date and end on the day before such Quarterly Distribution Date.

Statistical Cut-off Date. The statistical cut-off date for the student loan portfolio to be pledged by the Authority to the Trustee on the date of issuance is September 30, 2010 (the "Statistical Cut-off Date"). The student loans pledged by the Authority to the Trustee under the Indenture and not released from the lien thereof are sometimes referred to herein as the "Financed Eligible Loans." The Authority believes that the information set forth in this Official Statement with respect to the student loans as of the Statistical Cut-off Date is representative of the characteristics of the student loans as they will exist on the date of issuance for the Bonds.

The Bonds

General. The $76,300,000 aggregate principal amount of the Authority's Series 2010-1 A-1 Bonds, the $44,375,000 aggregate principal amount of the Authority's Series 2010-1 A-2 Bonds, the $27,000,000 aggregate principal amount of the Authority's Series 2010-1 A-3 Bonds and the $60,525,000 aggregate principal amount of the Authority's Series 2010-1 A-4 Bonds are being issued under a 2010-1 Indenture of Trust dated as of November 1, 2010 (the "Indenture"), among the Authority, Wells Fargo Bank, National Association, as trustee (the "Trustee") and Wells Fargo Bank, National Association, as eligible lender trustee (the "Eligible Lender Trustee").

The proceeds of the Bonds will be used primarily to retire certain outstanding obligations of the Authority (the "Refunded Obligations") issued to acquire Eligible Loans to finance a program of education at eligible institutions. Upon the issuance of the Bonds and the refunding of the Refunded Obligations, certain of the Eligible Loans held with respect to the Refunded Obligations will be pledged under the Indenture, as more fully described herein. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS." Certain cash will also be released from the Prior Indenture (defined herein) and is expected to be deposited to the Reserve Fund and the Cost of Issuance Fund for the Bonds as further described under "PLAN OF FINANCE" herein.

Within a Series of the Bonds, Bonds in a principal amount equal to the funds available for principal distributions on each Quarterly Distribution Date will be selected for redemption on a random basis and redeemed on such Quarterly Distribution Date. The Bonds are subject to optional redemption by the Authority in full as described under "—Optional Redemption of Bonds." The Bonds are not otherwise subject to optional redemption prior to maturity.

Interest on the Bonds. The Bonds will bear interest at the following rates:

- the Series 2010-1 A-1 Bonds will bear interest, except for the initial interest accrual period, at an annual rate equal to 100% of 3-Month LIBOR plus 0.65%;
- the Series 2010-1 A-2 Bonds will bear interest, except for the initial interest accrual period, at an annual rate equal to 100% of 3-Month LIBOR plus 0.80%;
- the Series 2010-1 A-3 Bonds will bear interest, except for the initial interest accrual period, at an annual rate equal to 100% of 3-Month LIBOR plus 1.05%; and
- the Series 2010-1 A-4 Bonds will bear interest, except for the initial interest accrual period, at an annual rate equal to 100% of 3-Month LIBOR plus 1.25%.

The foregoing interest rates are subject to certain maximum levels as described herein under "THE BONDS—Interest Payments—Maximum Interest Rates."

The Trustee will calculate the rate of interest on the Bonds on the second business day prior to the start of the applicable interest accrual period. Interest on the Bonds will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360 and rounding the resultant figure to the fifth decimal point. The LIBOR rate for the Bonds for the initial interest accrual period will be calculated by reference to the following formula: $x + [(a / b * (y - x)]$ plus (0.65% with respect to the Series 2010-1 A-1 Bonds, 0.80% with respect to the Series 2010-1 A-2 Bonds, 1.05% with respect to the Series 2010-1 A-3 Bonds and 1.25% with respect to the Series 2010-1 A-4 Bonds), as calculated by the Trustee, where x = 100% of 4-Month LIBOR; y = 100% of 5-Month LIBOR; $a = 15$ (the actual number of days from the maturity date of 4-Month LIBOR to the first Quarterly Distribution Date); and $b = 32$ (the actual number of days from the maturity date of 4-Month LIBOR to the maturity date of 5-Month LIBOR).

Interest accrued on the outstanding principal balance of the Bonds during each interest accrual period will be paid on the following Quarterly Distribution Date.

Principal Distributions through Redemption of Bonds. Except after an acceleration of the Bonds, principal on the Bonds will be paid first on the Series 2010-1 A-1 Bonds until paid in full, second on the Series 2010-1 A-2 Bonds until paid in full, third on the Series 2010-1 A-3 Bonds until paid in full and fourth on the Series 2010-1 A-4 Bonds until paid in full. Bonds in a principal amount equal to the funds available for principal distributions on each Quarterly Distribution Date, rounded down to the nearest $5,000 increment, will be selected for redemption on a random basis, within a Series of the Bonds, in $5,000 increments and redeemed on such Quarterly Distribution Date. At least five Business Days prior to the Quarterly Distribution Date, the Trustee will give notice in the manner required by DTC to the registered owner of each bond to be redeemed in whole or in part.

Final Maturity. The Quarterly Distribution Dates on which the Bonds are due and payable in full are as follows:

Series	Final Maturity Date
2010-1 A-1	January 1, 2018
2010-1 A-2	October 1, 2020
2010-1 A-3	October 1, 2023
2010-1 A-4	April 1, 2035

The actual maturity of any Series of Bonds could occur earlier if, for example:

- there are prepayments on the Financed Eligible Loans; or
- the Authority exercises its option to redeem the Bonds (which will not occur until a date when the Pool Balance is 10% or less of the Initial Pool Balance).

"Pool Balance" for any date means the aggregate principal balance of Financed Eligible Loans (defined herein) on that date, including accrued interest that is expected to be capitalized, as reduced by the principal portion of (i) all

payments received by the Authority through that date from borrowers, the guarantee agencies and the U.S. Department of Education; (ii) all amounts received by the Authority through that date from purchases of Financed Eligible Loans; (iii) all Liquidation Proceeds and Realized Losses on Financed Eligible Loans through that date; (iv) the amount of any adjustment to balances of Financed Eligible Loans that any servicer makes under a servicing agreement through that date; and (v) the amount by which guarantor reimbursements of principal on defaulted Financed Eligible Loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act. See "THE BONDS—Principal Distributions" in this Official Statement.

Release of Financed Eligible Loans

The Indenture provides that for administrative purposes, the Authority may release Financed Eligible Loans free from the lien of the Indenture, so long as the Authority deposits an amount equal to the principal amount of Financed Eligible Loans and accrued interest thereon, and the collective aggregate principal balance of all such releases does not exceed 5.00% of the initial Pool Balance and the collective aggregate principal balance of all such releases in any calendar year does not exceed 1.00% of the Pool Balance as of January 1, of such calendar year (or as of the Date of Issuance with respect to the first calendar year). See "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE" hereto.

The Authority

The Panhandle-Plains Higher Education Authority, Inc. (the "Authority") is a non-profit corporation originally created under the Texas Non-Profit Corporation Act in May, 1969 under the name of The Opportunity Plan Foundation, Inc. Said corporation was reorganized on August 26, 1979 and its Articles of Incorporation were amended to change its name and purpose to the present name and purpose. The Authority is authorized to (i) provide funds for the acquisition of Guaranteed Student Loans made to students at post-secondary educational institutions, and (ii) provide procedures for the servicing of such Guaranteed Student Loans in accordance with the Higher Education Act and the Texas Education Code (defined herein). The Authority's Articles of Incorporation provide that after payments of expenses, debt service and the creation of reserves for the same, all revenues are required to be utilized for the purchase of Guaranteed Student Loans or paid over to the United States. The Authority's activities are governed by the Texas Education Code, the Higher Education Act and the Texas Non-Profit Corporation Act.

Eligible Lender Trustee

Wells Fargo Bank, National Association, Fort Worth, Texas is the Eligible Lender Trustee for the Authority under an Eligible Lender Trust Agreement dated as of August 26, 2009 (the "Eligible Lender Trust Agreement"). The Eligible Lender Trustee will acquire on behalf of the Authority legal title to all of the Eligible Loans made part of the Trust Estate upon the issuance of the Bonds and the refunding of the Refunded Obligations (the "Financed Eligible Loans"). The Eligible Lender Trustee, on behalf of the Authority, has entered into a separate guarantee agreement with each of the guarantee agencies described in this Official Statement with respect to the Financed Eligible Loans. The Eligible Lender Trustee qualifies as an eligible lender and the holder of the Financed Eligible Loans for all purposes under the Higher Education Act and the guarantee agreements.

Administrator

The Authority has entered into a Management and Servicing Agreement (the "Master Agreement") with Panhandle-Plains Management & Servicing Corporation, a Texas for-profit corporation, which acts as administrator for the Authority (in such capacity, the "Administrator") and as master servicer for the Authority (in such capacity, the "Master Servicer").

Servicers

Master Servicer. The Authority has entered into the Master Agreement with the Master Servicer. Pursuant to the Master Agreement, the Master Servicer will provide servicing and collection for the Eligible Loans held under the Indenture. See "THE MASTER SERVICER" herein.

Subservicer. The Master Servicer has entered into subservicing agreement with ACS Education Services, Inc. (the "Subservicer") pursuant to which the Subservicer performs substantially all servicing responsibilities with respect to the Financed Eligible Loans held under the Indenture. The Trustee has no responsibility for the servicing and collecting

of Financed Eligible Loans under the Indenture. All such duties are delegated by the Authority to the Master Servicer and Subservicer under the Indenture.

Sources of Payment and Security for the Bonds

The Bonds are special and limited obligations of the Authority secured by the assets pledged under the Indenture (collectively, the "Trust Estate"), which consist of the Financed Eligible Loans and all rights to payment thereunder, the funds and investments held in the Collection Fund and Reserve Fund, and all rights and interests of the Authority in and to the agreements and instruments pertaining to the Financed Eligible Loans, and the Available Funds derived from the foregoing (the "Collateral"). The Authority has granted to the Trustee a security interest in, and lien on, the Collateral, for the equal and proportionate benefit of all Bondholders.

Receipts of principal, interest and certain other payments associated with the Financed Eligible Loans and Available Funds in the Collection Fund and the Reserve Fund will generally be used first for payment of fees related to the Financed Eligible Loans and the Bonds and then to pay interest and principal due on the Bonds. Principal of the Series 2010-1 A-1 Bonds is to be paid in full prior to payment of principal of the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds and principal of the Series 2010-1 A-2 Bonds is to be paid in full prior to payment of principal of the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds and principal of the Series 2010-1 A-3 Bonds is to be paid in full prior to payment of principal of the Series 2010-1 A-4 Bonds.

The amount required to be on deposit in the Reserve Fund is equal to the greater of (i) 0.25% of the principal amount of Outstanding Bonds immediately prior to such Quarterly Distribution Date or (ii) $315,000. The initial Specified Reserve Fund Balance will be funded with moneys made available upon the refunding of the Refunded Obligations.

Characteristics of the Financed Eligible Loans

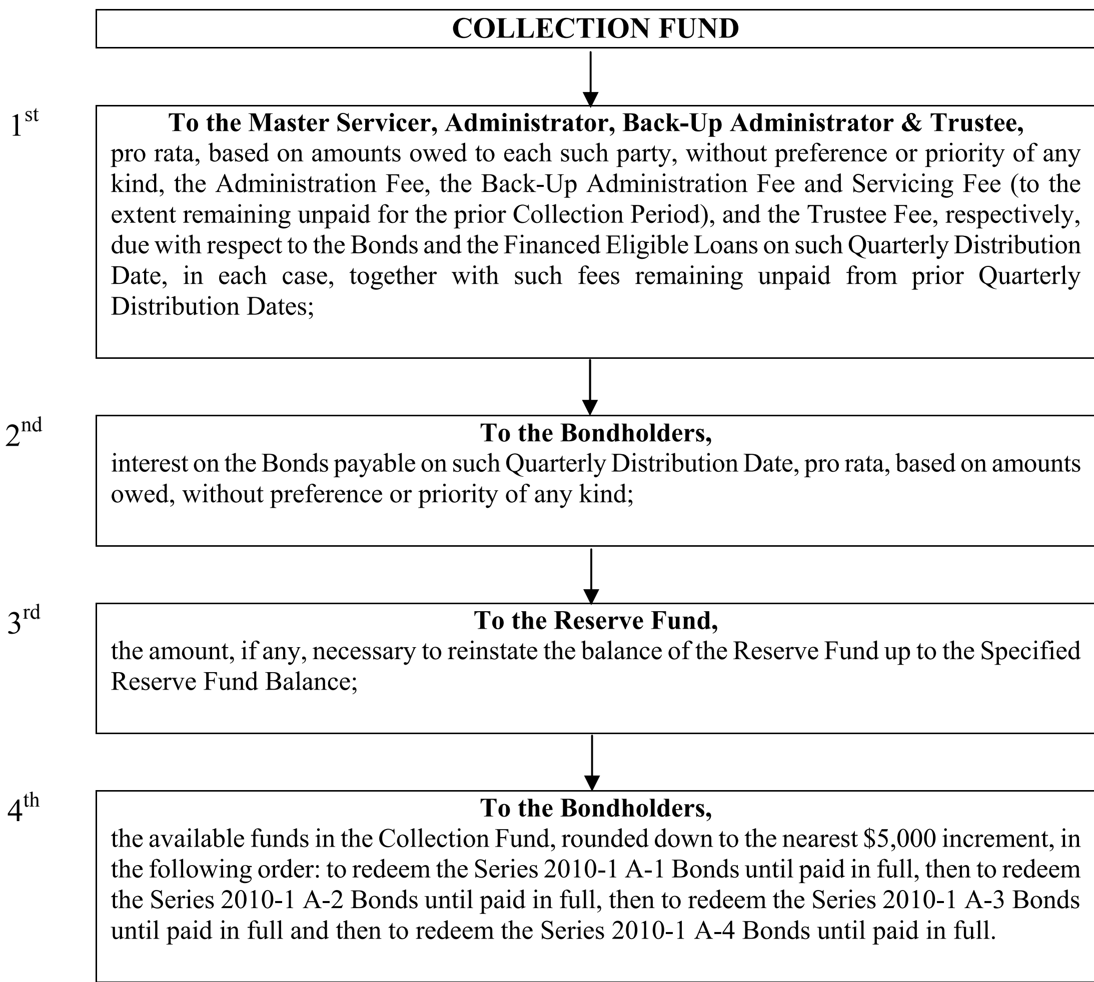
The Financed Eligible Loans held and to be held as part of the Collateral will consist of loans made pursuant to the Federal Family Education Loan Program created by Title IV of the Higher Education Act. See "APPENDIX C—DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto. The Financed Eligible Loans are guaranteed by the Texas Guaranteed Student Loan Corporation.

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 Bonds and which could have an effect on the market price of the Bonds to an extent that cannot be determined. See "CERTAIN RISK FACTORS" herein. Each prospective purchaser of Bonds should read this entire Official Statement, including the cover page and Appendices hereto.

Flow of Funds

On each monthly payment date money in the Collection Fund will be used to pay Administration Fees to the Administrator, Back-Up Administration Fees to the Back-Up Administrator and Servicing Fees to the Master Servicer, which will in turn pay the Subservicer. In addition, the following amounts may be disbursed from the Collection Fund, as required: (i) amounts due to the U.S. Department of Education or to any guaranty agency with respect to the Financed Eligible Loans, (ii) amounts due from the Trust Estate to another trust estate pursuant to the joint sharing agreement, (iii) amounts required to be deposited to the Department Rebate Fund for payment to the U.S. Department of Education with respect to the Financed Eligible Loans, and (iv) amounts required to be deposited to the Rebate Fund or the Excess Interest Fund. On each Quarterly Distribution Date, prior to an Event of Default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available, as set forth in the following chart:



Flow of Funds Following An Event of Default and Acceleration of the Bonds

Following the occurrence of an Event of Default and the acceleration of the Bonds, and after the payment of certain fees and expenses, available money will be utilized to make payments in the following order of priority: (i) first to interest due on the Bonds, pro rata without preference or priority of any kind, and (ii) second to principal owing on the Bonds, pro rata without preference or priority of any kind.

Security

Security for the Bonds will include overcollateralization and excess interest from the Financed Eligible Loans and cash on deposit in the Reserve Fund as described below under "SECURITY." A portion of such excess may be required to be deposited to the Excess Interest Fund and ultimately paid to the federal government.

Excess Interest

Excess interest is the positive difference between (i) the interest earnings on the loans from borrower interest payments, interest subsidy payments or special allowance payments and (ii) the interest on the Bonds and other fees such as Servicing, Trustee, Administration and Back-Up Administration Fees. There can be no assurance as to the rate, timing or amount, if any, of excess interest. A portion of such excess may be required to be deposited to the Excess Interest Fund and ultimately paid to the federal government.

Redemption of Bonds

Within a Series of the Bonds, Bonds in a principal amount equal to the funds available for principal distributions on each Quarterly Distribution Date will be selected for redemption on a random basis and redeemed on each Quarterly Distribution Date. In addition, the Authority shall have the option to redeem the Bonds in whole on the

Quarterly Distribution Date next succeeding the last day of the Collection Period on which the then outstanding Pool Balance for the Bonds is 10% or less of the Initial Pool Balance and on each Quarterly Distribution Date thereafter. If this redemption option is exercised, the Financed Eligible Loans will be released to the Authority free from the lien of the Indenture.

If the Authority exercises its redemption option, the Authority must deposit with the Trustee an amount that, when combined with amounts on deposit in the Funds and Accounts held under the Indenture, would be sufficient to: (i) reduce the Outstanding principal amount of Bonds on the related Quarterly Distribution Date to zero; (ii) pay to the Bondholders the interest payable on the related Quarterly Distribution Date; and (iii) pay any applicable unpaid administration, back-up administration, servicing and Trustee fees.

Series 2010-2 Bonds

Simultaneous with the issuance of the Bonds, the Authority is expected to issue its $218,970,000 aggregate principal amount of Student Loan Revenue Bonds, Series 2010-2 (Taxable LIBOR Floating Rate Bonds) (the "Series 2010-2 Bonds"). The Series 2010-2 Bonds will be issued under a separate indenture and will not be secured by the Financed Eligible Loans.

Ratings

Prior to the issuance and delivery of the Bonds, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch, Inc. are expected to assign their bond ratings of "AAA (sf)" and "AAA" respectively to the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency.

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OFFICIAL STATEMENT

Relating to

$208,200,000
PANHANDLE-PLAINS HIGHER EDUCATION AUTHORITY, INC.
STUDENT LOAN REVENUE BONDS, SERIES 2010-1

consisting of

$76,300,000 Student Loan Revenue Bonds, Series 2010-1 A-1
(AMT Tax-Exempt LIBOR Floating Rate Bonds)

$44,375,000 Student Loan Revenue Bonds, Series 2010-1 A-2
(Non-AMT Tax-Exempt LIBOR Floating Rate Bonds)

$27,000,000 Student Loan Revenue Bonds, Series 2010-1 A-3
(Non-AMT Tax-Exempt LIBOR Floating Rate Bonds)

and

$60,525,000 Student Loan Revenue Bonds, Series 2010-1 A-4
(Non-AMT Tax-Exempt LIBOR Floating Rate Bonds)

INTRODUCTION

This Official Statement, including the cover page and inside cover page hereof, the Summary Statement and the Appendices hereto, sets forth information regarding the issuance by the Panhandle-Plains Higher Education Authority, Inc. (the "Authority"), a Texas non-profit corporation, of its $208,200,000 Student Loan Revenue Bonds, Series 2010-1 (Tax-Exempt LIBOR Floating Rate Bonds) consisting of $76,300,000 aggregate principal amount of Series 2010-1 A-1 Bonds (AMT) (the "Series 2010-1 A-1 Bonds"), $44,375,000 aggregate principal amount of Series 2010-1 A-2 Bonds (Non-AMT) (the "Series 2010-1 A-2 Bonds"), $27,000,000 aggregate principal amount of Series 2010-1 A-3 Bonds (Non-AMT) (the "Series 2010-1 A-3 Bonds") and $60,525,000 aggregate principal amount of Series 2010-1 A-4 Bonds (Non-AMT) (the "Series 2010-1 A-4 Bonds" and collectively with the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds and the Series 2010-1 A-3 Bonds, the "Bonds"). Terms used in this Official Statement and not otherwise defined herein shall have the same meanings set forth in APPENDIX A hereto.

The Bonds are to be issued under the authority of the Constitution and the laws of the State of Texas, including Chapter 53B of the Texas Education Code, as amended (the "Texas Education Code") and pursuant to a 2010-1 Indenture of Trust, dated as of November 1, 2010 (the "Indenture"), among the Authority, Wells Fargo Bank, National Association, Fort Worth, Texas, as trustee (the "Trustee") and Wells Fargo Bank, National Association, Fort Worth, Texas, as eligible lender trustee (the "Eligible Lender Trustee").

The Bonds are the only bonds issued under the Indenture and no other bonds may be issued under the terms of the Indenture.

The proceeds of the Bonds are to be used to refund certain outstanding obligations of the Authority (the "Refunded Obligations"). Upon the issuance of the Bonds and the refunding of the Refunded Obligations, certain of the Eligible Loans held with respect to the Refunded Obligations (the "Financed Eligible Loans") and cash are expected to be released from the Prior Indenture (defined herein) for the Refunded Obligations and transferred to and held pursuant to the Indenture. Such cash is expected to be used to pay costs of issuance and fund a deposit to the reserve fund as described under "PLAN OF FINANCE." All of the Financed Eligible Loans held under the Indenture have been originated by lending institutions (the "Eligible Lenders") qualified as "eligible lenders" under the provisions of the Title IV, Part B of the Higher Education Act of 1965, as amended, and the regulations promulgated thereunder (jointly referred to herein as the "Higher Education Act"). All of the Financed Eligible Loans held under the Indenture are either (i) directly insured under the Higher Education Act by the United States of America acting through the Secretary of Education (the "Secretary"), or (ii) guaranteed by the Texas Guaranteed Student Loan Corporation ("TG") or another entity authorized to guaranty Eligible Loans under the Higher Education Act (collectively, the "Guarantors"). See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS, "THE GUARANTOR" and "APPENDIX C—DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM."

The Bonds are special limited obligations of the Authority payable solely from the assets of the Trust Estate, as described herein, primarily Eligible Loans. Receipts of principal, interest and certain other payments associated with the Financed Eligible Loans will generally be used first for payment of fees related to such loans and the Bonds and then to pay interest and principal due on the Bonds. The principal of the Series 2010-1 A-1 Bonds is generally to be paid in full prior to payment of principal of the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds and the principal on the Series 2010-1 A-2 Bonds is generally to be paid in full prior to payment of principal of the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds and the principal of the Series 2010-1 A-3 Bonds is generally to be paid in full prior to payment of principal of the Series 2010-1 A-4 Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein. Investors should consider carefully the "CERTAIN RISK FACTORS" as set forth in this Official Statement.

The Authority has entered into a Management and Servicing Agreement (the "Master Agreement") with Panhandle-Plains Management & Servicing Corporation, a Texas for-profit corporation, which acts as administrator for the Authority (in such capacity, the "Administrator") and as master servicer for the Authority (in such capacity, the "Master Servicer").

The Master Servicer will provide servicing and collection for the Financed Eligible Loans. The Master Servicer has entered into a subservicing agreement with ACS Education Services, Inc. ("ACS" or the "Subservicer") pursuant to which ACS perform substantially all servicing responsibilities with respect to the Financed Eligible Loans. The Subservicer also serves as custodian of the Financed Eligible Loans (the "Custodian") and has physical possession of them. The Trustee has no responsibility for the servicing and collecting of Financed Eligible Loans. All such duties are delegated by the Authority to the Master Servicer and Subservicer under the Indenture.

The Administrator will perform all administrative duties under the Indenture. ACS Asset Management Group, Inc., which is a subsidiary of ACS, will act as a back-up administrator (in such capacity, the "Back-Up Administrator") and, in such role, will act as successor administrator under the Indenture upon the occurrence of certain events described herein. See "THE AUTHORITY—Back-Up Administrator" herein. ACS Asset Management Group, Inc. is also expected to serve as the back-up administrator for all of the Authority's other outstanding bonds.

Simultaneous with the issuance of the Bonds, the Authority is expected to issue its $218,970,000 aggregate principal amount of Student Loan Revenue Bonds, Series 2010-2 (Taxable LIBOR Floating Rate Bonds) (the "Series 2010-2 Bonds"). The Series 2010-2 Bonds will be issued under a separate indenture and will not be secured by the Financed Eligible Loans.

The Indenture provides that Bondholders may not file or join in a filing of any bankruptcy petition against the Authority, nor will they cooperate with or encourage others to file a bankruptcy petition against the Authority, prior to the end of the period that is one year and one day after all of the Bonds are paid in full.

Brief descriptions of the Bonds, the Indenture, the Authority, the Guarantor, the Administrator, the Master Servicer, and the Subservicer are included in this Official Statement. All summaries herein of documents and agreements are qualified in their entireties by reference to such documents and agreements, copies of which are available for inspection upon request directed to Panhandle-Plains Higher Education Authority, Inc., 1403 23rd Street, Canyon, Texas 79015, Attention: Executive Director.

PURPOSE OF THE BONDS

The proceeds of the Bonds will be used to refund the Refunded Obligations. See "PLAN OF FINANCE."

ELIGIBLE LENDER TRUSTEE

Wells Fargo Bank, National Association, Fort Worth, Texas is the Eligible Lender Trustee for the Authority under an Eligible Lender Trust Agreement dated as of August 26, 2009 (the "Eligible Lender Trust Agreement"). The Eligible Lender Trustee will acquire on behalf of the Authority legal title to all of the Financed Eligible Loans. The Eligible Lender Trustee, on behalf of the Authority, has entered into a separate guarantee agreement with each of the guarantee agencies described in this Official Statement with respect to the Financed Eligible Loans. The Eligible Lender Trustee qualifies as an eligible lender and the holder of the Financed Eligible Loans for all purposes under the Higher Education Act and the guarantee agreements.

The liability of the Eligible Lender Trustee in connection with the issuance and sale of the Bonds will consist solely of discharging the express obligations specified in the Eligible Lender Trust Agreement. The Eligible Lender Trustee will be entitled to be indemnified by the Authority for any loss, liability or expense (including reasonable attorneys' fees) incurred by it in connection with the performance of its duties under the Eligible Lender Trust Agreement except for any loss, liability or expenses caused by the Eligible Lender Trustee's willful misconduct or gross negligence.

Pursuant to a joint sharing agreement among each trust established by the Authority, the Trustee and the Eligible Lender Trustee, in the event that the Department of Education or a Guarantor withholds payment or otherwise seeks reimbursement from the Eligible Lender Trustee with respect to Federal Family Education Loan Program ("FFELP") loans securing obligations of a trust established by the Authority, for obligations of another trust, the second trust shall transfer an amount equal to the amount withheld or reimbursement paid to the Department of Education or a Guarantor to the applicable trust from which payments owed by the Department of Education or a Guarantor were withheld.

The Eligible Lender Trustee may resign at any time by giving written notice to the Authority. The Authority may also remove the Eligible Lender Trustee at any time upon payment to the Eligible Lender Trustee of all moneys, fees and expenses then due it under the Eligible Lender Trust Agreement. Such resignation or removal of the Eligible Lender Trustee and appointment of a successor will become effective only when a successor accepts its appointment.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds are special and limited obligations of the Authority, secured by and payable solely from the Trust Estate. The following assets serve as security for the Bonds: (i) the Available Funds (other than moneys released from the lien of the Trust Estate as provided in the Indenture); (ii) all moneys and investments held in the Funds and Accounts created under the Indenture, including all proceeds thereof and all income thereon (except the Rebate Fund, the Excess Interest Fund and the Department Rebate Fund); (iii) the Financed Eligible Loans (other than Financed Eligible Loans released from the lien of the Trust Estate as provided in the Indenture) and all obligations of the obligors thereunder including all moneys accrued and paid thereunder on or after the date of issuance of the Bonds; (iv) the rights of the Authority and/or the Eligible Lender Trustee, as applicable, in and to the Eligible Lender Trust Agreement, the Master Agreement, any Subservicing Agreement, any Student Loan Purchase Agreement, any Custodian Agreement and the Guarantee Agreements as the same relate to the Financed Eligible Loans; and (v) all proceeds from any property described above and any and all other property, rights and interests of every kind or description that from time to time is granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture.

The Indenture provides that the Trust Estate is to be held for the benefit of the holders of the Bonds for the equal and proportionate benefit of all present and future Bondholders without preference of any Bond over any other.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE BONDS. 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 STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF FOR ANY OTHER PURPOSE WHATSOEVER. ADDITIONALLY, THE BONDS ARE NOT A GENERAL OR LIMITED OBLIGATION OF TG, AND TG HAS NO OBLIGATION TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS.

For a more detailed description of the Funds established under the Indenture and the purposes to which such funds may be applied, see "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE" hereto.

Collateral

As more fully described herein, the Bonds will be secured by certain Eligible Loans (the "Financed Eligible Loans"). In addition, amounts from the Prior Indenture will be deposited in the Cost of Issuance Fund and the Reserve Fund. When used herein, the term "Collateral" means that portion of the Trust Estate consisting of the Financed Eligible

Loans and all rights to payment thereunder, the funds and investments held in the Collection Fund and Reserve Fund, all rights and interests of the Authority in and to the agreements and instruments pertaining to the Financed Eligible Loans, and the Available Funds derived from the Collateral. Receipts of principal, interest and certain other payments associated with the Financed Eligible Loans and Available Funds in the Collection Fund and the Reserve Fund will generally be used first for payment of fees related to the Financed Eligible Loans and the Bonds and then to pay interest and principal due on the Bonds.

Security

Security for the Bonds includes overcollateralization and expected excess interest from the Financed Eligible Loans and cash on deposit in the Funds held under the Indenture. The sequential payment of principal on the Bonds (other than in an Event of Default) will provide a certain amount of credit support to the Series 2010-1 A-1 Bonds, which have a shorter maturity than the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds and the Series 2010-1 A-4 Bonds.

Excess interest is the positive difference between (i) the interest earnings on the loans from borrower interest payments, interest subsidy payments or special allowance payments and (ii) the interest on the Bonds and other fees such as Servicing, Trustee, Administration and Back-Up Administration Fees. There can be no assurance as to the rate, timing or amount, if any, of excess interest. A portion of such excess may be required to be deposited to the Excess Interest Fund and ultimately paid to the federal government.

The overcollateralization will not provide protection against all risks of loss and may not guarantee payment to Bondholders of all amounts to which they are entitled. If losses or shortfalls occur that exceed the amount covered by the security or that are not covered by the security, the Bondholders will bear their allocable share of deficiencies. The Authority is not issuing any subordinate bonds. To the extent that the security described above is exhausted, the Bonds will bear any risk of loss.

Except following the occurrence of an Event of Default and acceleration of the Bonds, the payment of principal on the Bonds will be sequential, with the Series 2010-1 A-1 Bonds receiving principal payments before the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds, and the Series 2010-1 A-2 Bonds receiving principal payments before the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds and the Series 2010-1 A-3 Bonds receiving principal payments before the Series 2010-1 A-4 Bonds. Consequently, holders of Series 2010-1 A-1 Bonds are provided with some credit support from the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds and the Series 2010-1 A-4 Bonds, and holders of Series 2010-1 A-2 Bonds are provided with some credit support from the Series 2010-1 A-3 Bonds and the Series 2010-1 A-4 Bonds, and the Series 2010-1 A-3 Bonds are provided with some credit support from the Series 2010-1 A-4 Bonds, and the Series 2010-1 A-2 Bonds, Series 2010-1 A-3 Bonds and Series 2010-1 A-4 Bonds may bear a greater risk of loss. Following the occurrence of an Event of Default and acceleration of the Bonds, the Series 2010-1 A-1 Bonds, Series 2010-1 A-2 Bonds, Series 2010-1 A-3 Bonds and Series 2010-1 A-4 Bonds will be payable pro rata without preference or priority of any kind.

Funds

The following funds will be created by the Trustee under the Indenture:

- Reserve Fund;
- Department Rebate Fund;
- Collection Fund;
- Cost of Issuance Fund;
- Rebate Fund; and
- Excess Interest Fund.

Reserve Fund

The Bonds are additionally secured by the Reserve Fund established under the Indenture. With respect to any Quarterly Distribution Date, the Specified Reserve Fund Balance required to be on deposit in the Reserve Fund will

equal the greater of (i) 0.25% of the principal amount of Outstanding Bonds immediately prior to such Quarterly Distribution Date or (ii) $315,000.

The Specified Reserve Fund Balance will be calculated by the Authority and certified to the Trustee, upon which certification the Trustee may conclusively rely with no duty to further examine or determine such information. See "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE" hereto.

On each Quarterly Distribution Date or Monthly Servicing Payment Date, to the extent that money in the Collection Fund is insufficient to pay amounts owed to the U.S. Department of Education or to the guarantee agencies, amounts due under any joint sharing agreement, administration fees, back-up administration fees, servicing fees, Trustee fees, amounts required for deposit to any arbitrage rebate fund or excess interest fund, and the interest then due on the Bonds, the amount of the deficiency will be transferred from the Reserve Fund to the Collection Fund. Money withdrawn from the Reserve Fund are to be restored through transfers from the Collection Fund, as available.

The Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the Bondholders and to decrease the likelihood that the Bondholders will experience losses. In some circumstances, however, the Reserve Fund could be reduced to zero. Amounts on deposit in the Reserve Fund in excess of the Specified Reserve Fund Balance will be transferred to the Collection Fund and will be applied as described under "—Collection Fund; Flow of Funds."

Department Rebate Fund

The Trustee will establish the Department Rebate Fund as part of the Trust Estate. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 and before July 1, 2010 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. The Authority expects that the Department of Education will reduce the special allowance and interest benefit payments payable to the Authority by the amount of any such rebates owed by the Authority. However, in certain circumstances the Authority may owe a payment to the Department of Education or to another trust pursuant to a joint sharing agreement. If the Authority believes that it is required to make any such payment, the Authority will direct the Trustee to deposit into the Department Rebate Fund from the Collection Fund the estimated amounts of any such payments. Money in the Department Rebate Fund will be transferred to the Collection Fund to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Authority, or will be paid to the Department of Education or another trust if necessary to discharge the Authority's rebate obligation.

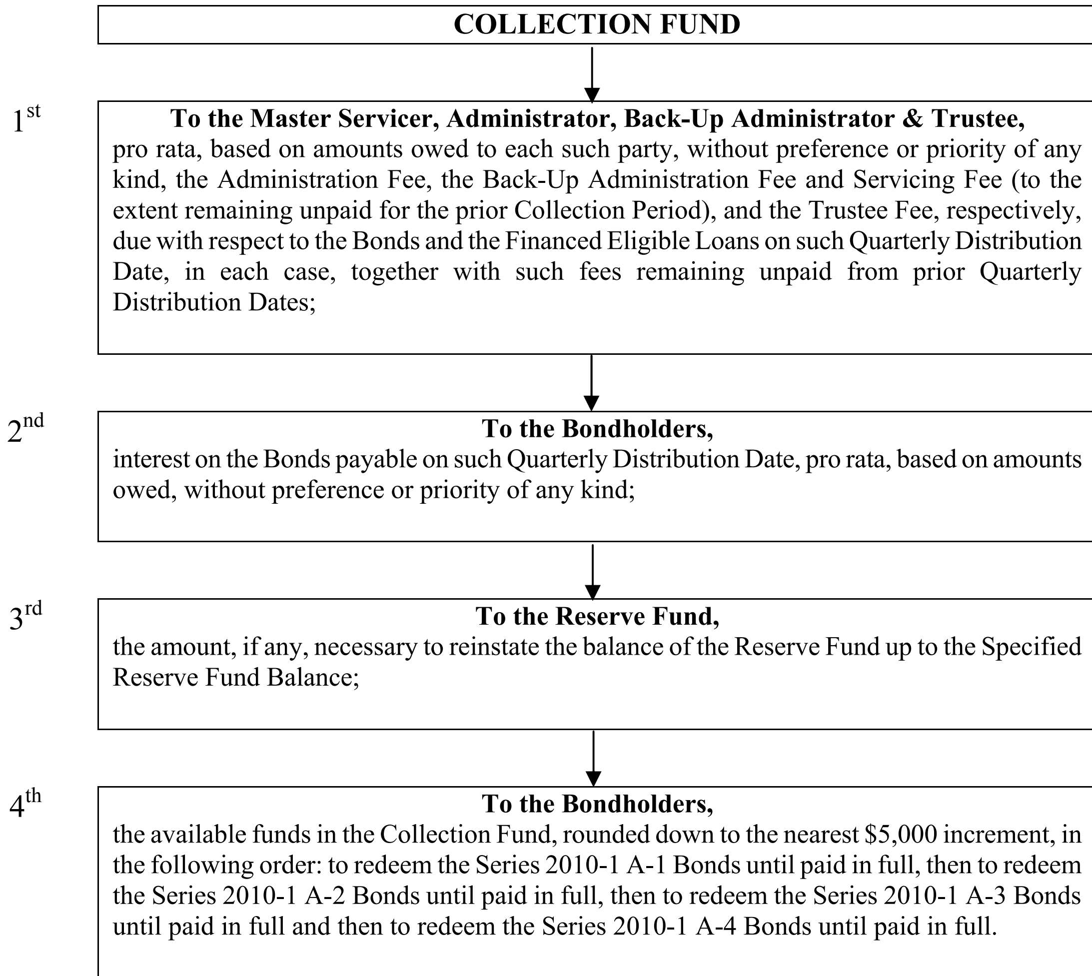
Cost of Issuance Fund

On the Date of Issuance certain cash will be transferred to the Cost of Issuance Fund in the amount set forth in the Indenture. Moneys on deposit in the Cost of Issuance Fund shall be used to pay the costs of issuance of the Bonds on the Date of Issuance.

Collection Fund; Flow of Funds

The Trustee will credit to the Collection Fund all revenues derived from the Financed Eligible Loans; all proceeds of any sale of the Financed Eligible Loans; all related amounts received under any joint sharing agreement; any amounts transferred from the Reserve Fund, and the Department Rebate Fund; and any earnings on investment of the funds established under the Indenture as they are earned (except the Rebate Fund and Excess Interest Fund).

On each monthly payment date money in the Collection Fund will be used to pay Administration Fees to the Administrator, Back-Up Administration Fees to the Back-Up Administrator and Servicing Fees to the Master Servicer, which will in turn pay the Subservicer. In addition, the following amounts may be disbursed from the Collection Fund, as required: (i) amounts due to the U.S. Department of Education or to any guaranty agency with respect to the Financed Eligible Loans, (ii) amounts due from the Trust Estate to another trust estate pursuant to the joint sharing agreement, (iii) amounts required to be deposited to the Department Rebate Fund for payment to the U.S. Department of Education with respect to the Financed Eligible Loans, and (iv) amounts required to be deposited to the Rebate Fund or the Excess Interest Fund. On each Quarterly Distribution Date, prior to an Event of Default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available.



See "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE" for additional information with respect to the flow of funds in the Collection Fund for the Bonds.

Flow of Funds Following an Event of Default and Acceleration of the Bonds

Following the occurrence of an Event of Default and acceleration of the Bonds, and after the payment of certain fees and expenses, available money will be utilized to make payments in the following order of priority: (i) first to interest due on the Bonds, pro rata without preference or priority of any kind and (ii) second to principal owing on the Bonds, pro rata without preference or priority of any kind, until the Bonds are paid in full. See "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE."

Investment of Funds Held by Trustee

The Trustee will invest amounts credited to any Fund established under the Indenture in investment securities described in the Indenture pursuant to orders received from the Authority. In the absence of an order, and to the extent practicable, the Trustee will invest amounts held under the Indenture in money market funds. The Trustee is not responsible or liable for any losses on investments made by it or for keeping all funds held by it fully invested at all times. Its only responsibility is to comply with investment instructions in a non-negligent manner.

Prepayment of Financed Eligible Loans

Generally, all of the Financed Eligible Loans are prepayable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower's default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee payments with respect to such loans. The rates of payment of principal on the Bonds and the yield on the Bonds may be affected by prepayments of the Financed Eligible Loans. Because prepayments generally will

be paid through to Bondholders as redemptions of Bonds, it is likely that the actual final payments on the Bonds will occur prior to the final maturity dates. Accordingly, in the event that the Financed Eligible Loans experience significant prepayments, the actual final payments on the Bonds may occur substantially before the final maturity date, causing a shortening of the Bonds' weighted average life. Weighted average life refers to the average amount of time that will elapse from the date of issuance of a Bond until each dollar of principal of such Bond will be repaid to the investor.

Release of Financed Eligible Loans

The Indenture provides that for administrative purposes, the Authority may release Financed Eligible Loans free from the lien of the Indenture, so long as the Authority deposits an amount equal to the principal amount of Financed Eligible Loans and accrued interest thereon, and the collective aggregate principal balance of all such releases does not exceed 5.00% of the initial Pool Balance and the collective aggregate principal balance of all such releases in any calendar year does not exceed 1.00% of the Pool Balance as of January 1, of such calendar year (or as of the Date of Issuance with respect to the first calendar year). See "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE" hereto.

THE BONDS

General Terms of the Bonds

The Bonds will bear interest from the date of delivery. The Bondholders will receive quarterly distributions of interest on each Quarterly Distribution Date, which is defined as the 1st day of each January, April, July and October (or the next business day if it is not a business day) commencing on April 1, 2011. Within a Series of the Bonds, Bonds in a principal amount equal to the funds available for principal distributions on each Quarterly Distribution Date will be selected for redemption on a random basis and redeemed on each Quarterly Distribution Date.

The Bonds will be issued in fully registered form, without coupons and shall be issued in denominations of $5,000 and any integral multiples thereof.

Interest Payments

Interest will accrue on the Bonds at their respective interest rates during each interest accrual period. The initial interest accrual period for the Bonds begins on the date of issuance and ends on the day preceding the initial Quarterly Distribution Date. For all other Quarterly Distribution Dates, the interest accrual period will begin on the prior Quarterly Distribution Date and end on the day before such Quarterly Distribution Date.

Interest on the Bonds will be payable to the Bondholders on the 1st day of each January, April, July and October, or if any such day is not a business day, the next business day, commencing April 1, 2011.

Subject to the maximum interest rate provisions as further described below, the interest rate on the Series 2010-1 A-1 Bonds for any Interest Accrual Period, other than the first Interest Accrual Period, will be 100% of the applicable 3-Month LIBOR plus 0.65%, as calculated by the Trustee. For the first Interest Accrual Period, the Series 2010-1 A-1 Bond Rate shall be calculated by reference to the following formula: $x + [a / b * (y - x)]$ plus 0.65%, as calculated by the Trustee, where: x = 100% of 4-Month LIBOR; y = 100% of 5-Month LIBOR; $a = 15$ (the actual number of days from the maturity date of 4-Month LIBOR to the first Quarterly Distribution Date); and $b = 32$ (the actual number of days from the maturity date of 4-Month LIBOR to the maturity date of 5-Month LIBOR).

Subject to the maximum interest rates provisions as further described below, the interest rate on the Series 2010-1 A-2 Bonds for any Interest Accrual Period, other than the first Interest Accrual Period, will be 100% of the applicable 3-Month LIBOR plus 0.80%, as calculated by the Trustee. For the first Interest Accrual Period, the Series 2010-1 A-2 Bond Rate shall be calculated by reference to the following formula: $x + [a / b * (y - x)]$ plus 0.80%, as calculated by the Trustee, where: x = 100% of 4-Month LIBOR; y = 100% of 5-Month LIBOR; $a = 15$ (the actual number of days from the maturity date of 4-Month LIBOR to the first Quarterly Distribution Date); and $b = 32$ (the actual number of days from the maturity date of 4-Month LIBOR to the maturity date of 5-Month LIBOR).

Subject to the maximum interest rates provisions as further described below, the interest rate on the Series 2010-1 A-3 Bonds for any Interest Accrual Period, other than the first Interest Accrual Period, will be 100% of the applicable 3-Month LIBOR plus 1.05%, as calculated by the Trustee. For the first Interest Accrual Period, the Series

2010-1 A-3 Bond Rate shall be calculated by reference to the following formula: x + [a / b * (y - x)] plus 1.05%, as calculated by the Trustee, where: x = 100% of 4-Month LIBOR; y = 100% of 5-Month LIBOR; a = 15 (the actual number of days from the maturity date of 4-Month LIBOR to the first Quarterly Distribution Date); and b = 32 (the actual number of days from the maturity date of 4-Month LIBOR to the maturity date of 5-Month LIBOR).

Subject to the maximum interest rates provisions as further described below, the interest rate on the Series 2010-1 A-4 Bonds for any Interest Accrual Period, other than the first Interest Accrual Period, will be 100% of the applicable 3-Month LIBOR plus 1.25%, as calculated by the Trustee. For the first Interest Accrual Period, the Series 2010-1 A-4 Bond Rate shall be calculated by reference to the following formula: x + [a / b * (y - x)] plus 1.25%, as calculated by the Trustee, where: x = 100% of 4-Month LIBOR; y = 100% of 5-Month LIBOR; a = 15 (the actual number of days from the maturity date of 4-Month LIBOR to the first Quarterly Distribution Date); and b = 32 (the actual number of days from the maturity date of 4-Month LIBOR to the maturity date of 5-Month LIBOR).

See "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE" herein for a complete description of the calculation of 3-Month, 4-Month and 5-Month LIBOR.

The Trustee will calculate the rate of interest on the Bonds on the second business day before the beginning of each interest accrual period. The amount of interest distributable to holders of the Bonds will be calculated by multiplying the applicable interest rate for the interest accrual period by the principal amount outstanding immediately preceding such Quarterly Distribution Date and multiplying that product by the actual number of days in the interest accrual period divided by 360 and rounding the resultant figure to the fifth decimal point.

Maximum Interest Rates. The maximum interest rate on the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds and the Series 2010-1 A-4 Bonds, respectively, is a net effective interest rate, as determined under Texas law, of 15% per annum (the "Maximum Rate").

If the rate of interest on the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds, respectively, calculated based on LIBOR exceeds the Maximum Rate for any period in which interest is payable, then interest at the Maximum Rate will be due and payable with respect to such interest period. On such date as the rate of interest on the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds or the Series 2010-1 A-4 Bonds, respectively, calculated without regard to the Maximum Rate is less than the Maximum Rate, then the Bonds of such Series will bear interest at the rate not in excess of the Maximum Rate for such interest accrual period which will provide the amount of interest that would have been paid had the Maximum Rate not been in effect in prior interest accrual periods (the "Excess Amount"). The Excess Amount is used solely to determine the interest rate on the Bonds to the date of their maturity and is not otherwise payable to the Bondholders. Any Bond that matures by redemption or otherwise is not entitled to any Excess Amount.

Payment of Principal

The aggregate outstanding principal balance of the Bonds will be due and payable in full on the respective Quarterly Distribution Date set out in the table below:

Series	Final Maturity Date
2010-1 A-1	January 1, 2018
2010-1 A-2	October 1, 2020
2010-1 A-3	October 1, 2023
2010-1 A-4	April 1, 2035

Except after an acceleration of the Bonds, principal on the Bonds will be paid first on the Series 2010-1 A-1 Bonds until paid in full, second on the Series 2010-1 A-2 Bonds until paid in full, third on the Series 2010-1 A-3 Bonds until paid in full and fourth on the Series 2010-1 A-4 Bonds until paid in full. Bonds in a principal amount equal to the funds available for principal distributions on each Quarterly Distribution Date, rounded down to the nearest $5,000 increment, will be selected for redemption on a random basis, within a Series of the Bonds, in $5,000 increments and redeemed on such Quarterly Distribution Date.

Amounts on deposit in the Reserve Fund in excess of the Specified Reserve Fund Balance will be transferred to the Collection Fund and will be applied as described under "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Collection Fund; Flow of Funds." Other than such excess amounts, principal payments due on the Bonds will

be made from the Reserve Fund only (a) on the final maturity date for the Bonds or (b) on any Quarterly Distribution Date when the market value of securities and cash in the Collection Fund and the Reserve Fund is sufficient to pay the remaining principal amount of and interest accrued on the Bonds.

Optional Redemption of Bonds in Full

The Authority shall have the option to redeem all of the Bonds on the Quarterly Distribution Date next succeeding the last day of the Collection Period on which the then outstanding Pool Balance is 10% or less of the Initial Pool Balance and on each Quarterly Distribution Date thereafter. If this redemption option is exercised, the Financed Eligible Loans will be released to the Authority free from the lien of the Indenture.

If the Authority exercises its redemption option, the Authority must deposit with the Trustee an amount that, when combined with amounts on deposit in the Funds and Accounts held under the Indenture, would be sufficient to

- reduce the outstanding principal amount of the Bonds then outstanding on the related Quarterly Distribution Date to zero;
- pay to the Bondholders the interest payable on the related Quarterly Distribution Date; and
- pay any unpaid administration, back-up administration, servicing and Trustee fees.

"Pool Balance" for any date means the aggregate principal balance of Financed Eligible Loans (defined herein) on that date, including accrued interest that is expected to be capitalized, as reduced by the principal portion of (i) all payments received by the Authority through that date from borrowers, the guarantee agencies and the U.S. Department of Education; (ii) all amounts received by the Authority through that date from purchases of Financed Eligible Loans; (iii) all Liquidation Proceeds and Realized Losses on Financed Eligible Loans through that date; (iv) the amount of any adjustment to balances of Financed Eligible Loans that any servicer makes under a servicing agreement through that date; and (v) the amount by which guarantor reimbursements of principal on defaulted Financed Eligible Loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

Prepayment and Maturity Considerations

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

However, scheduled payments with respect to the Financed Eligible Loans may be reduced and the maturities of Financed Eligible Loans may be extended, including pursuant to grace periods, deferral periods and forbearance periods. The rate of payment of principal on the Bonds may also be affected by the rate of defaults resulting in losses on the Financed Eligible Loans that may have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of the guaranty agencies to make guarantee payments on such Financed Eligible Loans. In addition, the maturity of certain of the Financed Eligible Loans may extend beyond the final maturity date for the Bonds.

More information on weighted average lives, expected maturities and percentages of original principal remaining at each quarterly distribution date is set forth in "APPENDIX D—WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT EACH QUARTERLY DISTRIBUTION DATE FOR THE BONDS" hereto.

Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, and interest and other payments with respect to the Bonds to Direct Participants (as

defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such 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 Bonds. The 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 Bonds 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 S&P's highest rating: AAA. 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 and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has

agreed to obtain and transmit notices to Beneficial Owners; in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

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

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

Principal and interest payments on the 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 Paying Agent 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 nor its nominee, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 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, Bond certificates will be printed and delivered to DTC. The Trustee and the Authority will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting, and so long as a book-entry-only system is used, will send any notices to Bondholders 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 any 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 Bonds, (b) the delivery to any Beneficial Owner of the Bonds or other person, other than DTC, of any notice with respect to the Bonds or (c) the payment to any Beneficial Owner of the Bonds or other person, other than DTC, of any amount with respect to the principal of or interest on the 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 to DTC Participants or that the DTC Participants or others will distribute payments of debt service on the Bonds paid to DTC or its nominee, as the registered owner thereof, or any 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 in this section concerning DTC and DTC's book-entry system is based upon information obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

FEES

The annual fees payable by the Authority are set forth in the table below. In addition, ACS, the Authority and the Trustee are paid or reimbursed for their expenses. The priority of payment of such fees and expenses is described above in "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Collection Fund; Flow of Funds." The below fees are paid from the Collection Fund prior to any other payments and any amounts owed to the below recipients in excess of the amounts shown below are paid after the Bonds are paid in full.

Fees	Recipient	Amount
Administration Fee	Panhandle-Plains Management & Servicing Corporation	0.60%[(1)]
Servicing Fee	Panhandle-Plains Management & Servicing Corporation	0.30%[(2)]
Trustee Fee and Expenses	Wells Fargo Bank, National Association	0.02%[(3)]

(1) As a percentage of the Pool Balance as of the beginning of the preceding month. One-twelfth of the amount referenced above is payable on each monthly payment date. The Back-Up Administrator will be paid monthly fees in accordance with the Back-Up Administration Agreement.

(2) Monthly servicing fees paid from the Trust Estate are paid monthly according to schedules set forth in each servicing agreement with an assumed 3.0% inflation rate per annum adjusted annually. For the first full month of the transaction, the servicing fees will be approximately 0.30% per annum of the principal balance of the Financed Eligible Loans.

(3) Amount referenced above is the maximum trustee fee and expenses per annum permitted under the Indenture. The initial trustee fee and expenses will not exceed 0.02% per annum of the principal amount of the bonds outstanding immediately preceding such Quarterly Distribution Date and is payable on each Quarterly Distribution Date.

PLAN OF FINANCE

All of the proceeds from the sale of the Bonds will be used along with certain other funds available to the Authority, to refund certain bonds (the "Refunded Bonds") that currently remain outstanding under the Authority's Restated and Amended Indenture dated as of August 30, 2007 (the "Prior Indenture") and to refund advances under the Bank of America Line of Credit (defined herein) (the "Refunded Advances," and together with the Refunded Bonds, the "Refunded Obligations"). Certain Eligible Loans released from the Prior Indenture and Bank of America Line of Credit will be pledged to the Trustee and cash released from the Prior Indenture will be deposited into the Cost of Issuance Fund and the Reserve Fund. The Authority will pay the costs of issuance from moneys deposited to the Cost of Issuance Fund.

CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS

As of September 30, 2010 (the "Statistical Cut-off Date"), the characteristics of the FFELP Loans the Authority expects to pledge under the Indenture upon the refunding of the Refunded Obligations with the proceeds of the Bonds were as described below. The aggregate outstanding principal balance of the Financed Eligible Loans in each of the following Financed Eligible Loan tables includes the principal balance due from borrowers, which does not include total accrued interest of approximately $5,048,478 (of which approximately $3,741,151 is expected to be capitalized upon commencement of repayment). The percentages set forth in the Financed Eligible Loan tables below may not always add to 100% and the balances may not always add to $216,347,419 due to rounding.

The aggregate characteristics of the entire pool of FFELP Loans, including the composition of the FFELP Loans and the related borrowers, the related guaranty agencies, the distribution by student loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented below, since the information presented below is as of the Statistical Cut-off Date, and the date that the FFELP Loans will be pledged to the Trustee under the Indenture will occur after that date.

COMPOSITION OF THE FINANCED ELIGIBLE LOANS
(As of the Statistical Cut-off Date)

Summary

Aggregate Outstanding Principal Balance:	$216,347,419
Accrued Interest to be Capitalized:	$3,741,151
Number of Borrowers:[1]	16,305
Average Outstanding Principal Balance Per Borrower:	$13,269
Number of Loans:	78,444
Average Outstanding Principal Balance Per Loan:	$2,758
Weighted Average Remaining Term to Scheduled Maturity (months):[2]	161
Weighted Average Payments Made (months):	47
Weighted Average Annual Borrower Interest Rate:[3]	4.73%
Weighted Average Special Allowance Payment Repayment Margin to 3-Month Commercial Paper:	2.44%
Weighted Average Special Allowance Payment Repayment Margin to 91-Day Treasury Bill:	2.98%

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(1) A single borrower can have more than one account if such borrower had different types of underlying FFELP loans with certain characteristics.

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

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

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY LOAN TYPE
(As of the Statistical Cut-off Date)

Loan Type	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Consolidation – Unsubsidized	3,965	$53,081,769	24.54%
Stafford – Unsubsidized	29,978	52,446,756	24.24
Stafford – Subsidized	38,406	52,704,548	24.36
Consolidation – Subsidized	3,980	51,532,774	23.82
PLUS	2,047	6,223,981	2.88
Grad PLUS	68	357,590	0.17
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY
RANGE OF ANNUAL BORROWER INTEREST RATE
(As of the Statistical Cut-off Date)

Range of Annual Borrower Interest Rate	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than or equal to 1.99%	10,689	$14,903,287	6.89%
2.00% - 2.99%	27,315	49,034,568	22.66
3.00% - 3.99%	5,706	33,289,685	15.39
4.00% - 4.99%	2,061	26,458,574	12.23
5.00% - 5.99%	978	11,638,331	5.38
6.00% - 6.99%	29,368	61,973,172	28.65
Greater than 6.99%	2,327	19,049,801	8.81
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY SCHOOL TYPE
(As of the Statistical Cut-off Date)

School Type	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Four-Year Institution/Grad	50,775	$100,857,087	46.62%
Unknown Consolidation	6,579	88,420,835	40.87
Two-Year Institution	17,391	20,174,162	9.32
Proprietary School	3,451	6,544,785	3.03
Unknown	248	350,551	0.16
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE
LOANS BY SAP INTEREST RATE INDEX
(As of the Statistical Cut-off Date)

SAP Interest Rate Index	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
90-day CP Index	73,049	$203,119,706	93.89%
91-day T-Bill Index	5,395	13,227,713	6.11
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE
LOANS BY BORROWER PAYMENT STATUS
(As of the Statistical Cut-off Date)

Borrower Payment Status	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Deferment	13,688	$32,966,397	15.24%
Forbearance	6,298	19,828,991	9.17
Grace	3,876	7,245,103	3.35
In School	8,242	13,473,973	6.23
Repayment (First Year)	7,752	17,058,439	7.88
Repayment (Second Year)	5,523	10,455,745	4.83
Repayment (Third Year)	5,505	14,763,229	6.82
Repayment (More than 3 Years)	24,236	93,583,040	43.26
Claims Filed	3,317	6,972,502	3.22
Paid in Full	7	0	0.00*
Total:	78,444	$216,347,419	100.00%

* Actual percentage is greater than zero.

DISTRIBUTION OF THE FINANCED ELIGIBLE
LOANS BY RANGE OF DAYS DELINQUENT
(As of the Statistical Cut-off Date)

Range of Days Delinquent	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than or equal to 30	65,098	$182,631,925	84.42%
31 - 60	2,285	7,088,842	3.28
61 - 90	1,751	4,843,608	2.24
91 - 120	1,542	4,211,741	1.95
121 - 150	1,013	2,674,003	1.24
151 - 180	1,152	2,640,467	1.22
181 - 210	909	1,919,642	0.89
211 - 240	625	1,804,490	0.83
241 - 270	889	2,138,107	0.99
Greater than 270	3,180	6,394,594	2.96
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE
LOANS BY DATE OF DISBURSEMENT*
(As of the Statistical Cut-off Date)

Date of Disbursement	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Pre October 1, 1993	278	$377,692	0.17%
October 1, 1993 – June 30, 2006	45,152	124,527,650	57.56
July 1, 2006 to July 1, 2010	33,014	91,442,077	42.27
Total:	78,444	$216,347,419	100.00%

* Student loans disbursed prior to October 1, 1993 are 100% guaranteed by the applicable guarantee agency. Student loans disbursed on or after October 1, 1993 and before July 1, 2006, are 98% guaranteed by the applicable guarantee agency. Student loans for which the first disbursement is made on or after July 1, 2006, and prior to July 1, 2010, are 97% guaranteed by the applicable guarantee agency.

DISTRIBUTION OF THE FINANCED ELIGIBLE
LOANS BY DATE OF DISBURSEMENT*
(As of the Statistical Cut-off Date)

Date of Disbursement	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Pre April 1, 2006	43,755	$120,125,617	55.52%
April 1, 2006 - September 30, 2007	25,794	72,262,726	33.40
October 1, 2007 to July 1, 2010	8,895	23,959,075	11.07
Total:	78,444	$216,347,419	100.00%

* For FFELP Loans disbursed on or after April 1, 2006 and before July 1, 2010, if the stated interest rate is higher than the rate applicable to such loan including Special Allowance Payments, the holder of the loan is to credit the difference to the Department of Education. FFELP Loans disbursed on or after October 1, 2007, have a higher SAP margin for eligible not-for-profit lenders such as the Authority than for for-profit lenders, but a 40 bps to 70 bps lower SAP margin than loans originated on or after January 1, 2000 and before October 1, 2007.

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF OUTSTANDING PRINCIPAL BALANCE
(As of the Statistical Cut-off Date)

Range of Outstanding Principal Balance	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than or equal to $2,000.00	52,379	$52,679,248	24.35%
$2,000.01 - $4,000.00	16,748	45,102,224	20.85
$4,000.01 - $6,000.00	3,249	15,451,725	7.14
$6,000.01 - $8,000.00	1,283	8,857,186	4.09
$8,000.01 - $10,000.00	859	7,716,626	3.57
$10,000.01 - $15,000.00	1,403	17,210,988	7.96
$15,000.01 - $20,000.00	915	15,873,096	7.34
$20,000.01 - $25,000.00	587	13,081,045	6.05
$25,000.01 - $30,000.00	352	9,598,237	4.44
$30,000.01 - $35,000.00	224	7,255,152	3.35
$35,000.01 - $40,000.00	135	5,052,218	2.34
$40,000.01 - $50,000.00	129	5,705,542	2.64
$50,000.01 - $60,000.00	68	3,721,857	1.72
Greater than $60,000.00	113	9,042,275	4.18
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF REMAINING TERM TO SCHEDULED MATURITY
(As of the Statistical Cut-off Date)

Range of Remaining Term to Scheduled Maturity	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than or equal to 24	4,593	$3,302,163	1.53%
25 - 48	7,364	6,726,546	3.11
49 - 72	10,642	14,032,518	6.49
73 - 96	12,594	23,233,195	10.74
97 - 120	34,016	68,871,484	31.83
121 - 144	2,619	11,816,586	5.46
145 – 168	984	9,827,755	4.54
169 – 192	977	11,581,886	5.35
193 – 216	1,089	11,848,613	5.48
217 – 240	1,143	13,262,832	6.13
241 – 264	441	7,640,648	3.53
265 – 288	928	11,317,041	5.23
289 – 312	769	9,927,914	4.59
313 - 336	106	4,752,348	2.20
337 - 360	146	6,893,956	3.19
Greater than 360	33	1,311,938	0.61
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE
LOANS BY GEOGRAPHIC LOCATION
(As of the Statistical Cut-off Date)

Geographic Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Texas	69,772	$185,471,658	85.73%
California	689	3,061,116	1.41
Colorado	560	2,573,548	1.19
New Mexico	960	2,286,283	1.06
Oklahoma	788	2,089,314	0.97
Florida	377	1,569,519	0.73
Arizona	482	1,358,902	0.63
Georgia	276	1,060,436	0.49
Tennessee	217	1,019,822	0.47
Virginia	326	1,010,431	0.47
Kansas	268	871,969	0.40
Louisiana	292	825,936	0.38
New York	172	811,780	0.38
Washington	276	787,740	0.36
Ohio	152	772,119	0.36
Missouri	174	763,636	0.35
Arkansas	166	723,821	0.33
North Carolina	238	657,717	0.30
Kentucky	110	650,313	0.30
Illinois	124	557,761	0.26
Other	2,025	7,423,599	3.43
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY SERVICER
(As of the Statistical Cut-off Date)

Servicer	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
ACS Education Services, Inc.	78,444	$216,347,419	100.00%
Total:	78,444	$216,347,419	100.00%

DISTRIBUTION OF THE FINANCED ELIGIBLE
LOANS BY GUARANTY AGENCY
(As of the Statistical Cut-off Date)

Guaranty Agency	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Texas Guaranteed Student Loan Corporation	78,444	$216,347,419	100.00%
Total:	78,444	$216,347,419	100.00%

Borrower Benefits

Certain of the Financed Eligible Loans are qualified to receive various interest rate reduction incentive programs. Under such incentive programs, the interest rate on a loan may be reduced by an amount in a range between

0.25% and 2.75%. Factors determining the rate of the applicable reduction included the type of loan, disbursement date, and the number of on time payments made by the borrower. Additionally, a borrower had to qualify for the reduction incentive prior to June 1, 2008 in order to receive such incentive. Should the borrower make an untimely payment, a payment received 15 days after the due date, the applicable rate reduction is forfeited.

CERTAIN RISK FACTORS

Attention should be given to the investment considerations described below which, among others, could affect the ability of the Authority to pay debt service on the Bonds, and which could also affect the market price of the Bonds to an extent that cannot be determined. This section of this Official Statement does not include all risk factors, but is an attempt to summarize certain of such matters. Each prospective purchaser of the Bonds should read this Official Statement in its entirety, including the Appendices hereto.

Bondholders may have difficulty selling the Bonds. There currently is no secondary market for the 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 Bonds does develop, the spread between the bid price and the asked price for the Bonds may widen, thereby reducing the net proceeds of the sale of the Bonds. The Authority does not intend to list the Bonds on any exchange, including any exchange in either Europe or the United States. Under current market conditions, Bondholders may not be able to sell the Bonds or Bondholders may not be able to obtain the price that they wish to receive. The market values of the Bonds may fluctuate and movements in price may be significant.

Possible loss of tax exemption of the interest on the Bonds. Provisions of the Internal Revenue Code of 1986, as amended (the "Code") impose continuing requirements that must be met after the issuance of the Bonds for interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements may cause the interest on the Bonds to be includable in gross income for such purposes, either prospectively or retroactively to the date of issuance of the Bonds. The Indenture contains covenants by the Authority intended to preserve the excludability from gross income of interest on the Bonds for federal income tax purposes. See "TAX MATTERS."

The Authority has not sought to obtain a private letter ruling from the IRS with respect to the tax status of the Bonds, and the opinion of Fulbright & Jaworski L.L.P. and Ballard Spahr LLP is not binding on the IRS. There is no assurance that any IRS examination of the Bonds will not adversely affect the market for or market value of the Bonds during the pendency of such examination. See "TAX MATTERS" below.

No subordinate bonds will be issued under the Indenture and therefore, the Bonds will bear all losses not covered by available security. Security for the Bonds consists of excess interest on the Financed Eligible Loans, overcollateralization and cash on deposit in the Reserve Fund. The Authority is not issuing any other bonds under the Indenture, including bonds with different maturities or bonds that are subordinate to the Bonds. Therefore, to the extent that the security described herein is exhausted, the Bonds will bear any risk of loss.

The initial market value of the Bonds may be significantly below par or face value. The initial market value of the Bonds may be significantly lower than their par or face value. In addition, because there is no established trading market for the Bonds, there can be no assurance of what market value they may have. Holders must independently consider the market value of such securities.

Bonds not a Suitable Investment for all Investors. The Bonds are not a suitable investment for Bondholders that require a regular or predictable schedule of payments or payment on any specific date. The Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

Limited Assets Available to Pay Principal and Interest. The Bonds are obligations solely of the Authority. Moreover, the Authority will have no obligation to make any of its assets available to pay principal of or interest on the Bonds, other than with the assets making up the Trust Estate. Bondholders must rely for repayment upon revenues realized from the Financed Eligible Loans and other assets in the Trust Estate. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

Bondholders will bear prepayment and extension risk due to actions taken by individual borrowers and other variables beyond our control. A borrower may prepay a Financed Eligible Loan in whole or in part at any time. The rate of prepayments on the Financed Eligible Loans may be influenced by a variety of economic, social, competitive and other factors, including changes in interest rates, the availability of alternative financings and the general economy. In addition, the Authority may receive unscheduled payments on FFELP Loans due to defaults. It is impossible to predict the amount and timing of payments that will be received on the Financed Eligible Loans and paid to Bondholders in any period. Consequently, the length of time that the Bonds are outstanding and accruing interest may be shorter than expected.

On the other hand, the Financed Eligible Loans may be extended as a result of grace periods, deferment periods and, under some circumstances, forbearance periods. In addition, scheduled payments with respect to the Financed Eligible Loans may be reduced and the maturities of the Financed Eligible Loans may be extended under certain repayment schedules available under the Higher Education Act, including income sensitive and income based repayment schedules. If a borrower uses any of these periods or schedules, it may lengthen the remaining term of the Financed Eligible Loans and delay principal payments. In addition, the amount available for distribution will be reduced if borrowers fail to pay timely the principal and interest due on the Financed Eligible Loans. Consequently, the length of time that the Bonds are outstanding and accruing interest may be longer than expected.

Possible Shortfalls in Payments to Bondholders. The Reserve Fund will be funded on the date of issuance. Amounts on deposit in the Reserve Fund will be replenished to the extent of available funds so that the amount on deposit in the Reserve Fund will be maintained at the Specified Reserve Fund Balance. In the event that the funds on deposit in the Reserve Fund are exhausted and there are insufficient available funds in the Collection Fund, the Bonds will bear any risk of loss.

Payment Priorities among the Bonds may Result in a Greater Risk of Loss. Except in the case of an acceleration following an Event of Default, the payment of principal on the Bonds will generally be paid first on the Series 2010-1 A-1 Bonds until paid in full, second on the Series 2010-1 A-2 Bonds until paid in full, third on the Series 2010-1 A-3 Bonds until paid in full and fourth on the Series 2010-1 A-4 Bonds until paid in full. Consequently, holders of the Series 2010-1 A-2 Bonds, Series 2010-1 A-3 Bonds and Series 2010-1 A-4 Bonds may bear a greater risk of loss. Potential purchasers of the Bonds should consider the priority of payment of the Bonds before making an investment decision.

Certain Amendments to the Indenture and other Actions may be Taken Without Bondholder Approval. The Indenture permits the Authority and the Trustee to make certain amendments to the Indenture or take certain other actions based upon the receipt of a Rating Confirmation, without the consent of the Bondholders. Additionally, certain changes to the Indenture or other actions may be taken without the consent of the Bondholders as described in "APPENDIX A—SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE—SUPPLEMENTAL INDENTURES—Supplemental Indentures Not Requiring Consent of Owners" hereto. Under the Indenture, Bondholders of specified percentages of the aggregate principal amount of the Bonds may consent to an amendment or supplement or waive provisions of the Indenture without the consent of the other Bondholders. The Bondholders may vote in a manner which impairs the ability to pay principal and interest on the Bonds.

Basis Risk on the Bonds. There is a degree of basis risk associated with the Bonds. Basis risk is the risk that shortfalls might occur because the rates of return on the Financed Eligible Loans and the interest rate on the Bonds adjust on the basis of different indexes or at different times. If a shortfall were to occur, payment of principal or interest on the Bonds could be adversely affected.

Different Rates of Change in Interest Rate Indexes may Affect Trust Estate Cash Flow. The interest rate on the Bonds may fluctuate from one interest accrual period to another in response to changes in the specified index rates. The Financed Eligible Loans bear interest either at fixed rates or at rates which are generally based upon the bond equivalent yield of the 91 day U.S. Treasury Bill rate. In addition, the Financed Eligible Loans may be entitled to receive special allowance payments from the Department of Education based generally upon a three-month commercial paper rate. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" and "APPENDIX C—DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM." If there is a decline in the rates payable on Financed Eligible Loans, the amount of funds representing interest deposited into the Collection Fund may be reduced. If the interest rate payable on the Bonds does not decline in a similar manner and time, the Authority may not have sufficient funds to pay interest on the Bonds when due. Even if there is a similar reduction in the rate applicable to the Bonds, there may not necessarily be a reduction in the other amounts required to be paid by the Authority, such as administrative expenses,

causing interest payments to be deferred to future periods. Similarly, if there is a rapid increase in the interest rate payable on the related Bonds without a corresponding increase in rates payable on the Financed Eligible Loans, the Authority may not have sufficient funds to pay interest on the Bonds when due. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the Bonds or expenses of the Trust Estate.

Commingling of Payments on Financed Eligible Loans. Payments received on the Financed Eligible Loans generally are deposited into an account in the name of the Subservicer each Business Day. However, payments received on the Financed Eligible Loans will not be segregated from payments the Subservicer receives on other student loans it services. Such amounts are transferred to the Trustee for deposit into the Collection Fund at least every two business days. Prior to the transfer of such funds, the Subservicer may invest those funds for its own account and at its own risk. If the Subservicer is unable to transfer such funds to the Trustee, Bondholders may suffer a loss.

A failure of the Department of Education to make reinsurance payments may adversely affect timely repayment on the Bonds. The financial condition of a guaranty agency may be adversely affected if it submits a large number of reimbursement claims relating to FFELP Loans to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay to the guaranty agency. The Department of Education may also require a guaranty agency to return its reserve funds to the Department of Education upon a finding that the reserves are unnecessary for the guaranty agency to pay its program expenses or to serve the best interests of the Federal Family Education Loan Program (the "FFEL Program"). The inability of any guaranty agency to meet its guarantee obligations could reduce the amount of principal and interest paid to the owners of the Bonds or delay those payments past their due date. If the Department of Education has determined that a guaranty agency is unable to meet its guarantee obligations relating to FFELP Loans, the loan holder may submit claims directly to the Department of Education and the Department of Education is required to pay the full guarantee claim amount due with respect thereto. However, the Department of Education's obligation to pay guarantee claims directly in this fashion is contingent upon the Department of Education making the determination that a guaranty agency is unable to meet its guarantee obligations. The Department of Education may not ever make this determination with respect to a guaranty agency and, even if the Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner.

Payment offsets by guarantee agencies or the Department of Education could prevent the Authority from paying the full amount of the principal and interest due on the Bonds. Due to the Department of Education's policy with respect to the granting of new lender identification numbers, the availability of such numbers has become restricted. As a result, it may be necessary for the Trustee, as eligible lender trustee to permit the Authority, or other issuers of obligations securitized by FFELP Loans to use the Department of Education lender identification number applicable to the FFELP Loans in the Trust Estate. In that event, the billings submitted to the Department of Education for interest subsidy and special allowance payments on the Financed Eligible Loans held in the Trust Estate would be consolidated with the billings for such payments for FFELP Loans in other trust estates using the same lender identification number, and payments on such billings would be made by the Department in lump sum form. Such lump sum payments would then be allocated among the various trust estates in which the Trustee serves as the eligible lender trustee thereof using the same lender identification number.

In addition, the sharing of the lender identification number among FFELP Loans in different trust estates may result in the receipt of claim payments by guarantors in lump sum form. In that event, such payments would be allocated among the trust estates in a manner similar to the allocation process for interest subsidy payments and special allowance payments.

The Department of Education regards the eligible lender trustee as the party primarily responsible to the Department of Education for any liabilities owed to the Department of Education or guarantors resulting from the eligible lender trustee's activities in the FFEL Program. As a result, if the Department of Education or a guarantor were to determine that the eligible lender trustee owes a liability to the Department of Education or a guarantor on any FFELP Loan for which the eligible lender trustee is or was legal titleholder, including FFELP Loans held in the Trust Estate or other trust estates, the Department of Education or guarantor may seek to collect that liability by offset against payments due the eligible lender trustee under the Trust Estate. In the event that the Department of Education or a guarantor determines such a liability exists in connection with a trust estate using the shared lender identification number, the Department of Education or guarantor would be likely to collect that liability by offset against amounts due the eligible lender trustee under the shared lender identification number, including amounts owed in connection with the Trust Estate created under the Indenture.

In addition, other trust estates using the shared lender identification number may in a given calendar quarter incur consolidation origination fees that exceed the interest subsidy and special allowance payments payable by the Department of Education on the FFELP Loans in such other trust estates, resulting in the consolidated payment from the Department of Education received by the eligible lender trustee under such lender identification number for that quarter equaling an amount that is less than the amount owed by the Department of Education on the loans in that trust estate for that quarter. Pursuant to a joint sharing agreement among each trust established by the Authority, the Trustee and the Eligible Lender Trustee, in the event that the Department of Education or a Guarantor withholds payment or otherwise seeks reimbursement from the Eligible Lender Trustee with respect to FFEL Program loans securing obligations of a trust established by the Authority, such trust shall transfer an amount equal to the amount withheld or reimbursement paid to the Department of Education or a Guarantor to the applicable trust from which payments owed by the Department of Education or a Guarantor were withheld.

Bondholders may incur losses or delays in payment on the Bonds if borrowers default on their Financed Eligible Loans. The Trust Estate securing the Bonds will contain Financed Eligible Loans made under the FFEL Program. In general, under current law a guaranty agency reinsured by the Department of Education will guarantee 98% of each FFELP Loan held in the Trust Estate first disbursed on or before June 30, 2006 and 97% of each FFELP Loan held in the Trust Estate first disbursed on or after July 1, 2006. As a result, if the borrower under one of those FFELP Loans defaults, the Trust Estate will experience a loss of approximately 2% or 3%, as the case may be, of the outstanding principal and accrued interest on the defaulted loan. The Authority will have no right to pursue the borrower for the remaining 2% or 3% unguaranteed portion.

Failure to comply with loan origination and servicing procedures for FFELP Loans may result in loss of guarantee and other benefits. The Higher Education Act and its implementing regulations require holders of FFELP Loans and guarantee agencies guaranteeing FFELP Loans to follow specified procedures in making and collecting on those FFELP Loans. If the Authority failed or fails to follow those procedures, or if any guaranty agency, originator, the Master Servicer or the Subservicer of FFELP Loans fails to follow those procedures, the Department of Education and the guarantee agencies may refuse to pay claims on defaulted loans submitted by the Master Servicer or the Subservicer on behalf of the Trust Estate. If the Department of Education or a guaranty agency refused to pay a claim, it would reduce the revenues of the Trust Estate and impair the Authority's ability to pay principal and interest on the Bonds. See "DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" in this Official Statement.

Bankruptcy or Insolvency of the Master Servicer or Subservicer; Default by the Master Servicer. Panhandle-Plains Management & Servicing Corporation will act as the Master Servicer with respect to the Financed Eligible Loans and will engage the Subservicer to service such Financed Eligible Loans. In the event of a default by the Master Servicer or the Subservicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the Trustee or the Bondholders from appointing a successor servicer and delays in collections in respect of the Financed Eligible Loans may occur. Any delay in the collections of Financed Eligible Loans may delay payments to Bondholders.

If the Master Servicer or the Subservicer fails to comply with the Department of Education's third-party servicer regulations regarding FFELP Loans, payments on the Bonds could be adversely affected. The Department of Education regulates each servicer of FFELP Loans. Under these regulations, a third-party servicer, including the Master Servicer or the Subservicer, is jointly and severally liable with its client lenders for liabilities to the Department of Education arising from its violation of applicable requirements. In addition, if the Master Servicer or the Subservicer fails to meet standards of financial responsibility or administrative capability included in the regulations, or violates other requirements, the Department of Education may fine the Master Servicer or the Subservicer and/or limit, suspend, or terminate the Master Servicer's or the Subservicer's eligibility to contract to service FFELP Loans. If the Master Servicer or the Subservicer were so fined or held liable, or its eligibility were limited, suspended, or terminated, its ability to properly service the FFELP Loans held in the Trust Estate and to satisfy its obligation to purchase any FFELP Loans with respect to which it has breached its representations, warranties or covenants could be adversely affected. In addition, if the Department of Education terminates the Master Servicer's or the Subservicer's eligibility to service FFELP Loans, a servicing transfer will take place and there may be costs of the transfer and delays in collections and temporary disruptions in servicing on those FFELP Loans. Any servicing transfer may adversely affect payments to the Bondholders.

Optional Redemption of Bonds. The Bonds may be repaid before expected in the event of an optional redemption (when the Pool Balance is 10% or less of the initial Pool Balance) as described under "THE BONDS—

Optional Redemption of Bonds." Such event would result in the early retirement of the applicable Bonds outstanding on that date.

Incentive or Borrower Benefit Programs. The Financed Eligible Loans may be subject to various borrower incentive programs. Any incentive program that effectively reduces borrower payments or principal balances on Financed Eligible Loans may result in the principal amount of Financed Eligible Loans amortizing faster than anticipated. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS—Borrower Benefits."

Consumer Protection Lending Laws. Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Also, some state laws impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. In some cases, this liability could affect an assignee's ability to enforce consumer finance contracts such as the Financed Eligible Loans.

Currently, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 preserves the changes made in the 1998 amendments to the Bankruptcy Code which had removed one of the two exceptions to non-dischargeability of Financed Eligible Loans making it more difficult to discharge a Financed Eligible Loan in bankruptcy. Bankruptcy reform legislative proposals to alter the non-dischargeability of Financed Eligible Loans have been discussed and/or introduced in the Congress of the United States among which include proposals to allow private student loans to be dischargeable in bankruptcy. No assurance can be given as to whether these or any alternative bankruptcy reform legislative proposals will be enacted at the federal level.

Uncertainty of Available Remedies. The remedies available to the Trustee, the Authority or Bondholders upon an Event of Default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (Federal Bankruptcy Code), the remedies provided in the Indenture may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the 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 laws affecting the rights or remedies of creditors generally and by limitations on the availability of equitable remedies.

General Economic Conditions. A continued downturn in the economy resulting in increasing unemployment either regionally or nationally may result in increased defaults by borrowers in repaying Financed Eligible Loans. Failures by borrowers to pay timely the principal of and interest on the Financed Eligible Loans or an increase in deferments or forbearances could affect the timing and amount of available funds for any Collection Period and the ability to pay principal of and interest on the Bonds. The effect of these factors, including the effect on the timing and amount of available funds for any Collection Period and the ability to pay principal of and interest on the Bonds, is impossible to predict.

Servicemembers Civil Relief Act. 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, FFELP borrowers who enter military service shall not incur interest in excess of six percent (6%) per year during their military service. Any interest greater than six percent (6%) is forgiven by the Authority.

Elimination of New FFELP Loans after July 1, 2010. On March 30, 2010, President Obama signed into law H.R. 4872 – the Health Care and Education Reconciliation Act of 2010 ("HCERA"). HCERA provides that after June 30, 2010, no new student loans will be made under the FFEL Program. Beginning July 1, 2010, all subsidized and unsubsidized Stafford loans, PLUS loans, and Consolidation loans can only be made under the government's Federal Direct Loan Program ("FDLP"). However, the FFELP Program will continue to be in effect with respect to FFELP Loans originated and guaranteed prior to July 1, 2010.

The curtailment of the FFEL Program could have a material adverse impact on the Master Servicer, the Subservicer, the Authority and the guaranty agencies. For example, the Servicers may experience increased costs due to reduced economies of scale to the extent the volume of loans serviced by the Master Servicer and the Subservicer is

reduced. Those cost increases could affect the ability of the Master Servicer and the Subservicer to satisfy their obligations to service the student loans held in the Trust Estate securing the Bonds. Student loan volume reductions could further reduce revenues received by the guaranty agencies available to pay claims on defaulted FFELP Loans. In addition, the level of competition currently in existence in the secondary market for FFELP Loans could be reduced, resulting in fewer potential buyers of FFELP Loans and lower prices available in the secondary market for those loans.

HCERA also allows, from July 1, 2010 through June 30, 2011, certain borrowers who are in-school or in-grace to obtain a Federal Direct Consolidation Loan. The Authority cannot predict which borrowers may qualify or decide to consolidate their student loans under this program. See "RISK FACTORS—Bondholders will bear prepayment and extension risk due to actions taken by individual borrowers and other variables beyond our control" herein.

The Authority cannot predict the impact that HCERA will ultimately have on current participants in the FFEL Program and on the Bonds.

Changes in Federal Law. Various amendments to the Higher Education Act authorize the Secretary to offer borrowers direct consolidation loans whereby the borrowers may consolidate their various Financed Eligible Loans into a single loan with income-sensitive repayment terms. The financing of such consolidation loans by the Secretary on a large scale basis may cause an increase in the number of prepayments of FFELP Loans. See "APPENDIX C—DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto for more information on the Higher Education Act and various amendments thereto. There can be no assurance that any future law will not prospectively or retroactively affect the terms and conditions under which Financed Eligible Loans are made and under which lenders are provided interest subsidies or special allowance payments in a manner that might adversely affect the ability of the Authority to pay the principal of and interest on the Bonds when due.

THE AUTHORITY

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Telephone: (877) 629-3669 and (806) 324-4100
Facsimile: (806) 655-3669
Web Site: www.pphea.org

The Authority is a non-profit corporation originally created under the Texas Non-Profit Corporation Act in May, 1969 under the name of The Opportunity Plan Foundation, Inc. Said corporation was reorganized on August 26, 1979 and its Articles of Incorporation were amended to change its name and purpose to the present name and purpose.

The Authority is authorized to (i) provide funds for the acquisition of Guaranteed Student Loans made to students at post-secondary educational institutions, and (ii) provide procedures for the servicing of such Guaranteed Student Loans in accordance with the Higher Education Act and the Texas Education Code. The Authority's Articles of Incorporation provide that after payments of expenses, debt service and the creation of reserves for the same, all revenues are required to be utilized for the purchase of Guaranteed Student Loans or shall be paid over to the United States. The Authority's activities are governed by the Texas Education Code, the Higher Education Act and the Texas Non-Profit Corporation Act.

The Authority is governed by a Board of Directors consisting of eleven directors. All Directors are appointed by the governing body (the "Governing Body") of the City of Hereford, Texas, upon nomination by the Authority. The Governing Body may also remove directors of the Authority. 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.

Board of Directors

Name	Principal Occupation	Term Expires Annual Meeting
Dr. Ron Hiner President	Retired Professor of Accounting West Texas A&M University[(1)] Canyon, Texas	2012
Dr. Kenneth Van Doran Vice President	Retired Professor of Mathematics West Texas A&M University[(1)] Canyon, Texas	2011
Tammy Roark Secretary/Treasurer	Senior Vice President, Plains Capital Bank[(2)] Lubbock, Texas	2011
Larry M. Alley	Retired – Bank/Finance Hereford, Texas	2011
Jon D. Drake	EVP and Chief Financial Officer Peoples Bank Texas[(2)] Lubbock, Texas	2012
Woody Gilliland	President/CEO West Texas Rehabilitation Center Abilene, Texas	2011
Dr. Ron Miller	Superintendant of Schools Plainview ISD Plainview, Texas	2011
Gene Parker	Retired – Randall County Commissioner Amarillo, Texas	2012
Mike Ryan	Retired College Administrator San Angelo, Texas	2012
Carolyn Waters	Retired Public School Teacher Hereford, Texas	2012
Jeff Brown	Retired – Bank/Finance Hereford, Texas	2012

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(1) Eligible Institution
(2) Eligible Lender

In January 2009, the Authority along with the Panhandle Plains Student Finance Corporation entered into an agreement with Fred Markham to serve in the position of Monitor. The Monitor acts as an advisor to the Board of the Authority and is charged with reviewing the activities of Administrator as well as the Master Servicer in its performance of its duties on behalf of the Authority. In particular, he reviews all billings made to the Authority by the Master Servicer, advises on governance and performs such other duties as requested by the Board of Directors of the Authority. Mr. Markham retired from the Master Servicer and previously served as the Executive Director of Central Texas Higher Education Authority prior to its acquisition by the Authority.

Management

The Authority has contracted with the Master Servicer to provide all managerial and administrative services to the Authority, subject to the overall management of the Board of Directors. Thomas Neal Combs, President of the

Master Servicer, also serves as the Executive Director of the Authority. John Wright, a Senior Vice President of the Master Servicer, also serves as the Chief Financial Officer of the Authority. Zach Bell, a member of the Master Servicer's senior management, also serves as the Deputy Chief Financial Officer of the Authority. See "THE MASTER SERVICER."

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The Authority's Outstanding Indebtedness

As of September 30, 2010, the Authority had outstanding series of student loan revenue bonds in the respective principal amounts as follows (as categorized pursuant to the indenture under which they were authorized and issued):

Series of Bonds	Original Principal Amount	Outstanding Principal Amount	Final Maturity
Bonds issued under 1993 Indenture:			
1999A-1	$35,000,000	$29,600,000	12/01/33
2001A-1	35,000,000	28,600,000	04/01/31
2001A-3	110,500,000	90,700,000	04/01/31
2001A-4	45,000,000	33,100,000	10/01/31
2001A-5	45,000,000	45,000,000	10/01/31
2001B-1	13,000,000	13,000,000	04/01/31
2001B-2	10,000,000	10,000,000	10/01/31
Bonds issued under 1991 Indenture:			
1995A	50,000,000	46,200,000	06/01/25
1997X	35,000,000	31,300,000	06/01/27
2003A-1	74,400,000	57,500,000	06/01/35
2003A-2	74,400,000	74,400,000	06/01/35
2003A-3	44,400,000	36,000,000	01/01/38
2003B-1	10,000,000	10,000,000	06/01/35
2004A-1	71,700,000	61,600,000	06/01/36
2004A-2	28,300,000	28,300,000	06/01/36
2004A-3	44,600,000	32,000,000	01/01/39
2004A-4	44,000,000	44,000,000	01/01/39
2005A-1	75,000,000	60,400,000	01/01/40
2005A-2	75,000,000	75,000,000	01/01/40
2005A-4	70,150,000	62,050,000	12/01/40
2005A-5	70,150,000	70,150,000	12/01/40
2006A-1	52,450,000	47,850,000	12/01/40
2007A-1	41,775,000	36,575,000	08/01/57
2007A-2	41,750,000	41,750,000	08/01/57
2007A-3	80,000,000	69,200,000	08/01/57
2007A-4	80,000,000	69,100,000	08/01/57
2007A-5	80,000,000	69,100,000	08/01/57
2007A-6	80,000,000	69,100,000	08/01/57
2007A-7	80,000,000	69,100,000	08/01/57
2007B-1	5,000,000	5,000,000	08/01/57
Bonds issued under Abilene Indenture:			
1995B(1)	24,400,000	19,900,000	07/01/25
1997(1)	35,000,000	23,400,000	07/01/27
1998A(1)	32,000,000	26,300,000	07/01/28
1998B(1)	3,000,000	3,000,000	07/01/13
2002A-1	38,200,000	26,700,000	01/01/32
2005A-3	64,775,000	54,225,000	01/01/40
Bonds issued under Central Indenture:			
2000A(2)	35,000,000	25,650,000	12/01/34
2002A(2)	35,000,000	30,050,000	12/01/36
2003A(2)	25,000,000	19,500,000	12/01/37
2003B(2)	10,000,000	10,000,000	12/01/37
2004A(2)	17,500,000	13,650,000	12/01/38
TOTAL	$1,921,450,000	$1,668,050,000	

(1) On January 12, 2001, the Authority purchased the trust estate assets of AHEA-1, formerly owned by the Abilene Higher Education Authority, Inc., and assumed its outstanding bond obligations. The Series 2002A-1 Bonds and the Series 2005A-3 Bonds were issued on a parity with such outstanding bonds.

(2) On June 22, 2005, the Authority purchased the stock of CTHEA, Inc., a Texas for profit corporation created in 2004 in connection with a conversion of the Central Texas Higher Education Authority, Inc., a student loan secondary market ("Central"), in accordance with Section 150(d)(3) of the Code. CTHEA, Inc. acquired all student loan notes and other assets pledged to secure the repayment of bonds previously issued by Central (the "Central Bonds") and CTHEA, Inc. assumed the obligation to pay the outstanding Central Bonds. Central Texas Student Loan Corporation, LLC ("CTSLC"), whose membership interests were owned by CTHEA, Inc., then acquired the student loans notes and other assets pledged to secure repayment of the Central Bonds and assumed the obligation to pay the outstanding Central Bonds. By acquiring the stock of CTHEA, Inc. and merging CTHEA, Inc. with CTSLC, the Authority became the sole member of CTSLC. In 2009, CTSLC was dissolved and the Authority assumed the obligation to pay the outstanding Central Bonds.

In addition to the revenue bonds described in the preceding table, the Authority also has entered into a $63,518,294.49 line of credit with Bank of America, N.A., Amarillo, Texas, which will expire on January 4, 2011 (the "Bank of America Line of Credit"). As of August 31, 2010, the entire $63,518,294.49 had been advanced and was outstanding on the Bank of America Line of Credit. A portion of the Bonds will be used to pay down advances made on the Bank of America Line of Credit. See "PLAN OF FINANCE." The Bonds will be issued pursuant to a separate Indenture, the assets of which are not cross-collateralized with the assets of any other trust estate.

Challenges Facing the Authority

Market volatility and fluctuations in interest rates beginning in late 2007 and continuing throughout 2008 to mid 2009 in the active bond markets resulted in substantial increases in the Authority's interest rates on outstanding bonds payable during 2008 through mid 2009, particularly those bonds with variable interest rates, including auction rate securities type bonds. During mid 2009, market volatility and fluctuations in interest rates slowed with interest rates leveling down. However, if market volatility and fluctuations in interest rates increase, it could have a significant financial impact on the Authority going forward. If the Authority cannot refund or convert the interest rate for its auction rate securities and refund or modify its variable rate debt obligations affected by this market disruption, the Authority may experience higher financing costs under the general indentures involved.

On March 30, 2010, President Obama signed into law H.R. 4872, the Health Care and Education Reconciliation Act of 2010, HCERA. HCERA provides that after June 30, 2010, no new student loans will be made under the FFEL Program. Beginning July 1, 2010, all subsidized and unsubsidized Stafford loans, PLUS loans, and Consolidation loans can only be made under the government's Federal Direct Loan Program which eliminates the Authority's ability to purchase newly originated loans in the secondary market. HCERA also allows, from July 1, 2010 through June 30, 2011, certain borrowers who are in-school or in-grace to obtain a Federal Direct Consolidation Loan. In order to qualify, the borrower must meet the following conditions: the borrower must have a loan in at least two of the following categories: FDLP, FFELP Loans held by a lender or FFELP Loans held by the Secretary of Education and the borrower has not entered repayment on at least one of the loans being consolidated. This could result in a decrease in the Authority's existing loan portfolio as a result of loans being consolidated into the Federal Direct Loan Program.

The Authority plans to continue to manage its portfolio of loans to maximize its return and to develop equity in the trust estates. Longer term the Authority will explore terminating its status as a 150(d) corporation and converting to a charitable foundation to promote the educational aspirations of students. Such a conversion would not impact the tax status of the Bonds or the activities of the Administrator.

Back-Up Administrator

The Panhandle-Plains Management & Servicing Corporation in its capacity as Administrator will perform administrative duties under the Indenture. The Authority has entered into a Back-Up Administration Agreement with the Administrator, the Trustee and ACS Asset Management Group, Inc., as Back-Up Administrator. The Back-Up Administration Agreement requires the Back-Up Administrator to assume certain rights and obligations of the Administrator under the Indenture generally 60 days after it receives notice from the Authority or the Trustee of the occurrence of any one of the following events: (i) the Administrator resigns as Administrator under the Master Agreement as it relates to the Indenture, (ii) the Administrator becomes insolvent, a bankruptcy petition against or by the Administrator is filed, or a trustee or the like is appointed for the Administrator, (iii) the Administrator is unwilling to perform its administrative duties under the Master Agreement or is grossly negligent or engages in willful misconduct in performance of its administrative duties under the Master Agreement as they relate to the Indenture (subject to notice and a cure period), (iv) the Master Agreement terminates at the end of its term without renewal or replacement or (v) the Administrator fails to deliver the quarterly reports required pursuant to the Indenture within 30 days after each Quarterly Distribution Date (subject to an additional 15 day cure period in certain circumstances). The Trustee at the direction of the Authority, the Administrator or the Owners of not less than a majority of the outstanding Bonds is required to give notice to the Back-Up Administrator as described above. Unless the Back-Up Administrator is then in default under the Back-Up Administration Agreement as it relates to the Indenture, no person other than the Back-Up Administrator will be engaged as successor Administrator under the Indenture without the Back-Up Administrator's written consent. The Authority is required to maintain a Back-Up Administration Agreement during the term of the Bonds (unless the Back-Up Administrator has become the successor Administrator).

THE LOAN FINANCE PROGRAM

General

The FFEL Program is a program of reinsurance of FFELP Loans guaranteed or insured by a state agency or by a private non-profit corporation. Accordingly, the discussion of the Authority's Loan Finance Program under this caption primarily relates to the FFEL Program. For a description of the FFEL Program, see "APPENDIX C—DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto.

Federal Student Loan Programs

The Higher Education Act provides for a program of (a) direct federal insurance of student loans ("FISLP") and (b) reinsurance of FFELP Loans guaranteed or insured by a state agency or private non-profit corporation. Several types of loans are currently authorized as FFELP Loans pursuant to the FFEL Program. These include: (a) loans to students with respect to which the federal government makes interest payments available to reduce student interest cost during periods of enrollment ("Subsidized Federal Stafford Loans"); (b) loans to students with respect to which the federal government does not make such interest payments ("Unsubsidized Federal Stafford Loans" and, collectively with Subsidized Federal Stafford Loans, "Federal Stafford Loans"); (c) supplemental loans to parents of dependent students ("Federal PLUS Loans"); (d) supplemental loans to graduate students ("Federal Graduate PLUS Loans"); and (e) loans to fund payment and consolidation of certain of the borrower's obligations ("Federal Consolidation Loans"). Prior to July 1, 1994, the FFEL Program also included a separate type of loan to graduate and professional students and independent undergraduate students and, under certain circumstances, dependent undergraduate students to supplement their Stafford Loans ("Federal Supplemental Loans for Students" or "Federal SLS Loans").

No assurance can be given that the Higher Education Act or other relevant federal or State laws, rules and regulations and the programs implemented thereunder will not be amended or modified in the future in a manner which might adversely impact the Authority's Loan Finance Program, or might adversely affect the availability and flow of funds to the Authority or the overall financial condition of the Authority. Existing legislation and future measures to reduce the federal budget deficit or for other purposes may affect the amount and nature of federal financial assistance available to students in a manner which may affect demand for the FFEL Program. See "APPENDIX C—DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto for a description of the FFEL Program and related matters.

Lack of Liability of Eligible Guaranty Agencies. Neither the guarantee funds nor any other assets or revenues of the eligible guaranty agencies, including amounts payable to the guaranty agencies by the Secretary, as described above, are pledged as security for the Bonds or are available for payment of the Bonds. However, amounts paid from such assets and revenues by the eligible guaranty agencies to the Authority in fulfillment of the eligible guaranty agencies' insurance obligations with respect to Loans are so pledged.

Reimbursement. The original principal amount of loans guaranteed by a guaranty agency which are in repayment for purposes of computing reimbursement payments to a guaranty agency means the original principal amount of all loans guaranteed by a guaranty agency less: (1) guarantee payments on such loans, (2) the original principal amount of such loans that have been fully repaid, and (3) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary may withhold reimbursement payments if a guaranty agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. A supplemental Guaranty Agreement is subject to annual renegotiation and to termination for cause by the Secretary. The Authority has no knowledge that any aforementioned supplemental Guaranty Agreement will not be renegotiated on the same terms as are currently in effect.

Under the Guaranty Agreements and the supplemental guaranty agreements, if a payment on an Eligible Loan guaranteed by a guaranty agency is received after reimbursement by the Secretary, the guaranty agency is entitled to receive an equitable share of the payment.

Any originator of any student loan guaranteed by a guaranty agency is required to discount from the proceeds of the loan at the time of disbursement, and pay to the guaranty agency, an insurance premium which may not exceed that permitted under the Higher Education Act and other applicable law.

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

THE MASTER SERVICER

Panhandle-Plains Management & Servicing Corporation

The Authority has retained Panhandle-Plains Management & Servicing Corporation (the "Master Servicer") to oversee the servicing of loans owned by the Authority and to provide the Authority with managerial and administrative services. The Master Servicer also provides headquarters support for the Authority and another non-profit corporation - the Panhandle-Plains Student Finance Corporation. The Master Servicer operates under the name Panhandle-Plains Student Loan Center ("PPSLC") and is governed by a seven-member board of directors, two of whom are employees of the Master Servicer. Brief biographical descriptions of the members of the Board of Directors appear below.

The Master Servicer is a Texas for-profit corporation created in 1999. In 1999 the Master Servicer purchased the assets of the Panhandle-Plains Student Loan Center Division (the "Division") of The Opportunity Plan, Inc., assumed its servicing contracts with the Authority, and obtained use of the Panhandle-Plains Student Loan Center name. As of the date of this Official Statement, the Board of Directors of the Master Servicer is in discussions with a third-party concerning the purchase of the shares of the Master Servicer from its shareholders. It is anticipated that, if this transaction is completed, the Master Servicer's management would remain in place, except for the current President and Chief Executive Officer, Mr. Thomas Neal Combs, who plans to retire.

The Master Servicer is headquartered in Canyon, Texas and has approximately twenty full time employees. The Master Servicer's primary business is managing the Authority's business affairs, addressing issues arising on loans serviced before the engagement of ACS as Subservicer, and monitoring the performance of the Subservicer and providing assistance to the Authority in carrying out its charitable educational mission, including outreach to students and parents.

Management

Members of the Master Servicer's management are as follows:

Mr. Thomas Neal Combs presently serves as Executive Director of the Authority and President and Chief Executive Officer of the Master Servicer. He is a licensed attorney in the States of Texas and Michigan as well as the District of Columbia. He retired from the Texas Guaranteed Student Loan Corporation on December 1, 2006 after having served with TG for over 13 years, holding, among other titles, that of Senior Vice President – Chief Operating Officer and General Counsel. Prior to joining TG, he practiced law and for over fifteen years served as an officer of Fruehauf Corporation where he first served as Vice President and General Counsel and then as Executive Vice President and Chief Financial Officer, and as Vice Chairman of the Board and Chief Executive Officer. He attended Southern Methodist University and graduated with Bachelor of Arts and Juris Doctorate degrees.

Mr. John A. Wright, II, Senior Vice President—Abilene Center, heads the Abilene office of the Master Servicer. He has been involved in the student loan industry since 1982 and was the chief executive officer of the Abilene Higher Education Authority prior to joining the Master Servicer in January, 2001. In addition, Mr. Wright serves as Chief Financial Officer of the Authority. He has Bachelor of Science and Bachelor of Business Administration degrees from Abilene Christian University.

Mr. Jimmy Parker, Executive Vice President Secondary Market Operations, came to the Master Servicer in January, 2001 after 23 years in the financial aid area. He is responsible for and manages the daily operations of the Authority. Prior to joining the Master Servicer, Mr. Parker served as Director of Financial Aid at Angelo State University for 16 years. He has a Bachelor of Business Administration degree from West Texas A&M University.

Mr. Zach Bell, Deputy Chief Financial Officer of the Authority, came to the Master Servicer in October, 2005. Mr. Bell is a CPA and prior to joining the Master Servicer, he was senior auditor for Doshier, Pickens, and Francis for five years. He has a Bachelor of Business Administration degree from West Texas A&M University.

Subservicing Agreement

Effective June 12, 2009, with the consent of the Authority Board of Directors, the Master Servicer entered into an agreement with ACS (See "THE SUBSERVICER" for a discussion of ACS) providing for ACS to serve as subservicer of the loans serviced by the Master Servicer on behalf of the Authority. The agreement is for life of loan servicing of the loans and the initial period is for seven years. Acting on behalf of the Master Servicer, ACS will perform the usual activities of a servicer including tasks such as billings, collections or default prevention services. The Master Servicer will continue to perform directly on behalf of the Authority all other activities on behalf of the Authority, including managing of the Authority's business affairs and reporting requirements.

As a result of the subservicing agreement, substantially all of the loans previously serviced by Master Servicer on its system have been converted to the ACS system. ACS has leased space from Master Servicer and approximately 95 of Master Servicer's former employees were transferred to employment with ACS.

THE SUBSERVICER

The Master Servicer has entered into a subservicing agreements with ACS Education Services, Inc. ("ACS") pursuant to which ACS will perform substantially all servicing responsibilities with respect to the Financed Eligible Loans held by the Authority under the Trust Estate. Currently, the Authority does not expect to enter into any other subservicing agreements to provide servicing of Eligible Loans held under the Indenture other than with ACS as described above and expects to service a majority of the Financed Eligible Loans itself.

Under a contract with the Master Servicer, the Subservicer will provide services for the Financed Eligible Loans it is servicing from the time of acquisition through the maturity of such Financed Eligible Loans. The Subservicer will prepare the bill for interest subsidy payments, if applicable, from the Secretary, monitor the enrollment of all borrowers, generate disclosure statements and coupon books, receive and post payments, perform due diligence on delinquent loans as required by federal regulations (including specific collection procedures), provide management and delinquency aging reports, request guarantor assistance when required on accounts, and provide a historical report of due diligence for claim filing. The Subservicer will also provide data inquiry and updating capabilities in addition to any training that might become necessary as a result of processing improvements or enhancements to the service level. The Subservicer will also perform such additional functions required to preserve the guarantee of the Guarantors or the insurance of the Secretary on the Financed Eligible Loans it is servicing.

The following information has been furnished by Xerox Corporation ("Xerox") for use in this Official Statement. The Authority does not guarantee or make any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of Xerox subsequent to the date hereof.

ACS Education Services, Inc. ACS Education Services, Inc., a Delaware corporation ("ACS-ES"), acts as a loan servicer for the issuing entity. ACS-ES is a for-profit corporation and a wholly-owned subsidiary of Xerox Corporation ("Xerox"). Headquartered in Norwalk, Connecticut, Xerox is a Fortune 500 company providing document technology, services, software and supplies for production and office environments, as well as business process and technology outsourcing solutions to world-class commercial and government clients. Xerox's common stock trades on the New York Stock Exchange under the symbol "XRX". ACS-ES has its headquarters at One World Trade Center, Suite 2200, Long Beach, California 90831, and has regional processing centers in Long Beach and Bakersfield, California; Utica, New York; Lombard, Illinois; Canyon, Texas and Aberdeen, South Dakota.

The Guaranteed Loan Servicing Group is operated by ACS-ES as an independent, third party education loan servicer with approximately 1000 employees, providing full service loan origination and servicing for the Federal Stafford, PLUS and Consolidation education loan programs and many alternative/private loan programs. ACS-ES and its predecessors have over 42 years of experience providing outsourcing services to higher education. As of February 2010, the Guaranteed Loan Servicing Group of ACS-ES currently services approximately 5 million education loan accounts with loans valued at approximately $57 billion.

ACS-ES's Guaranteed Loan Servicing Group services include Stafford, PLUS, Consolidation, and private/alternative loan origination, as well as post-origination conversion and loan servicing.

Origination services include receipt and validation of application data, underwriting (if required), school and borrower customer service, guaranty processing and loan disbursement. A wide range of schools and guarantors are supported, as well as a variety of different disbursement methods, including: check, master check, automated clearinghouse (ACH), and disbursement via guarantors and national disbursing agents.

Conversion services include set-up of new accounts to the servicing platform from our in house origination system or a lender's system. This area also supports transfer of existing education loan portfolios from other servicers' systems, as well as loan sales and securitizations.

Loan servicing includes lender and borrower services, payment and transaction processing, due diligence activities as required by federal regulations or private/alternative loan program requirements, and communications with schools, guarantors, the National Student Loan Clearing House, and others. In the event of borrower default, ACS-ES prepares and submits a claim package on the lender's behalf to the appropriate guaranty agency for review and guarantee payment, if applicable.

Xerox files periodic reports with the Securities and Exchange Commission (the "Commission") as required by the Securities Exchange Act of 1934, as amended. Reports filed with the Commission are available for inspection without charge at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549. Information as to the operation of the public reference facilities is available by calling the Commission at 1-800-SEC-0330. Information filed with the Commission can also be inspected at the Commission's site on the World Wide Web at "http://www.sec.gov". Xerox also currently provides information through Xerox's website at "http://www.xerox.com". Information filed by Xerox with the Commission or contained on Xerox's website is not intended to be incorporated as part of this Official Statement and information contained on Xerox's website is not a part of the documents that Xerox files with the Commission.

THE CUSTODIAN

Pursuant to the Subservicing Agreement, the Subservicer will have physical possession of the promissory notes and related documents evidencing the respective Eligible Loans (as used in this section, the "Notes"). The Trustee will not have physical possession of any Notes. The Trustee will have no responsibility for loss of or damage to Notes held by the Custodian or for any action or omission of the Custodian.

THE GUARANTOR

General

The Indenture authorizes the Authority to purchase Eligible Loans which are guaranteed by any entity authorized to guarantee student loans under the Higher Education Act and with which the Trustee or the Eligible Lender Trustee maintains a guaranty agreement. The Authority expects that all of the Financed Eligible Loans held under the Indenture will be guaranteed by Texas Guaranteed Student Loan Corporation ("TG"). See table under "Characteristics of the Finance Eligible Loans" titled "Distribution of the Financed Eligible Loans by Guaranty Agency." A brief description of TG is included in this Official Statement immediately below. The information concerning TG was provided to the Authority by TG and has not been verified by the Authority or the Underwriter. No representation is made by the Authority or the Underwriter as to the accuracy or completeness of such information.

TG is qualified to act as a "guaranty agency" under the Higher Education Act. The Higher Education Act sets forth numerous requirements applicable to guaranty agencies and provides that the Secretary of the Department of Education will reinsure claims paid by each such guaranty agency on defaulted Financed Eligible Loans.

For more information on the provisions affecting guaranty agencies in the Higher Education Act, see "APPENDIX C—DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Texas Guaranteed Student Loan Corporation

Organization. TG is a Texas public non-profit corporation organized in 1980 by the Texas legislature to operate as a guarantee agency in what is now known as the Federal Family Education Loan Program (FFELP), providing a Federally reinsured guaranty of eligible Stafford, PLUS and consolidation student loans. Located at 301 Sundance

Parkway, Round Rock, Texas 78681, TG is governed by ten directors appointed by the Governor of Texas in addition to the State Comptroller, and is staffed by approximately 680 employees.

Guarantee Volume. Approximate annual loan guarantee volume net of cancellations is as follows (in billions):

	Loan Guarantee Volume	
Federal Fiscal Year	Excluding Consolidation Loans	Including Consolidation Loans
2005	$3.31	$5.85
2006	3.37	6.04
2007	4.28	5.74
2008	6.72	7.38
2009	9.58	9.59

Portfolio Loans. Loan default rates for students attending proprietary schools typically exceed that for two-year and four-year schools. School type mix for the most current Federal fiscal year and for the total portfolio are as follows:

School Type	Federal Fiscal Year 2009	Total Portfolio as of September 30, 2009
Four year	73%	78%
Two year	6	7
Proprietary	21	11

Including consolidation loans, the total portfolio as of September 30, 2009 is comprised of 54% four year, 5% two year, 10% proprietary, and 31% consolidation.

Reserves. TG's Reserve Ratio as reported by ED is as follows:

Federal Fiscal Year	Claims Rates
2005	0.849%
2006	0.735
2007	0.900
2008	0.905
2009	0.980

Claims Rate. TG's claims rate represents the percentage of Federal reinsurance claims made by TG during a Federal fiscal year relative to TG's portfolio of loans designated as "in repayment" at the end of the prior Federal fiscal year. TG's historical claims rates are as follows:

Federal Fiscal Year	Claims Rates
2005	3.48%
2006	3.06
2007	3.01
2008	3.32
2009	3.40

Federal Family Education Loan Program Developments. Recent legislation provides for the sale of eligible FFELP loans to the US Department of Education removing them from the guarantor's portfolio, the extent of which cannot be determined. Enacted legislation discontinues FFELP loan originations after June 30, 2010.

No Liability to Bondholders. The information concerning TG in this Official Statement has been provided for the sole purpose of describing TG's function as guarantor of certain of the Eligible Loans. TG has no obligation or liability of any kind to the holders of these bonds or to pay the principal of redemption premium or interest on these bonds.

Miscellaneous. Liabilities created by TG are not debts of the State of Texas and TG may not secure any liability with funds or assets of the State except as otherwise provided in the final sentence of this paragraph. TG is subject to the Texas Sunset Act (Chapter 325, Government Code) and as a result of Sunset Review completed in 2004, the Texas Legislature enacted legislation to extend TG's existence until September 1, 2017. If TG is abolished in a subsequent Sunset Review, the Comptroller of Public Accounts of the State of Texas is required under the Texas Education Code to serve as trustee to administer the assets of TG and satisfy its outstanding obligations.

TG has not reviewed any other section of this Official Statement and shall have no responsibility of any information contained therein.

LEGALITY FOR INVESTMENT AND DEPOSIT

The following is quoted from Section 1201.041 of the Texas Government Code and is applicable to the Bonds:

> "A public security is…a legal and authorized investment for: an insurance company; a fiduciary or trustee; or a sinking fund of a municipality or other political subdivision of public agency of this state."

The Authority has made no other investigation of any laws and makes no representation that the Bonds will be eligible or suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes.

TAX MATTERS

Excludability of Interest. In the opinion of Fulbright & Jaworski L.L.P., bond counsel, and Ballard Spahr LLP, special tax counsel (together "Co-Counsel") to the Authority, interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Series Bonds, assuming the accuracy of the certifications of the Authority and continuing compliance by the Authority with the requirements of the Internal Revenue Code of 1986 (the "Code"). Interest on the Series 2010-1 A-1 Bonds is a tax preference item that is subject to the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds and the Series 2010-1 A-4 Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

No Further Opinion. Co-Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

A complete copy of the proposed form of opinions of Co-Counsel is set forth in Appendix B hereto.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or the existence or powers of the Authority.

The Authority's financial statements, attached hereto as Appendix E, describe certain litigation against the Authority related to Special Allowance Payments. The claims of the plaintiff against the Authority in the Oberg v. Nelnet, Inc., et al. case, United States District Court for the Eastern District of Virginia, Civil No. 1:07-cv-960-JFA were settled and the case against the Authority and the Master Servicer has been dismissed. As part of the settlement agreement, the Authority and the Master Servicer have made certain payments to the United States. The Authority does not believe that these payments will have a material adverse impact on the operations of the Authority or the Master Servicer.

ERISA CONSIDERATIONS

By virtue of activities unrelated to the issuance and underwriting of the Bonds, the Authority, the Underwriter of the Bonds, and their affiliates may be considered to be, with respect to an employee benefit plan, a "party in interest," within the meaning of section 3(14) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or a "disqualified person" within the meaning of section 4975(e)(2) of the Code. Examples of a "party in interest" or a "disqualified person" would be an employee benefit plan of the Authority, the Underwriter, one of their affiliates or any similarly situated plan. Thus, an acquisition of the Bonds by any such plan may constitute a "prohibited transaction" within the meaning of ERISA and the Code unless the acquisition is made pursuant to an exemption for certain transactions effected on behalf of such plan by a "qualified professional asset manager" as defined in and satisfying the terms and conditions of the exemption or pursuant to any other available exemption. Any such plan proposing to invest in the Bonds should consult with its counsel.

LEGALITY

The Authority will furnish to the Underwriter a complete transcript of proceedings relating to the authorization and issuance of the Bonds, and based upon examination of such transcript of proceedings, the approving legal opinion of Fulbright & Jaworski L.L.P., Bond Counsel, to the effect that the Bonds have been issued in compliance with the Indenture and are valid and legally binding special limited obligations of the Authority. The legality of the Bonds executed and delivered initially by the Authority also will be approved by the Attorney General of the State of Texas. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The Authority has been represented in the authorization, sale and issuance of the Bonds by T. Neal Combs. Certain legal matters will be passed upon for the Trustee by Looper, Reed, & McGraw, Dallas, Texas. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

FINANCIAL ADVISOR

The Authority has entered into an agreement with Student Loan Capital Strategies (the "Financial Advisor") whereunder the Financial Advisor provides financial recommendations and guidance to the Authority with respect to preparation for sale of the Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the Bonds. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and has supervised the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the Authority, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of this Official Statement or any other matter related to this Official Statement. The Financial Advisor also performs certain services for ACS Asset Management Group, Inc.

FINANCIAL STATEMENTS

The financial statements of the Authority at August 31, 2009, included in Appendix E, have been examined by Johnson & Sheldon, P.C., Amarillo, Texas, independent auditors, as set forth in its report related thereto.

UNDERWRITING

Under a bond purchase agreement (the "Purchase Agreement") entered into between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), the Bonds are being purchased at an aggregate purchase price equal to $208,200,000 (the principal amount of the Bonds). The Authority will pay the Underwriter a fee equal to $961,884.00. The Purchase Agreement provides that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Purchase Agreement.

The Underwriter intends to offer the Bonds to the public initially at the respective offering prices set forth on the front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices other than the public offering prices set forth on the front cover page of this Official Statement, and such offering prices may be changed, from time to time, by the Underwriter.

Bank of America Merrill Lynch, its affiliates and its customers presently own the Refunded Bonds issued under the Prior Indenture (as described under "PLAN OF FINANCE") that will be purchased and cancelled by the Authority with a portion of the proceeds of the Bonds. The Underwriter is an affiliate of Bank of America, N.A. (the "Bank"). The Bank has sold student loans to the Authority and has provided loans and other banking services to the Authority for many years. The Bank is the provider of the line of credit described herein under "THE AUTHORITY—The Authority's Outstanding Indebtedness."

RATINGS

The Bonds are expected to receive a rating of "AAA (sf)" and "AAA," respectively, by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch, Inc. ("Fitch"). The delivery of the Bonds is contingent upon receipt of such ratings. An explanation of the significance of such ratings may be obtained from the Rating Agency assigning such ratings. The ratings of the Bonds by S&P and Fitch reflect only the views of such organizations at the time such ratings were given, and the Authority makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by S&P or Fitch, if in the judgment of S&P or Fitch, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds, but does not constitute an Event of Default.

CONTINUING DISCLOSURE

The Authority has made the following agreement for the benefit of the Owners and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB as described in the following paragraph.

Annual Reports

The Authority will provide certain updated financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB") annually. The information to be updated includes all quantitative financial information and operating data with respect to the Authority of the general type included in this Official Statement in Appendix E and under the headings "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" and "THE AUTHORITY—The Authority's Outstanding Indebtedness." The Authority will update and provide this information within six months after the end of each fiscal year.

The Authority may provide updated information in full text or may incorporate by reference certain other publicly available documents. The updated information will include audited financial statements, if the Authority commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Authority will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix E or such other accounting principles as the Authority may employ.

The Authority's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless the Authority changes its fiscal year. If the Authority changes its fiscal year, it will notify the MSRB of the change.

Material Event Notices

The Authority will also provide timely notices of certain events to the MSRB. The Authority will provide notice of any of the following events with respect to the Bonds, if such event is material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax status of the Bonds, (7) modifications to rights of Owners of the Bonds; (8) calls pursuant to optional, extraordinary or special redemptions; (9) defeasances; (10) release, substitution, or sale of a substantial part of the property securing repayment of the Bonds; and (11) rating changes. Neither the Bonds nor the Indenture make any provision for credit enhancement or liquidity enhancement for the Bonds. In addition, the Authority will provide timely notice of any failure by the Authority to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The Authority has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The Authority has agreed to update information and to provide notices of material events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Authority disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although any Owner of Bonds may seek a writ of mandamus to compel the Authority to comply with its agreement. Failure of the Authority to comply with any provision of its continuing disclosure agreement is not a default under the Indenture.

The continuing disclosure agreement may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority but only if (1) the amended continuing disclosure agreement would have permitted an underwriter to purchase or sell Bonds in a primary offering of Bonds in compliance with SEC Rule 15c2-12, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Indenture that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Authority (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the Owners of the Bonds.

Compliance with Prior Undertakings

The Authority has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All quotations from, and summaries and explanations of the State laws, the Higher Education Act, the Indenture and other agreements contained herein do not purport to be complete and reference is made to said laws, regulations, Indenture and agreements for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the applicable State laws, the Indenture and other agreements may be inspected upon request directed to Panhandle-Plains Higher Education Authority, Inc., 1303 23rd Street, Canyon, Texas 79015, Attn: Executive Director.

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

The Trustee and the Eligible Lender Trustee have not participated in the preparation of and they assume no responsibility for this Official Statement, and they have not reviewed or undertaken to verify any information contained herein.

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

PANHANDLE-PLAINS HIGHER EDUCATION AUTHORITY, INC.

By: /s/ T. Neal Combs
Executive Director

APPENDIX A

SUMMARIES OF CERTAIN PORTIONS OF THE INDENTURE

The following are certain limited summaries from the Indenture, which is subject to change until the Date of Issuance. Upon request, the full Indenture is available from the Authority.

DEFINITIONS:

"Account" will mean any of the accounts which may be created and established within any Fund pursuant to the Indenture.

"Administration Fee" will mean the fee for performing the administrative duties under the Indenture. The fee will initially be paid to the Administrator. In the event the Back-Up Administrator becomes the successor Administrator, a portion of the fee equal to the amount set forth in the form of the successor Administration Agreement will be paid to the Back-Up Administrator and the remainder, if any, will be paid to Panhandle-Plains Management & Servicing Corporation for performance of residual administrative duties.

"Administrator" will mean Panhandle-Plains Management & Servicing Corporation when it is performing administrative duties for the Issuer under the terms of the Master Agreement and any successor appointed pursuant to the terms of the Indenture to perform any administrative duties hereunder, including, if applicable, the Back-Up Administrator.

"Affiliate" will mean, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Articles of Incorporation" will mean the articles of incorporation filed with the Secretary of State of the State establishing the Issuer under Texas law.

"Authorized Denominations" will mean a minimum denomination of $5,000 and integral multiples of $5,000 in excess thereof.

"Authorized Representative" will mean, when used with reference to the Issuer, the Executive Director, President, Vice President and Secretary and any other Person duly authorized to act on the Issuer's behalf, with notice to the Trustee.

"Authorizing Act" will mean Chapter 53B, Texas Education Code, as the same may be amended and supplemented.

"Available Funds" will mean, with respect to a Quarterly Distribution Date or any related Monthly Servicing Payment Date, the sum of the following amounts received to the extent not previously distributed: (a) all collections received by the Master Servicer or any Subservicer on the Financed Eligible Loans in the Loan Portfolio (including late fees received by the Master Servicer or any Subservicer with respect to Financed Eligible Loans and payments from any Guaranty Agency received with respect to Financed Eligible Loans) but net of (i) any collections in respect of principal on Financed Eligible Loans applied by the Issuer to repurchase guaranteed loans from the Guaranty Agencies or the Master Servicer or any Subservicer in accordance with its Guarantee Agreement, the Master Agreement or the related Subservicing Agreement, as applicable; (ii) amounts required to be paid pursuant to the Joint Sharing Agreement, (iii) any late fees retained by the Master Servicer, Subservicer or the Issuer and (iv) amounts required by the Higher Education Act to be paid to the Department (including, but not limited to, any Monthly Rebate Fees and any Department Rebate Interest Amounts to be deposited into the Department Rebate Fund or paid directly to the Department) or to be repaid to borrowers (whether or not in the form of a principal reduction), with respect to the portfolio of Financed Eligible Loans; (b) any Interest Subsidy Payments and Special Allowance Payments received by the Trustee or the Eligible Lender Trustee with respect to Financed Eligible Loans in the Loan Portfolio; (c) all Liquidation Proceeds from any Financed Eligible Loans which became Liquidated Financed Eligible Loans in accordance with the related Master Servicer or Subservicer's customary servicing procedures in the Loan Portfolio, and all other moneys collected with respect to any Liquidated Financed Eligible Loan which was written off, net of the sum of any amounts charged by the Master Servicer or related Subservicer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such Liquidated Financed Eligible Loan; (d) the aggregate Purchase Amounts received for Financed Eligible Loans in the Loan Portfolio repurchased by the seller or purchased by the Master Servicer or a

Subservicer or for serial loans sold to another eligible lender pursuant to the Master Agreement or the related Subservicing Agreement; (e) the aggregate amounts, if any, received from the seller, the Master Servicer or any Subservicer, as the case may be, as reimbursement of non-guaranteed interest amounts, or lost Interest Subsidy Payments and Special Allowance Payments, with respect to the Financed Eligible Loans in the Loan Portfolio pursuant to a Student Loan Purchase Agreement, the Master Agreement or a Subservicing Agreement, respectively; (f) other amounts received by the Master Servicer or a Subservicer pursuant to its role as Master Servicer or Subservicer under the Master Agreement or the related Subservicing Agreement, respectively, and payable to the Issuer in connection with the Financed Eligible Loans in the Loan Portfolio; (g) all interest earned or gain realized from the investment of amounts in any Fund or Account attributable to the Bonds other than the Rebate Fund and the Excess Interest Fund; (h) any amount received pursuant to the Joint Sharing Agreement and attributable to the Financed Eligible Loans in the Loan Portfolio and (i) any other amounts deposited to the Collection Fund. "Available Funds" will be determined pursuant to the terms of this definition by the Issuer and reported to the Trustee. Amounts described in clause (a)(i), (ii) and (iii) hereof will be paid by the Trustee upon receipt of a written direction from the Issuer. The Trustee may conclusively rely on such determinations without further duty to review or examine such information.

"Back-Up Administration Agreement" means the Back-Up Administration Agreement, as may be amended or supplemented from time to time, among the Issuer, each trustee from time to time a party thereto, including the Trustee, the Administrator, and ACS Asset Management Group, Inc., and any replacement thereof.

Back-Up Administration Fee" means the fee payable to the Back-Up Administrator specified in the Back-Up Administration Agreement.

"Back-Up Administrator" means ACS Asset Management Group, Inc. or any successor or replacement which enters into a Back-Up Administration Agreement with the Issuer and the Administrator.

"Basic Documents" will mean the Indenture, the Master Agreement, any Subservicing Agreement, any Backup Administration Agreement, any Student Loan Purchase Agreement, any Custodian Agreement, the Guarantee Agreements, the Eligible Lender Trust Agreement, the Joint Sharing Agreement, and other documents and certificates delivered in connection with any thereof.

"Bond Counsel" means counsel of nationally recognized standing in the field of law relating to public finance selected by the Issuer.

"Bond Final Maturity Date" means the January 1, 2018 Quarterly Distribution Date for the Series 2010-1 A-1 Bonds, the October 1, 2020 Quarterly Distribution Date for the Series 2010-1 A-2 Bonds, the October 1, 2023 Quarterly Distribution Date for the Series 2010-1 A-3 Bonds, and the April 1, 2035 Quarterly Distribution Date for the Series 2010-1 A-4 Bonds.

"Bond Interest Shortfall" will mean, with respect to any Quarterly Distribution Date, the excess, if any, of (a) the Bondholders' Interest Distribution Amount on the immediately preceding Quarterly Distribution Date over (b) the amount of interest actually distributed to the Bondholders on such preceding Quarterly Distribution Date, plus interest on the amount of such excess interest due to the Bondholders, to the extent permitted by law, at the interest rate borne by the Bonds from such immediately preceding Quarterly Distribution Date to the current Quarterly Distribution Date. For avoidance of doubt, Bond Interest Shortfall includes all accrued and unpaid interest from prior Interest Accrual Periods.

"Bondholder" or "Bondowner" or "Owner" or "Holder" or "Registered Holder" will mean, (a) with respect to a book-entry Bond, the Person who is the owner of such book-entry Bond, as reflected on the books of the Trustee, as registrar, and (b) with respect to Bonds held in certificated form, the Person in whose name a Bond is registered in the Bond registration books of the Trustee.

"Bondholders' Interest Distribution Amount" will mean, with respect to the Series 2010-1 A-1 Bonds on any Quarterly Distribution Date, the sum of (a) the amount of interest accrued at the lesser of the Maximum Rate and the Series 2010-1 A-1 Bond Rate for the related Interest Accrual Period on the Outstanding Amount of the Series 2010-1 A-1 Bonds immediately prior to such Quarterly Distribution Date; and (b) the Series 2010-1 A-1 Excess Amount to the extent it may be paid without increasing the interest rate on the Series 2010-1 A-1 Bonds for such Interest Accrual Period to more than the Maximum Rate, and (c) the Bond Interest Shortfall for such Bonds on such Quarterly Distribution Date, as based on the actual number of days in such Interest Accrual Period divided by 360 and rounding the resultant figure to the fifth decimal point, and with respect to the Series 2010-1 A-2 Bonds on any Quarterly Distribution Date, the sum of (a) the amount of interest accrued at the lesser of the Maximum Rate and the Series 2010-1 A-2 Bond Rate for the related Interest Accrual Period on the Outstanding Amount of the Series 2010-1 A-2 Bonds immediately prior to such Quarterly Distribution Date; and (b) the Series 2010-1 A-2 Excess Amount to the extent it may be paid without increasing the interest rate on the Series 2010-1 A-2 Bonds for such Interest Accrual Period to more than the Maximum Rate, and (c)

Bond Interest Shortfall for such Bonds on such Quarterly Distribution Date, as based on the actual number of days in such Interest Accrual Period divided by 360 and rounding the resultant figure to the fifth decimal point, and with respect to the Series 2010-1 A-3 Bonds on any Quarterly Distribution Date, the sum of (a) the amount of interest accrued at the lesser of the Maximum Rate and the Series 2010-1 A-3 Bond Rate for the related Interest Accrual Period on the Outstanding Amount of the Series 2010-1 A-3 Bonds immediately prior to such Quarterly Distribution Date; and (b) the Series 2010-1 A-3 Excess Amount to the extent it may be paid without increasing the interest rate on the Series 2010-1 A-3 Bonds for such Interest Accrual Period to more than the Maximum Rate, and (c) Bond Interest Shortfall for such Bonds on such Quarterly Distribution Date, as based on the actual number of days in such Interest Accrual Period divided by 360 and rounding the resultant figure to the fifth decimal point, and with respect to the Series 2010-1 A-4 Bonds on any Quarterly Distribution Date, the sum of (a) the amount of interest accrued at the lesser of the Maximum Rate and the Series 2010-1 A-4 Bond Rate for the related Interest Accrual Period on the Outstanding Amount of the Series 2010-1 A-4 Bonds immediately prior to such Quarterly Distribution Date; and (b) the Series 2010-1 A-4 Excess Amount to the extent it may be paid without increasing the interest rate on the Series 2010-1 A-4 Bonds for such Interest Accrual Period to more than the Maximum Rate, and (c) Bond Interest Shortfall for such Bonds on such Quarterly Distribution Date, as based on the actual number of days in such Interest Accrual Period divided by 360 and rounding the resultant figure to the fifth decimal point.

"Bonds" will mean, collectively, the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds, and the Series 2010-1 A-4 Bonds.

"Business Day" will mean (a) for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and (b) for all other purposes, any day other than a Saturday, a Sunday, a holiday or any other day on which banks located in New York, New York or the city in which the principal office of the Trustee is located, are authorized or permitted by law, regulation or executive order to close.

"Carryover Administration and Servicing Fees" will mean any fees for performing the administrative duties of the Issuer and/or the Administrator under the Indenture (including any fees or reimbursements owed to the Back-Up Administrator to the extent that it becomes the successor Administrator pursuant to the successor Administration Agreement in the form attached as an exhibit to the Back-Up Administration Agreement), and any fees for servicing the Financed Eligible Loans not paid from funds available under Clause (2) of "Collection Fund—Payments on Dates other than Quarterly Distribution Dates," and Clause (1) of "Collection Fund—Payments on Quarterly Distribution Dates."

"Certificate" means a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to the Indenture.

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

"Collateral" will mean that portion of the Trust Estate consisting of the Financed Eligible Loans and all rights to payment thereunder, the funds and investments held in the Collection Fund and Reserve Fund, all rights and interests of the Issuer in and to the agreements and instruments pertaining to the Financed Eligible Loans, and the Available Funds derived from the Collateral.

"Collection Fund" will mean the Fund by that name further described in "Establishment of Funds and Accounts" herein.

"Collection Period" will mean, with respect to the first Quarterly Distribution Date, the period beginning on the Date of Issuance and ending on February 28, 2011 and with respect to each subsequent Quarterly Distribution Date, the Collection Period will mean the three calendar months immediately following the preceding Collection Period.

"Computation Date" will mean a date as of which Rebatable Arbitrage is calculated, which is no later than the fifth anniversary of the Date of Issuance of the Bonds, and each fifth year anniversary thereafter continuing while any of the Bonds are Outstanding, and the day upon which the last Bond is retired.

"Contract of Insurance" will mean the contract of insurance between the Eligible Lender and the Secretary.

"Cost of Issuance Fund" will mean the Fund by that name further described in "Establishment of Funds and Accounts" herein.

"Custodian Agreement" will mean the Subservicing Agreement, dated as of June 12, 2009, between the Master Servicer and ACS Education Services, Inc., as subservicer.

"Cutoff Date" will mean with respect to the initial pool of Financed Eligible Loans, the Date of Issuance, and thereafter the date on which any Eligible Loan is pledged to the Trustee under the Indenture.

"Date of Issuance" will mean the date the Bonds are initially issued.

"Department" will mean the United States Department of Education, an agency of the Federal government.

"Department Rebate Fund" will mean the Fund by that name further described in "Establishment of Funds and Accounts" herein.

"Department Rebate Interest Amount" means, with respect to any date of determination, the greater of (a)(i) the amount of interest paid by borrowers on the Financed Eligible Loans first disbursed on or after April 1, 2006 that exceeds the Special Allowance Payment support levels applicable to such Financed Eligible Loans under the Higher Education Act since the prior Department Rebate Payment Date less (ii) the amount of accrued Interest Subsidy Payments or Special Allowance Payments due to the Issuer since the prior Department Rebate Payment Date and (b) $0.00.

"Department Rebate Payment Date" means the quarterly date that (i) the Department Rebate Interest Amount is due and payable to the Department or (ii) the Department offsets the Department Rebate Interest Amount from Interest Subsidy Payments or Special Allowance Payments due to the Issuer.

"Determination Date" will mean, with respect to any Quarterly Distribution Date or the Monthly Servicing Payment Date, as applicable, the second Business Day preceding such Quarterly Distribution Date or Monthly Servicing Payment Date.

"Eligible Lender" will mean (i) the Eligible Lender Trustee and (ii) any "eligible lender," as defined in the Higher Education Act, and which has received an eligible lender number or other designation from the Secretary with respect to Eligible Loans made under the Higher Education Act.

"Eligible Lender Trust Agreement" will mean the Eligible Lender Trust Agreement, dated August 26, 2009, between the Issuer and Wells Fargo Bank, National Association, as eligible lender trustee, as amended from time to time.

"Eligible Lender Trustee" will mean Wells Fargo Bank, National Association, in its capacity as eligible lender trustee hereunder and under the terms of the Eligible Lender Trust Agreement, or any successor eligible lender trustee designated pursuant to the Indenture and the Eligible Lender Trust Agreement.

"Eligible Loan" will mean any loan made to finance post-secondary education that is made under the Higher Education Act.

"Event of Bankruptcy" will mean (a) the Issuer will have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or will have made a general assignment for the benefit of creditors, or will have declared a moratorium with respect to its debts or will have failed generally to pay its debts as they become due, or will have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding will have been commenced against the Issuer 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" will have the meaning specified in "Defaults and Remedies" herein.

"Excess Interest" will mean, as of the date of computation, the "excess earnings" as defined in Treasury Regulations Section 1.148-10, with respect to the Financed Eligible Loans.

"Excess Interest Calculation Date" will mean a date as of which Excess Interest is calculated with respect to the Bonds, which date will occur at least once a year.

"Excess Interest Fund" will mean the Fund by that name further described in "Establishment of Funds and Accounts" herein.

"Favorable Opinion of Bond Counsel" will mean a Bond Counsel's Opinion addressed to the Issuer 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 any exclusion from gross income for federal income tax purposes of interest on the Bonds.

"Financed" or "Financing" when used with respect to Eligible Loans, will mean or refer to Eligible Loans (a) financed, refinanced or purchased by the Issuer or otherwise pledged to the Trustee and constituting a part of the Trust Estate and (b) 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.

"Financed Eligible Loans" will mean or refer to the Loan Portfolio containing Financed Eligible Loans Financed by the Issuer with proceeds of the Bonds.

"Fiscal Year" will mean the fiscal year of the Issuer (initially September 1 to August 31) as established from time to time.

"Fitch" will mean Fitch Ratings and its successors and assigns.

"Five-Month LIBOR" will have the meaning ascribed to such term under the definition of "Three-Month LIBOR."

"Four-Month LIBOR" will have the meaning ascribed to such term under the definition of "Three-Month LIBOR."

"Funds" will mean each of the Funds further described in "Establishment of Funds and Accounts."

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

"Guarantee Agreements" will mean a guaranty or lender agreement between the Eligible Lender Trustee and any Guaranty Agency, and any amendments thereto.

"Guaranty Agency" will mean any entity authorized to guarantee student loans under the Higher Education Act and with which the Trustee or the Eligible Lender Trustee maintains a Guarantee Agreement.

"Higher Education Act" will mean the Higher Education Act of 1965, as amended or supplemented from time to time, or any successor federal act and all regulations, directives, bulletins and guidelines promulgated from time to time thereunder.

"Indenture" will mean the Indenture of Trust, including all supplements and amendments hereto.

"Independent" will mean, when used with respect to any specified Person, that the Person (a) is in fact independent of the Issuer, any other obligor upon the Bonds, the seller and any Affiliate of any of the foregoing Persons; (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the seller or any Affiliate of any of the foregoing Persons; and (c) is not connected with the Issuer, any such other obligor, the seller or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, placement agent, trustee, partner, director or person performing similar functions.

"Index Maturity" will mean (i) for Three-Month LIBOR, three months, (ii) for Four-Month LIBOR, four months, and (iii) for Five-Month LIBOR, five months.

"Initial Pool Balance" will mean the Pool Balance for the Bonds as of the Cutoff Date.

"Insurance" or "Insured" or "Insuring" will mean, with respect to an Eligible Loan, the insuring by the Secretary (as evidenced by a certificate of insurance or other document or certification issued under the provisions of the Higher Education Act) under the Higher Education Act of all or a portion of the principal of and accrued interest on such Eligible Loan.

"Interest Accrual Period" will mean, initially, the period commencing on the Date of Issuance and ending on the day prior to the April 2011 Quarterly Distribution Date and thereafter, with respect to each Quarterly Distribution Date, the period beginning on and including the immediately preceding Quarterly Distribution Date and ending on the day immediately preceding such current Quarterly Distribution Date.

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

"Investment Securities" will mean:

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

(b) debentures of the Federal Housing Administration;

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

(d) federal funds, unsecured certificates of deposit, interest-bearing time or demand deposits, banker's acceptances, and repurchase agreements or other similar banking arrangements with a maturity of 12 months or less with any domestic commercial banks (including those of the Trustee or any affiliate); provided, however, (i) that, at the time of deposit or purchase, such depository institution has commercial paper which is rated "A-1+" by S&P and "AA-/F1+" by Fitch, (ii) that ratings of holding companies will not be considered ratings of the banks; and (iii) such banking arrangements must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, not have an "r" suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest will move proportionately with such index;

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

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

(g) commercial paper, including that of the Trustee and any of its Affiliates, which is rated in the single highest classification, "A 1+" by S&P and "F1+" by Fitch, and which matures not more than 365 days after the date of purchase; provided, however, such commercial paper will (i) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (ii) if rated, not have an "r" suffix attached to the rating, and (iii) have interest which is tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(h) investments in certain short-term debt, including commercial paper, federal funds, repurchase agreements, unsecured certificates of deposit, time deposits, and banker's acceptances, of issuers rated "A-1" by S&P and "AA-/F1+" by Fitch or S&P; provided, however, (i) only amounts in the Collection Fund may be invested under this clause (h), (ii) the total amount of such investments will not represent more than 20% of the

outstanding principal amount of the bonds, (iii) each such investment will not mature beyond 30 days, (iv) such investments are not eligible for the Reserve Fund, (v) such investments will have a predetermined fixed dollar amount of principal due at maturity that cannot vary, (vi) if such investments are rated, will not have an "r" suffix attached to the rating, and (vii) such investments will have interest which is tied to a single interest rate index plus a single fixed spread (if any) and move proportionately with such index;

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

(j) a local government investment pool, as defined by the Texas Public Funds Investment Act which is rated at least "AAAm" by S&P; and;

(k) any other investment selected by the Issuer and permitted by the Public Funds Investment Act, subject to receipt of a Rating Confirmation from S&P and after the requirements of a Rating Notification to Fitch have been satisfied.

"Issuer" will mean the Panhandle-Plains Higher Education Authority, Inc., a non-profit corporation organized and existing under the laws of the State, and any successor thereto.

"Issuer Order" will mean a written order signed in the name of the Issuer by an Authorized Representative.

"Joint Sharing Agreement" will mean the Joint Sharing Agreement, dated as of May 17, 2010, among each of trusts established by the Issuer, the Trustee and the Eligible Lender Trustee, as amended and supplemented.

"LIBOR" will mean Three-Month LIBOR or Four-Month LIBOR or Five-Month LIBOR, as applicable.

"LIBOR Determination Date" will mean, for each Interest Accrual Period, the second Business Day before the beginning of that Interest Accrual Period.

"Liquidated Financed Eligible Loan" will mean any defaulted Financed Eligible Loan liquidated by the Master Servicer or a Subservicer (which will not include any Financed Eligible Loan on which payments are received from a Guaranty Agency) or which such Master Servicer or Subservicer has, after using all reasonable efforts to realize upon such Financed Eligible Loan, determined to charge off.

"Liquidation Proceeds" will mean, with respect to any Liquidated Financed Eligible Loan which became a Liquidated Financed Eligible Loan during the current Collection Period in accordance with the Master Servicer's or a Subservicer's customary servicing procedures, the moneys collected in respect of the liquidation thereof from whatever source, other than moneys collected with respect to any Liquidated Financed Eligible Loan which was written off in prior Collection Periods or during the current Collection Period, net of the sum of any amounts expended by such Master Servicer or Subservicer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such Liquidated Financed Eligible Loan.

"Loan Portfolio" means the Financed Eligible Loans attributable to the Bonds.

"Master Agreement" will mean (a) the Management and Servicing Agreement, dated as of February 23, 2009, among the Issuer and the Master Servicer, as amended from time to time, and (b) any replacement agreement among the Issuer and any other Master Servicer.

"Master Servicer" will mean Panhandle-Plains Management & Servicing Corporation and any other master servicer or successor master servicer selected by the Issuer, including an affiliate of the Issuer, subject to receipt of a Rating Confirmation from S&P and after the requirements of a Rating Notification to Fitch have been satisfied.

"Maturity" when used with respect to any Bond, will mean the date on which the principal thereof becomes due and payable as therein or herein provided, whether at its Bond Final Maturity Date, by earlier prepayment or purchase, by declaration of acceleration, or otherwise.

"Maximum Rate" will mean a Net Effective Interest Rate (determined in accordance with Texas law) equal to 15% per annum.

"Monthly Rebate Fee" means the monthly rebate fee payable to the Department on the Financed Eligible Loans within the Loan Portfolio.

"Monthly Servicing Payment Date" will mean the first Business Day of each calendar month.

"Monthly Servicing Payment Date Certificate" will mean the certificate attached as Exhibit E to the Indenture.

"Outstanding" will mean, 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, excluding Bonds which have been replaced and excluding Bonds for which provision for payment has been made.

"Outstanding Amount" will mean, as of any date of determination, the aggregate principal amount of all Bonds of a Series Outstanding at such date of determination.

"Person" will mean an individual, corporation, partnership, joint venture, association, joint stock company, trust, limited liability company, unincorporated organization or government or agency, or political subdivision thereof.

"Pool Balance" will mean as of any date the aggregate principal balance of the Financed Eligible Loans in the Loan Portfolio on such date (including accrued interest thereon to the extent such interest is expected to be capitalized), after giving effect to the following, without duplication: (i) all payments received by the Issuer through such date from or on behalf of obligors on Financed Eligible Loans; (ii) all Purchase Amounts on Financed Eligible Loans received by the Issuer through such date from the seller, the Master Servicer or a Subservicer; (iii) all Liquidation Proceeds and Realized Losses on Financed Eligible Loans liquidated through such date; (iv) the aggregate amount of adjustments to balances of Financed Eligible Loans permitted to be effected by the Master Servicer or a Subservicer under the Master Agreement or its related Subservicing Agreement, if any, recorded through such date; and (v) the aggregate amount by which reimbursements by Guarantee Agencies of the unpaid principal balance of the respective defaulted Financed Eligible Loans through such date are reduced from 100% to 97%, or other applicable percentage as required by the risk sharing provisions of the Higher Education Act. The Pool Balances will be calculated by the Issuer as part of the Quarterly Distribution Date Certificate, upon which the Trustee may conclusively rely with no duty to further examine or determine such information.

"Program" will mean the Issuer's program for the origination and the purchase of Eligible Loans, as the same may be modified from time to time.

"Purchase Amount" with respect to any Financed Eligible Loan will mean the amount required to prepay in full such Financed Eligible Loan under the terms thereof including all accrued interest thereon, it being acknowledged that any accrued and unpaid Interest Subsidy Payments or Special Allowance Payments will continue to be payable to the Trustee and constitute part of the Trust Estate.

"Quarterly Distribution Date" will mean the first (1st) day of January, April, July, and October or, if such day is not a Business Day, the immediately succeeding Business Day, commencing on the first Business Day of April, 2011.

"Rating" will mean one of the rating categories of Fitch, S&P or any other Rating Agency, provided Fitch, S&P or any other Rating Agency, as the case may be, is currently rating the Bonds.

"Rating Agency" will mean each of Fitch, S&P and their successors and assigns or any other rating agency requested by the Issuer to maintain a Rating on any of the Bonds.

"Rating Confirmation" will mean a letter of other written communication from S&P stating that a proposed action, failure to act, or other event specified therein will not, in and of itself, result in a downgrade of any of the Ratings then applicable to the Bonds.

"Rating Notification" will mean, with respect to Fitch, that such Rating Agency has been given notice (the "Event Notice") of a proposed action, failure to act, or other event specified in the notice at least ten days prior to the occurrence of such event and Fitch has not issued any written notice during such ten-day period that the occurrence of such event will cause Fitch to downgrade any of the Ratings then applicable to the Bonds or cause Fitch to suspend, withdraw or qualify the Ratings then applicable to the Bonds; provided that such ten-day period will be extended by up to twenty days if the Issuer has received notice that the proposed action, failure to act, or other event specified in the Event Notice is under review by Fitch and Fitch cannot complete its review during the ten-day period. Such inaction by Fitch cannot be viewed as an approval of the requested action by Fitch.

"Realized Loss" will mean the excess of the principal balance (including any interest that had been or had been expected to be capitalized) of any Liquidated Financed Eligible Loan over Liquidation Proceeds with respect to such Financed Eligible Loan to the extent allocable to principal (including any interest that had been or had been expected to be capitalized).

"Rebatable Arbitrage" will mean the amount computed as of a Computation Date in accordance with the Code.

"Rebate Fund" will mean the Fund by that name further described in "Establishment of Funds and Accounts" herein.

"Record Date" will mean, with respect to a Quarterly Distribution Date, the close of business on the day preceding such Quarterly Distribution Date.

"Reference Banks" will mean, with respect to a determination of LIBOR for any Interest Accrual Period by the Trustee, four major banks in the London interbank market selected by the Trustee.

"Regulations" will mean the Regulations promulgated from time to time by the Secretary or any Guaranty Agency guaranteeing Financed Eligible Loans.

"Reserve Fund" will mean the Fund by that name further described in "Establishment of Funds and Accounts" herein.

"S&P" will mean Standard & Poor's Ratings Group, a Division of The McGraw-Hill Companies, Inc., its successors and assigns.

"Secretary" will mean the Secretary of the Department or any successor to the pertinent functions thereof under the Higher Education Act.

"Securities Depository" means The Depository Trust Company and its successors and assigns, or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Issuer 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 Issuer.

"Series" will mean one of the four series of Bonds issued under the Indenture—the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds, and the Series 2010-1 A-4 Bonds.

"Series 2010-1 A-1 Bond Rate" is the interest rate on the Series 2010-1 A-1 Bonds described in the body of the Official Statement under "THE BONDS."

"Series 2010-1 A-2 Bond Rate" is the interest rate on the Series 2010-1 A-2 Bonds described in the body of the Official Statement under "THE BONDS."

"Series 2010-1 A-3 Bond Rate" is the interest rate on the Series 2010-1 A-3 Bonds described in the body of the Official Statement under "THE BONDS."

"Series 2010-1 A-4 Bond Rate" is the interest rate on the Series 2010-1 A-4 Bonds described in the body of the Official Statement under "THE BONDS."

"Series 2010-1 A-1 Bonds" shall mean the Student Loan Revenue Bonds, Series 2010-1 A-1 (AMT Tax-Exempt LIBOR Floating Rate Bonds) issued by the Issuer pursuant to the Indenture.

"Series 2010-1 A-2 Bonds" shall mean the Student Loan Revenue Bonds, Series 2010-1 A-2 (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) issued by the Issuer pursuant to the Indenture.

"Series 2010-1 A-3 Bonds" shall mean the Student Loan Revenue Bonds, Series 2010-1 A-3 (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) issued by the Issuer pursuant to the Indenture.

"Series 2010-1 A-4 Bonds" shall mean the Student Loan Revenue Bonds, Series 2010-1 A-4 (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) issued by the Issuer pursuant to the Indenture.

"Series 2010-1 A-1 Excess Amount" will mean the amount calculated by subtracting the amount of interest accrued on the Series 2010-1 A-1 Bonds during an Interest Accrual Period at the Maximum Rate from the amount of interest that would have accrued on the Series 2010-1 A-1 Bonds at the Series 2010-1 A-1 Bond Rate for the same Interest Accrual Period, plus interest on such amount at the Series 2010-1 A-1 Bond Rate, to the extent permitted by law, until paid.

"Series 2010-1 A-2 Excess Amount" will mean the amount calculated by subtracting the amount of interest accrued on the Series 2010-1 A-2 Bonds during an Interest Accrual Period at the Maximum Rate from the amount of interest that would have accrued on the Series 2010-1 A-2 Bonds at the Series 2010-1 A-2 Bond Rate for the same Interest Accrual Period, plus interest on such amount at the Series 2010-1 A-2 Bond Rate, to the extent permitted by law, until paid.

"Series 2010-1 A-3 Excess Amount" will mean the amount calculated by subtracting the amount of interest accrued on the Series 2010-1 A-3 Bonds during an Interest Accrual Period at the Maximum Rate from the amount of interest that would have accrued on the Series 2010-1 A-3 Bonds at the Series 2010-1 A-3 Bond Rate for the same Interest Accrual Period, plus interest on such amount at the Series 2010-1 A-3 Bond Rate, to the extent permitted by law, until paid.

"Series 2010-1 A-4 Excess Amount" will mean the amount calculated by subtracting the amount of interest accrued on the Series 2010-1 A-4 Bonds during an Interest Accrual Period at the Maximum Rate from the amount of interest that would have accrued on the Series 2010-1 A-4 Bonds at the Series 2010-1 A-4 Bond Rate for the same Interest Accrual Period, plus interest on such amount at the Series 2010-1 A-4 Bond Rate, to the extent permitted by law, until paid.

"Servicer's Report" will mean the servicer reports to be furnished to the Issuer by the Master Servicer or a Subservicer pursuant to the Master Agreement or its related Subservicing Agreement.

"Servicing Fee" will mean the fee for servicing the Financed Eligible Loans, which will be calculated monthly as of the end of the preceding month. The Servicing Fee is as set forth in the Master Agreement and related Subservicing Agreement.

"Special Allowance Payments" will mean the special allowance payments authorized to be made by the Secretary by Section 438 of the Higher Education Act, or similar allowances, if any, authorized from time to time by federal law or regulation.

"Specified Reserve Fund Balance" is the required amount in the Reserve Fund, as described in the body of the Official Statement under "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Reserve Fund." The Specified Reserve Fund Balance will be calculated by the Issuer and certified to the Trustee, upon which certification the Trustee may conclusively rely with no duty to further examine or determine such information.

"State" will mean the State of Texas.

"Student Loan Purchase Agreement" will mean a loan purchase agreement entered into by the Issuer in connection with the purchase by the Issuer of a Financed Eligible Loan, including any such Financed Eligible Loan that was purchased by the Issuer prior to being Financed hereunder.

"Subaccount" will mean any of the subaccounts which may be created and established within any Account by the Indenture.

"Subservicer" will mean (a) ACS Education Services, Inc. and (b) any other additional subservicer or successor subservicer selected by the Issuer, including an affiliate of the Issuer, subject to receipt of a Rating Confirmation from S&P and after the requirements of a Rating Notification to Fitch have been satisfied.

"Subservicing Agreement" will mean, collectively or individually as the context may require, (a) the Subservicing Agreement, dated as of June 12, 2009, between the Master Servicer and ACS Education Services, Inc., as subservicer, and (b) any subservicing agreement between the Master Servicer and any other Subservicer, each as amended and supplemented pursuant to the terms thereof and hereof.

"Supplemental Indenture" will mean an agreement supplemental hereto described under "Supplemental Indentures" herein.

"Tax Certificate" will mean the Tax Matters Certificate executed in connection with the Bonds with respect to compliance with the requirements of the Code.

"Three-Month LIBOR" or "Four-Month LIBOR" or "Five-Month LIBOR" will mean, with respect to any Interest Accrual Period, the London interbank offered rate for deposits in U.S. dollars having the applicable Index Maturity as it appears on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related LIBOR Determination Date as obtained by the Trustee from such source. If this rate does not appear on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the applicable Index Maturity and in a principal amount of not less than U.S. $1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR Determination Date, to prime banks in the London interbank market by the Reference Banks. The Trustee will request the principal London office of each Reference Bank to provide a quotation of its rate. If the Reference Banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the Reference Banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee at approximately 11:00 a.m., New York City time, on that LIBOR Determination Date, for loans in U.S. dollars to leading European banks having the applicable Index Maturity and in a principal amount of not less than U.S. $1,000,000. If the banks selected as described above are not providing quotations, Three-Month LIBOR in effect for the applicable Interest Accrual Period will be Three-Month LIBOR in effect for the previous Interest Accrual Period.

"Trust Estate" will mean the property described as such in the granting clauses hereto.

"Trustee" will mean Wells Fargo Bank, National Association, acting in its capacity as Trustee under the Indenture, or any successor trustee designated pursuant to the Indenture.

"Trustee Fee" will mean the annual fee and expenses to be paid to the Trustee from the Trust Estate.

CERTAIN COVENANTS:

Covenants as to Operations.

The Issuer will duly and punctually keep, observe and perform each and every term, covenant and condition on its part to be kept, observed and performed, contained in the Indenture and the other agreements to which the Issuer is a party pursuant to the transactions contemplated herein, including but not limited to the Basic Documents to which it is a party, the Guarantee Agreements and the Certificates of Insurance, and will punctually perform all duties required by the laws of the State.

The Issuer will operate on the basis of its Fiscal Year.

The Issuer will cause to be kept full and proper books of records and accounts, in which full, true and proper entries will be made of all dealings, business and affairs of the Issuer which relate to the Bonds.

The Issuer, upon written request of the Trustee, will permit at all reasonable times the Trustee or its agents, accountants and attorneys, to examine and inspect the property, books of account, records, reports and other data relating to the Financed Eligible Loans, and will furnish the Trustee such other information as it may reasonably request. The Trustee will be under no duty to make any such examination unless requested in writing to do so by the Owners of 66-2/3% in collective aggregate principal amount of the Bonds at the time Outstanding, and unless such Owners have offered the Trustee security and indemnity satisfactory to it against any fees, costs, expenses and liabilities which might be incurred thereby.

The Issuer will cause an annual audit to be made by an independent auditing firm and file one copy thereof with the Trustee and each Rating Agency within 180 days of the close of each Fiscal Year. The Trustee will be under no obligation to review or otherwise analyze such audit.

The Issuer covenants that all Financed Eligible Loans upon receipt thereof will be delivered to a custodian to be held pursuant to a Custodian Agreement.

Notwithstanding anything to the contrary contained herein, except upon the occurrence and during the continuance of an Event of Default under the Indenture, the Issuer hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of the Indenture, to keep or dispose of, claim, bring suits upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Financed Eligible Loans and the proceeds and collections therefrom, and neither the Trustee nor any Owner will in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit and the Trustee will be under no obligation whatsoever to exercise any such privilege, claim or suit.

The Issuer agrees that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence, rights and franchises as a non-profit corporation, except as otherwise permitted by this Section. The Issuer further agrees that it will not (a) sell, transfer or otherwise dispose of all or substantially all, of its assets (except Financed Eligible Loans if such sale, transfer or disposition will discharge the Indenture); (b) consolidate with or merge into another entity; or (c) permit one or more other entities to consolidate with or merge into it. The preceding restrictions in clauses (a), (b) and (c) above will not apply to a transaction if (x) the transferee or the surviving or resulting entity, if other than the Issuer, by proper written instrument for the benefit of the Trustee, irrevocably and unconditionally assumes the obligation to perform and observe the agreements and obligations of the Issuer under the Indenture and (y) the Trustee is delivered a Favorable Opinion.

Enforcement of Master Agreement and Subservicing Agreements.

The Issuer will comply with and will require the Master Servicer to comply with the terms of the Master Agreement as it pertains to performance of servicing duties for the Issuer. The Issuer will cause the Master Servicer to require each Subservicer to cause to be diligently enforced and taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of the Master Agreement and all Subservicing Agreements, including the prompt payment of all amounts due the Issuer thereunder, including, without limitation, all principal and interest payments, and Guarantee payments which relate to any Financed Eligible Loans and cause the Master Servicer and each Subservicer to specify whether payments received by it represent principal or interest.

The Issuer agrees that it will not consent or agree to or permit any amendment or modification of the Master Agreement or any Subservicing Agreement which will in any manner materially adversely affect the rights or security of the Owners.

The Trustee will have no duty to monitor or supervise and will not be responsible or liable for any action or omission of the Master Servicer or any Subservicer under the Master Agreement or any Subservicing Agreement or for any custodian or bailee holding any Financed Eligible Loans under any Custodian Agreement or otherwise.

Covenants with Respect to the Higher Education Act.

While the Issuer will be the beneficial owner of the Financed Eligible Loans, it is understood and agreed that the Eligible Lender Trustee will be the legal owner thereof and the Trustee will have a security interest in the Financed Eligible Loans for and on behalf of the Owners.

The Issuer will be responsible for each of the following actions with respect to the Higher Education Act:

(1) the Issuer will be responsible for dealing with the Secretary with respect to the rights, benefits and obligations, under the Certificates of Insurance, including but not limited to the payment of all of the fees owed with respect to the Financed Eligible Loans, and the Issuer will be responsible for dealing with the Guaranty Agencies with respect to the rights, benefits and obligations under the Guarantee Agreements with respect to the Financed Eligible Loans;

(2) the Issuer will cause to be diligently enforced, and will cause to be taken all reasonable steps, actions and proceedings necessary or appropriate for the enforcement of all terms, covenants and conditions of all Financed Eligible Loans and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due thereunder;

(3) the Issuer will cause the Financed Eligible Loans to be serviced by entering into the Master Agreement or other agreement with the Master Servicer for the collection of payments made for, and the administration of the accounts of, the Financed Eligible Loans;

(4) the Issuer will cause all Available Funds, including the benefits of the Guarantee Agreements, the Interest Subsidy Payments and the Special Allowance Payments, to be deposited with the Trustee.

(5) The Issuer will 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 and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due the Issuer thereunder. The Issuer will not, except as permitted by the last sentence of this subsection, permit the release of the obligations of any borrower under any Financed Eligible Loan and will, subject to the last sentence of this subsection, at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Issuer and the Trustee hereunder or with respect to each Financed Eligible Loan and agreement in connection therewith. The Issuer will not, subject to the last sentence of this subsection, 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 Owners hereunder. Nothing in the Indenture will be construed to prevent the Issuer from (i) granting a reasonable forbearance to a borrower pursuant to the terms of the Higher Education Act; (ii) settling a default or curing a delinquency on any Financed Eligible Loan on such terms as will be permitted by law; (iii) charging interest at a lower rate than is required by the Higher Education Act if the Issuer is currently charging such lower rate on any Financed Eligible Loan; (iv) establishing discounts or granting forgiveness of principal of or interest on Financed Eligible Loans (including paying for such discounts or forgiveness with cash released from the Trust Estate) to the extent required to reduce Excess Interest; or (v) allowing a borrower to repay a Financed Eligible Loan pursuant to an income-based repayment plan pursuant to the Higher Education Act.

Certain Reports.

Not later than five Business Days prior to the Determination Date preceding each Quarterly Distribution Date, the Issuer will prepare a certificate (the "Quarterly Distribution Date Certificate") and forward such Issuer's Quarterly Distribution Date Certificate to the Trustee, at which time the Trustee will prepare, based on the information in the Quarterly Distribution Date Certificate, a certificate (the "Quarterly Distribution Date Information Form"). The Trustee will provide the Issuer with the Quarterly Distribution Date Information Form once the Trustee has completed such certificate, which will be on or before the later of (x) two Business Days after the Trustee receives the Quarterly Distribution Date Certificate from the Issuer and (y) three Business Days prior to the Determination Date. Upon

receiving the completed Quarterly Distribution Date Information Form from the Trustee, the Issuer will post and provide electronic access to the Quarterly Distribution Date Information Form on the Issuer's web site and provide it to the Rating Agencies. The Trustee shall provide the Quarterly Distribution Date Information Form to the Securities Depository at Lensnotices@dtcc.com for distribution to the beneficial owners of the Bonds. The Trustee may conclusively rely and accept the information described in the Quarterly Distribution Date Certificate from the Issuer, with no further duty to know, determine or examine such reports.

For each Collection Period, the Issuer will post on its web site reports setting forth information with respect to the Bonds and the Financed Student Loans as of the end of such period, including the following: descriptions of portfolio characteristics, identification of remaining bond balances, description of amounts applied from the Collection Fund, including the distribution allocable to principal and interest for the Bonds, current fees payable from the Trust Estate, and limited descriptions of activity in the Available Funds.

Tax Covenants.

The Issuer will at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the 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 the Tax Certificate and the Indenture. The Issuer covenants that it will not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under Section 103 of the Code.

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

The Issuer will take such action as may be necessary to assure that the Portfolio Yield as of the date of final payment of the Bonds does not exceed the Bond Yield by an amount greater than is consistent with the Tax Certificate or a subsequent Favorable Opinion, including through the forgiveness and discharge of borrower payment obligations with respect to the outstanding principal amounts of and any interest due upon any or all of the Financed Eligible Loans.

FUNDS AND ACCOUNTS:

Establishment.

There are hereby created and established the following Funds to be held and maintained by the Trustee for the benefit of the Owners:

(1) Cost of Issuance Fund;

(2) Collection Fund;

(3) Department Rebate Fund; and

(4) Reserve Fund.

Upon Authority Order, the Trustee will establish a Rebate Fund and an Excess Interest Fund for the Bonds, to be held and maintained by the Trustee, in which the Registered Owners will have no right, title or interest.

Loan Portfolios.

Financed Eligible Loans, evidenced by promissory notes, will be owned in the name of the Eligible Lender Trustee and will be pledged to the Trust Estate and credited to the Trust Estate in the books and records of the applicable Servicer. The Financed Eligible Loans will be credited to the Loan Portfolio and will be pledged to the benefit of the Bondholders.

Cost of Issuance Fund.

On the Date of Issuance, the Issuer will cause a deposit to be made to the Cost of Issuance Fund. Moneys on deposit in the Cost of Issuance Fund will be used to pay the costs of issuance of the Bonds on the Date of Issuance. Money remaining in the Cost of Issuance Fund on February 15, 2011 will be transferred to the Collection Fund.

Collection Fund.

Deposits to Collection Fund. There will be deposited to the Collection Fund (i) moneys from proceeds of the Bonds in an amount equal to $0, (ii) all Available Funds attributable to the Financed Eligible Loans, and all other

moneys and investments derived from assets on deposit in and transfers from the Reserve Fund, and the Department Rebate Fund, (iii) amounts deposited pursuant for an optional redemption of all Bonds, (iv) amounts received under any Joint Sharing Agreement, and (v) any other amounts deposited thereto upon receipt of deposit instructions from the Issuer. Moneys on deposit in the Collection Fund will be used to make the payments described in this Section. The Trustee may conclusively rely on all written instructions of the Issuer described in the Indenture with no further duty to examine or determine the information contained in any Quarterly Distribution Date Certificate, Monthly Servicing Payment Date Certificate, or Issuer Order.

Payments on Dates other than Quarterly Distribution Dates. The Issuer will instruct the Trustee in writing to make the following transfers or payments and the Trustee will comply:

(1) The Issuer may instruct the Trustee to transfer funds to the Rebate Fund or Excess Interest Fund, on any date, such amounts as are required to be transferred therein to satisfy the requirements of the Tax Certificate.

(2) No later than the Determination Date for the Monthly Servicing Payment Date the Issuer will deliver to the Trustee a Monthly Servicing Payment Date Certificate to instruct the Trustee to distribute to the Administrator, the Back-Up Administrator, and the Master Servicer, on such Monthly Servicing Payment Date, from and to the extent of the Available Funds on deposit in the Collection Fund (including any amounts transferred from the Reserve Fund), the Administration Fees, Back-Up Administration Fees and Servicing Fees attributable to the Financed Eligible Loans due with respect to the preceding calendar month, and the Trustee will comply with such instructions.

(3) The Issuer will instruct the Trustee in writing on a monthly basis not later than the 20th calendar day of each month to withdraw from the Collection Fund and deposit to the Department Rebate Fund the amount necessary to bring the balance of the Department Rebate Fund to the expected Department Rebate Interest Amount attributable to the Financed Eligible Loans for such date, and the Trustee will comply with such instructions.

(4) Upon written direction from the Issuer to the Trustee, moneys in the Collection Fund will be used on any date to pay, when due, Monthly Rebate Fees attributable to the Financed Eligible Loans.

(5) Upon written direction from the Issuer to the Trustee, moneys in the Collection Fund will be used on any date to pay, when due, amounts described in clause (a)(i), (ii) and (iii) of the definition of Available Funds.

(6) Upon written direction from the Issuer to the Trustee, moneys in the Collection Fund will be transferred to another trust estate in compliance with the terms of the Joint Sharing Agreement.

Payments on Quarterly Distribution Dates. The Issuer will instruct the Trustee in writing no later than five Business Days before the Determination Date preceding each Quarterly Distribution Date to make the following deposits and distributions from the Available Funds in the Collection Fund received during the immediately preceding Collection Period (including any amounts transferred from the Reserve Fund) to the Persons or to the account specified below on such Quarterly Distribution Date, in the following order of priority, and the Trustee will comply with such instructions, provided, however, that if the Available Funds received during the immediately preceding Collection Period are not sufficient to make the payments or deposits required pursuant to clauses (1) through (2) of this subsection, then, after any required transfers from the Reserve Fund, any other Available Funds on deposit in the Collection Fund, which the Issuer would have deemed Available Funds for the current Collection Period, may be used to make the payments or deposits required pursuant to clauses (1) through (2) of this subsection:

(1) to pay to the Administrator, the Back-Up Administrator, the Master Servicer, and the Trustee, pro rata, based on amounts owed to each such party, without preference or priority of any kind, the Administration Fee, the Back-Up Administration Fee and the Servicing Fee (to the extent remaining unpaid for the prior Collection Period), and the Trustee Fee, respectively, due with respect to the Bonds and the Financed Eligible Loans on such Quarterly Distribution Date, in each case, together with such fees remaining unpaid from prior Quarterly Distribution Dates (and, in the case of the Administration, Back-Up Administration and Servicing Fees, prior Monthly Servicing Payment Dates);

(2) to pay to the Bondholders, the respective Bondholders' Interest Distribution Amount for such Bonds payable on such Quarterly Distribution Date, pro rata, based on amounts owed, without preference or priority of any kind;

(3) to deposit to the Reserve Fund, the amount, if any, necessary to reinstate the balance of the Reserve Fund up to the Specified Reserve Fund Balance;

(4) to pay to the Bondholders the available funds in the Collection Fund, rounded down to the nearest $5,000 increment, in the following order: to redeem the Series 2010-1 A-1 Bonds until paid in full and then to redeem the Series 2010-1 A-2 Bonds until paid in full and then to redeem the Series 2010-1 A-3 Bonds until paid in full and then to redeem the Series 2010-1 A-4 Bonds until paid in full;

(5) to pay to the Administrator, Back-Up Administrator and Master Servicer any Carryover Administration and Servicing Fees until paid in full; and

(6) to pay to the Issuer the remainder.

Reserve Fund.

On the Date of Issuance, there will be transferred to the Reserve Fund the Specified Reserve Fund Balance. Thereafter, the Trustee will transfer to the Reserve Fund from the Collection Fund all amounts designated for transfer thereto pursuant to clause (3) of "Collection Fund—Payments on Quarterly Distribution Dates."

(1) On each Monthly Servicing Payment Date or Quarterly Distribution Date, to the extent there are insufficient Available Funds in the Collection Fund to make one or more of the transfers described under "Collection Fund—Payments on Dates other than Quarterly Payment Dates" (other than transfers to repurchase student loans from the Master Servicer, any Subservicer or any Guaranty Agency as described in the definition of Available Funds) or to make one or more of the transfers described under Clauses (1) or (2) of "Collection Fund—Payments on Quarterly Payment Dates", then the Issuer will instruct the Trustee in writing to withdraw from the Reserve Fund on such Monthly Servicing Payment Date or Quarterly Distribution Date, as the case may be, an amount equal to such deficiency and to deposit such amount in the Collection Fund. Additionally, if on the respective Bond Final Maturity Date, and after giving effect to the distribution of the Available Funds on such Bond Final Maturity Date, the principal amount of the Bonds of a Series will not be reduced to zero, the Issuer will instruct the Trustee in writing to withdraw from the Reserve Fund on the Bond Final Maturity Date an amount equal to the amount needed to reduce the principal amount of the Bonds of such Series to zero and to deposit such amount in the Collection Fund for application to payment of the Outstanding Amount of the Bonds of such Series.

(2) After giving effect to subsection (1) of this Section, if the amount on deposit in the Reserve Fund on any Quarterly Distribution Date is greater than the Specified Reserve Fund Balance for such Quarterly Distribution Date, the Issuer will instruct the Trustee in writing to withdraw from the Reserve Fund on such Quarterly Distribution Date an amount equal to such excess and to deposit such amount in the Collection Fund.

(3) Anything in this Section to the contrary notwithstanding, if the market value of securities and cash in the Collection Fund and the Reserve Fund is on any Quarterly Distribution Date sufficient to pay the remaining principal amount of and interest accrued on the Bonds, such amount will be so applied on such Quarterly Distribution Date and the Issuer will instruct the Trustee in writing to make such payment.

Department Rebate Fund.

On or before the 20th calendar day of each month (or, if such date is not a Business Day, the next Business Day), the Issuer will instruct the Trustee in writing to deposit into the Department Rebate Fund from the Collection Fund the amount necessary to bring the balance of the Department Rebate Fund to the expected Department Rebate Interest Amount attributable to the Financed Eligible Loans for such date. Upon written instructions from the Issuer to the Trustee, the Trustee will (a) pay to the Department an amount equal to the Department Rebate Interest Amount attributable to the Financed Eligible Loans due on each Department Rebate Payment Date, first, from amounts on deposit in the Department Rebate Fund and, second, from the Collection Fund, (b) if the Department has deducted the Department Rebate Interest Amount attributable to the Financed Eligible Loans from Interest Subsidy Payments or Special Allowance Payments due to the Issuer hereunder, transfer the amounts on deposit in the Department Rebate Fund to the Collection Fund or (c) if the Department has deducted the Department Rebate Interest Amount attributable to the Financed Eligible Loans from Interest Subsidy Payments or Special Allowance Payments due to another trust of the Issuer, transfer the amounts on deposit in the Department Rebate Fund pursuant to the Joint Sharing Agreement.

Rebate Fund.

No later than forty five days after each Computation Date, the Issuer will deliver to the Trustee a calculation of Rebatable Arbitrage made by a competent person independent of the Issuer.

The first time such calculation shows the existence of Rebatable Arbitrage, the Issuer will direct the Trustee to establish a Rebate Fund and transfer an amount equal to such Rebatable Arbitrage, from the Collection Fund and deposit it to the Rebate Fund. Thereafter, within forty five days after each Computation Date, the Issuer will take the following actions:

(1) if the amount on deposit in the Rebate Fund is less than the Rebatable Arbitrage as of the preceding Computation Date, the Issuer will notify the Trustee, who will transfer sufficient funds from the Collection Fund to the Rebate Fund so that the amount on deposit is equal to Rebatable Arbitrage.

(2) if the amount on deposit in the Rebate Fund is greater than the Rebatable Arbitrage, the Issuer will instruct the Trustee to transfer to the Collection Fund money sufficient to cause the amount on deposit in the Rebate Fund to be equal to the Rebatable Arbitrage as of such Computation Date.

Unless the Issuer obtains an opinion of Bond Counsel to the effect that such payments are not required in order to preserve the exclusion from gross income of interest on the Bonds, the Issuer covenants to, and will, withdraw from the Rebate Fund and remit to the United States Treasury (in such manner and on such dates as may be required or permitted by Section 148(f) of the Code) the amounts required by Section 148(f) of the Code to be rebated to the United States.

The Issuer's payment of rebate to the United States is additional consideration for the purchase of the Bonds by the initial purchasers thereof and the loan of money represented thereby, and is for the purpose of preserving the exemption from federal income taxation of interest on the Bonds.

The Issuer will exercise reasonable diligence to assure that no error in the calculations required by this section is made and, if such an error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including the payment to the United States of America of any delinquent amounts owed to it, interest thereon, and any assessed penalty.

Within 45 days of the Maturity of the last Bond, the Issuer will determine or cause to be determined the Rebatable Arbitrage as of the date of such Maturity and will deliver its calculations to the Trustee. On the date of receipt of such calculation, the Trustee will transfer any required Rebatable Arbitrage to the Rebate Fund from any Bond Funds specified by the Issuer.

<u>Excess Interest Fund</u>.

On each Excess Interest Calculation Date, the Issuer will determine whether as of such date any Excess Interest has occurred. The first time such calculation shows the existence of Excess Interest, the Issuer will direct the Trustee to establish an Excess Interest Fund and to transfer an amount equal to such Excess Interest from the Collection Fund to the Excess Interest Fund. Thereafter, within seven days after each Excess Interest Calculation Date, the Issuer will take the following actions:

(1) If the amount on deposit in the Excess Interest Fund is less than the Excess Interest as of the preceding Excess Interest Calculation Date, the Issuer will notify the Trustee, who will transfer sufficient funds from the Collection Fund to the Excess Interest Fund so that the amount on deposit is equal to Excess Interest.

(2) If the amount on deposit in the Excess Interest Fund is greater than the Excess Interest, the Issuer may instruct the Trustee to transfer to the Collection Fund money sufficient to cause the amount on deposit in the Excess Interest Fund to be equal to the Excess Interest as of such Excess Interest Calculation Date.

Unless the Issuer obtains an opinion of Bond Counsel to the effect that such payments are not required in order to preserve the exclusion from gross income of interest on the Bonds, the Issuer covenants to direct the Trustee to withdraw from the Excess Interest Fund and remit to the United States Treasury Yield Adjustment Payments in such manner and amounts and on such dates as may be required or permitted by Section 148 of the Code. Additionally, the Issuer may direct the Trustee to transfer a specified amount from the Excess Interest Fund to the Collection Fund at any time, upon providing the Trustee with the following: (i) a written opinion of Bond Counsel to the effect that such transfer will not adversely affect the exclusion from gross income of interest on the Bonds; or (ii) an Issuer Order directing the applicable Servicer to forgive indebtedness on all or a portion of the Financed Eligible Loans specified in such Issuer Order in an amount equal to the amount to be transferred and the implementation of such Issuer Order by the Servicer.

The Issuer's payment of Yield Adjustment Payments to the United States or forgiveness of principal or interest on Financed Eligible Loans is additional consideration for the purchase of the Bonds by the initial purchasers thereof and

the loan of money represented thereby, and is for the purpose of preserving the exemption from federal income taxation of interest on the Bonds.

The Issuer will exercise reasonable diligence to assure that no error in the calculations required by this Section is made and, if such an error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including the payment to the United States of America of any delinquent amounts owed to it, interest thereon, and any assessed penalty.

Amounts in the Excess Interest Fund will only be used for the purposes specified in this section, and will not be available for any other purpose, including, but not limited to, payment of principal or interest on the Bonds.

Within 45 days of the Maturity of the last Bond, the Issuer will determine or cause to be determined the Excess Interest as of the date of such Maturity and will deliver its calculations to the Trustee. On the date of receipt of such calculation, the Trustee will transfer any Excess Interest to the Excess Interest Fund. The Trustee will transfer the required amounts from the Accounts specified by the Issuer.

Investment of Funds Held by Trustee.

The Trustee will invest money held for the credit of any Fund or Account or Subaccount held by the Trustee as directed in writing by the Issuer, to the fullest extent practicable and reasonable, in Investment Securities which will 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 or Account will be required for the purposes intended. In the absence of any such direction and to the extent practicable, the Trustee will invest amounts held hereunder in those Investment Securities described in clause (k) of the definition of the Investment Securities. All such investments will be held by (or by any custodian on behalf of) the Trustee for the benefit of the Issuer; provided that, on the Business Day preceding each Quarterly Distribution Date, all interest and other investment income collected (net of losses and investment expenses) on funds on deposit in any Fund or Account or Subaccount (other than the Rebate Fund and the Excess Interest Fund) will be deposited into the Collection Fund and will be deemed to constitute a portion of the Available Funds. The Trustee and the Issuer hereby agree that unless an Event of Default will have occurred relating to the Bonds, the Issuer acting by and through an Authorized Representative will be entitled to, and will, provide written direction to the Trustee with regard to investment of funds constituting Collateral.

Notwithstanding the foregoing, the Trustee will not be responsible or liable for any losses of either principal or interest on investments made by it hereunder 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 Issuer or its designee in a non-negligent manner.

Release.

The Trustee will, upon Issuer Order and subject to the provisions of the Indenture, take all actions reasonably necessary to effect the release of any Financed Eligible Loans from the lien of the Indenture to the extent the terms permit the sale, disposition, release or transfer of such Financed Eligible Loans.

The Trustee will, at such time as there are no Bonds Outstanding and all sums due the Trustee and all amounts payable to the Master Servicer, the Administrator, the Back-Up Administrator, each Subservicer and the Eligible Lender Trustee have been paid, release any remaining portion of the Trust Estate that secured the Bonds from the lien of the Indenture and release to the Issuer or any other Person entitled thereto any funds then on deposit in the Funds and Accounts.

DEFAULTS AND REMEDIES:

Defaults.

The following constitute Events of Default:

(1) default in the due and punctual payment of any interest on any Bond when the same becomes due and payable;

(2) default in the due and punctual payment of the principal of any Bond when the same becomes due and payable on the respective Bond Final Maturity Date;

(3) default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer to be kept, observed and performed contained in the Indenture or in the Bonds, and continuation of such default for a period of 90 days after written notice thereof by the Trustee to the Issuer; and

(4) the occurrence of an Event of Bankruptcy.

Notice.

Any notice herein provided to be given to the Issuer with respect to any default will be deemed sufficiently given if sent by registered mail with postage prepaid to the Person to be notified, addressed to such Person at the post office address as shown in the Indenture or such other address as may be given as the principal office of the Issuer in writing to a Responsible Officer of the Trustee by an Authorized Representative. The Trustee may give any such notice in its discretion and will give such notice if requested to do so in writing by the Owners of at least 51% of the aggregate principal amount of the Bonds at the time Outstanding in the case of an Event of Default.

Remedies on Default; Protection of Rights.

Upon the happening of any Event of Default, the Trustee may proceed to protect and enforce the rights of the Trustee and the Owners in such manner as counsel or any other agent for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking herein contained, or in aid of the execution of any power herein granted, 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. The Trustee will take any such action or actions if requested to do so in writing by the Owners of at least a majority of the principal amount of the Bonds at the time Outstanding, in the event of an Event of Default, subject to the indemnity and other rights of the Trustee.

Acceleration of Maturity; Rescission and Annulment.

Acceleration. If an Event of Default should occur and be continuing, then and in every such case the Registered Owners of Bonds representing not less than a majority in aggregate principal amount of the Outstanding Bonds may declare all the Outstanding Bonds to be immediately due and payable, by a notice in writing to the Issuer and to the Trustee, and upon any such declaration the unpaid principal amount of such Outstanding Bonds, together with accrued and unpaid interest thereon through the date of acceleration, will become immediately due and payable, subject, however, to the restrictions on sale of the Trust Estate found below. If an Event of Default other than an Event of Default described in clause (3) should occur and be continuing, then and in every such case the Trustee may declare all the Outstanding Bonds to be immediately due and payable, by a notice in writing to the Issuer, and upon any such declaration the unpaid principal amount of such Outstanding Bonds, together with accrued and unpaid interest thereon through the date of acceleration, will become immediately due and payable, subject, however, to the restrictions on sale of the Trust Estate found below.

Rescission and Annulment. At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the Owners of Bonds representing a majority in aggregate principal amount of the Bonds then Outstanding which have been declared due and payable, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(a) all payments of principal of and interest on all Bonds and all other amounts that would then be due upon such Bonds if the Event of Default giving rise to such acceleration had not occurred; and

(b) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, the Administrator, the Master Servicer, any Subservicer and their agents and counsel; and

(2) all Events of Default, other than the nonpayment of the principal of the Bonds that has become due solely by such acceleration, have been cured or waived.

No such rescission will affect any subsequent default or impair any right consequent thereto.

Possession of Trust Estate and Payments After Acceleration.

Upon the acceleration of the maturity of the Bonds and subject to the Trustee's rights to indemnification and compensation, the Trustee may, and upon the written direction of the Owners representing not less than a majority in aggregate principal amount of the Outstanding Bonds will, enter into and upon and take possession of such portion of the Collateral as will be in the custody of others, and all property comprising the Collateral, and each and every part thereof, and exclude the Issuer 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 Issuer or otherwise, as it will deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Issuer and use all of the then existing Collateral for that purpose, and collect and receive all charges, income and Available Funds

with respect to the Bonds of the same and of every part thereof, and after deducting therefrom all expenses incurred hereunder and all other proper outlays herein authorized, 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, and all other amounts owed to the Trustee hereunder, the Trustee will apply the rest and residue of the money received by the Trustee as follows:

FIRST, to the Rebate Fund and Excess Interest Fund, the Department, any Guaranty Agency and, pursuant to the Joint Sharing Agreement, any other trust indenture established by the Issuer, amounts due and owing thereto with respect to the Collateral or the Bonds;

SECOND, to the Trustee, any Trustee Fee due and owing with respect to the Bonds;

THIRD, to the Administrator, the Back-Up Administrator, the Master Servicer, Subservicers and custodians, any Administration Fee, Back-Up Administration Fee and Servicing Fees due and remaining unpaid with respect to the Bonds (other than Carryover Administration and Servicing Fees);

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

FIFTH, to the Bondholders for unpaid principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal;

SIXTH, following payment of the Bonds in full, to pay Carryover Administration and Servicing Fees; and

FINALLY, to the Issuer.

The Trustee may fix a record date and payment date for any payment to Owners pursuant to this Section. At least 15 days before such record date, the Trustee will mail to each Owner and the Issuer a notice that states the record date, the payment date and the amount to be paid.

Sale of Trust Estate.

Upon the happening of any Event of Default and if the principal of all of the Outstanding Bonds has been declared due and payable, then and in every such case, and irrespective of whether other remedies authorized will have been pursued in whole or in part, the Trustee may, and if directed by the Registered Owners representing not less than a majority in aggregate principal amount of the Outstanding Bonds will, sell, with or without entry, to the highest bidder the Collateral, 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 that, the Trustee (a) may engage a third party with nationally recognized experience in the sale of student loan assets, such as the Financed Eligible Loans, to undertake such sale and (b) will be entitled to indemnification.

Notwithstanding the foregoing, the Trustee is prohibited from selling the Financed Eligible Loans following an Event of Default, other than a default in the payment of any principal or interest on any Bond, unless (a) the Owners of all of the Bonds at the time Outstanding consent to such a sale; (b) the proceeds of such a sale will be sufficient to discharge all the Outstanding Bonds at the date of such a sale; or (c) the Issuer determines that the collections on the Financed Eligible Loans would not be sufficient on an ongoing basis to make all payments on the Bonds had the Bonds not been declared due and payable, and the Trustee obtains the consent of the Owners of at least 66-2/3% of the aggregate principal amount of the Bonds at the time Outstanding.

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 Issuer and all Persons claiming such properties. No purchaser at any sale will 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 hereby irrevocably appointed the true and lawful attorney-in-fact of the Issuer, 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 Issuer, if so requested by the Trustee or the Registered Owners representing not less than a majority in aggregate principal amount of the Outstanding Bonds will 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.

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 appropriated, will be applied by the Trustee as set forth in "Sale of Trust Estate," and then to the Issuer or whomsoever will be lawfully entitled thereto.

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

Remedies Not Exclusive.

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

Collection of Indebtedness and Suits for Enforcement by Trustee.

The Issuer covenants that if:

(1) default is made in the payment of any installment of interest, if any, on any Bonds when such interest becomes due and payable and such default continues for a period of five (5) days; or

(2) default is made in the payment of the principal of (or premium, if any, on) any Bonds at their Bond Final Maturity Date,

then the Issuer will, upon demand of the Trustee but solely from the Collateral, pay to the Trustee, for the benefit of the Owners, the whole amount then due and payable on the Bonds in default for principal and interest, with interest upon any overdue principal and, to the extent that payment of such interest will be legally enforceable, upon any overdue installments of interest, if any, at the rate or rates borne by or provided for in such Bonds, and, in addition thereto, such further amount as will be sufficient to cover the costs and expenses of collection, including the reasonable compensation, fees, expenses, disbursements and advances of the Trustee and its agents and counsel.

Subject to the Issuer's limited liability under the Indenture, if the Issuer fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as Trustee of an express trust, may upon receiving from the Owners indemnification satisfactory to the Trustee, institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree, and may enforce the same against the Collateral, and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the Trust Estate, wherever situated.

If an Event of Default with respect to the Bonds occurs and is continuing, the Trustee may, after being indemnified to its satisfaction by the affected Owners and in its discretion, proceed to protect and enforce its rights and the rights of the Bondholders by such appropriate judicial proceedings as the Trustee will deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Direction of Trustee.

Upon the happening of any Event of Default, the Owners of at least a majority of the aggregate principal amount of the Bonds then Outstanding, will 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 Collateral, or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms hereof to be so taken or to be discontinued or delayed. The Owners are required to indemnify the Trustee.

Right to Enforce in Trustee.

No Owner of any Bond will have any right as such Owner to institute any suit, action or proceedings for the enforcement of the provisions of the Indenture or for the execution of any trust hereunder or for the appointment of a receiver or for any other remedy hereunder, all rights of action hereunder being vested exclusively in the Trustee, unless and until such Owner will have previously given to a Responsible Officer of the Trustee written notice of a default hereunder, and of the continuance thereof, and also unless the Owners of the requisite series and principal amount of the Bonds then Outstanding will have made written request upon a Responsible Officer of the Trustee and the Trustee will have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Trustee will have been offered indemnity and security satisfactory to it against the fees, costs, expenses and liabilities (including those of its counsel and agents) to be incurred therein or thereby, which offer of indemnity will be an express condition precedent hereunder to any obligation of the Trustee to take any such action hereunder, and the Trustee for 30 days after receipt of such notification, request and offer of indemnity, will have failed to institute any such action, suit or proceeding. It is understood and intended that no one or more Owners of the Bonds will 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 hereunder except in the manner herein provided and for the equal benefit of the Owners of not less than a majority of the collective aggregate principal amount of the Bonds then Outstanding.

Waivers of Events of Default.

The Trustee will waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of Bonds upon the written request of the Owners of at least a majority of the collective aggregate principal amount of the Bonds then Outstanding; provided, however, that there will not be waived (a) any Event of Default in the payment of the principal of on any Outstanding Bonds at the date of maturity 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 all expenses of the Trustee, in connection with such default will have been paid or provided for; or (b) any default in the payment of compensation or indemnification to the Trustee. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default will have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Issuer, the Trustee and the Owners of Bonds will be restored to their former positions and rights hereunder 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 will give written notice to each Rating Agency of any waiver of an Event of Default pursuant to this Section.

THE TRUSTEE:

Terms of Acceptance of Trust.

The Trustee has accepted the trusts imposed upon it by the Indenture, subject to the following terms and conditions:

Except during the continuance of an Event of Default,

(1) 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 will be read into the Indenture against the Trustee, and the Trustee will not be liable for its acts or omissions in carrying out its duties hereunder, except for its own negligence or willful misconduct; and

(2) 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 to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture and whether or not they contain the statements required under the Indenture.

In case an Event of Default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs, and the Trustee will not be liable for its acts or omissions in carrying out its duties hereunder, except for its own negligence or willful misconduct.

Before taking any action hereunder requested by the Owners, the Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the Owners, as applicable, for the reimbursement of all fess and expenses (including those of its counsel and agents) to which it may be put and to protect it against all liability.

No provision of the Indenture will 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

(1) this provision will not be construed to limit the effect of the foregoing portions of this Section;

(2) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee will not be liable with respect to any action taken or omitted to be taken in good faith in accordance with the directions of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceedings for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture with respect to the Bonds; and

(4) no provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

Trustee May Act Through Agents.

The Trustee may execute any of the trusts or powers under the Indenture, either itself or by or though its attorneys, agents or employees, and it will not be answerable or accountable for any default, neglect or misconduct of any such attorneys, agents or employees, if reasonable care has been exercised in the appointment. All reasonable costs incurred by the Trustee and all reasonable compensation to all such persons as may reasonably be employed in connection with the trusts hereof will be paid by the Issuer.

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 provided under "Defaults and Remedies" herein, for which no additional security or indemnity may be required, the Trustee will be under no obligation or duty to perform any act at the request of Owners or to institute or defend any suit in respect thereof unless properly indemnified and provided with security to its satisfaction. The Trustee will not be required to take notice, or be deemed to have knowledge, of any default or Event of Default of the Issuer hereunder and may conclusively assume that there has been no such default or Event of Default (other than an Event of Default described in Clauses (1) and (2) of the Events of Default) unless and until a Responsible Officer will have been specifically notified in writing of such default or Event of Default by (a) the Owners of the required percentages in principal amount of the Bonds then Outstanding hereinabove specified or (b) an Authorized Representative.

However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts hereby created, enforce any of its rights or powers hereunder, 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 will be reimbursed or indemnified by the Owners requesting such action, if any, or the Issuer in all other cases, for all fees, costs and expenses, liabilities, outlays and counsel and agent fees and other reasonable disbursements properly incurred in connection therewith, 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 this Section, the Trustee will not be liable for, and will be held harmless by the Issuer from, following any Issuer Orders, instructions or other directions upon which the Trustee is authorized to conclusively rely pursuant to the Indenture or any other agreement to which it is a party. If the Issuer or the Owners, as appropriate, will fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, subject only to the priority of payments from the Collection Fund provided for in "FUNDS AND ACCOUNTS—Collection Fund." None of the provisions contained in the Indenture or any other agreement to which it is a party will 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 Owners will not have offered security and indemnity acceptable to it or if it will have reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and will be enforceable by, the Trustee in each of its capacities hereunder. The provisions of this Section will survive the resignation or removal of the Trustee and the termination of the Indenture.

Trustee's Right to Reliance.

The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, appraisal, opinion, report or document of the Issuer, the Master Servicer or a Subservicer or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with experts and with counsel (who may but need not be counsel for the Issuer, the Trustee, or an Owner), and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered, and in respect of any determination made by it hereunder in good faith and in accordance with the opinion of such counsel.

Whenever in the administration hereof the Trustee will reasonably deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a certificate signed by an Authorized Representative or an authorized officer of the Master Servicer or a Subservicer.

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 hereby; provided, however, that the Trustee will be liable for its negligence or willful misconduct in taking such action.

The Trustee is authorized to enter into agreements with other Persons, in its capacity as Trustee, in order to carry out or implement the terms and provisions of the Indenture. The Trustee will not be liable with respect to any action taken, suffered or omitted to be taken in good faith in accordance with the Indenture or any other transaction document or at the direction of the Owners evidencing the appropriate percentage of the aggregate principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture or any other transaction document.

Compensation of Trustee.

Except as otherwise expressly provided in the Indenture, all advances, counsel fees (including without limitation allocated fees of in-house counsel) and other expenses reasonably made or incurred by the Trustee in and about the execution and administration of the trust hereby created and reasonable compensation to the Trustee for its services in the premises will be paid by the Issuer. The compensation of the Trustee will not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. The Trustee will not materially increase the Trustee Fee without giving the Issuer and each Rating Agency at least 90 days' written notice prior to the beginning of a Fiscal Year. If not paid by the Issuer, the Trustee will have a lien against all money held pursuant to this Indenture, subject only to the priority of payments from the Collection Fund provided for under "FUNDS AND ACCOUNTS—Collection Fund," for the payment of 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 thereunder 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).

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 Issuer notice in writing which notice will 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 will have been appointed (and is qualified to be the Trustee under the requirements of the Indenture). If no successor Trustee has been appointed by the date specified or within a period of 90 days from the receipt of the notice by the Issuer, whichever period is the longer, the Trustee may (a) appoint a temporary successor Trustee having the qualifications required under the Indenture or (b) request a court of competent jurisdiction to (i) require the Issuer to appoint a successor within three days of the receipt of citation or notice by the court, or (ii) appoint a Trustee having the qualifications required by the Indenture. In no event may the resignation of the Trustee be effective until a qualified successor Trustee will have been selected and appointed. In the event a temporary successor Trustee is appointed

pursuant to clause (a) above, the Issuer may remove such temporary successor Trustee and appoint a successor thereto pursuant to the requirements of the Indenture.

Removal of Trustee.

The Trustee or any successor Trustee may be removed (a) at any time by the Owners of a majority of the collective aggregate principal amount of the Bonds then Outstanding, (b) by the Issuer for cause or upon the sale or other disposition of the Trustee or its corporate trust functions or (c) by the Issuer 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 hereunder and appointment of a successor thereto by the Issuer and acceptance thereof by said successor. One copy of any such order of removal will be filed with the Trustee so removed.

In the event a Trustee (or successor Trustee) is removed, by any person or for any reason permitted hereunder, such removal will not become effective until (a) in the case of removal by the Owners, such Owners by instrument or concurrent instruments in writing (signed and acknowledged by such Owners or their attorneys-in-fact) filed with the Trustee removed have appointed a successor Trustee or otherwise the Issuer will have 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 will resign, be dissolved, or otherwise will be disqualified to act or be incapable of acting, or in case control of the Trustee or of any successor Trustee or of its officers will be taken over by any public officer or officers, a successor Trustee may be appointed by the Issuer by an instrument in writing duly authorized by the Issuer. In the case of any such appointment by the Issuer of a successor to the Trustee, the Issuer will forthwith cause notice thereof to be mailed to the Bondholders at the address of each Bondholder appearing on the bond registration books maintained by the Trustee, as registrar.

Every successor Trustee appointed by the Bondholders, by a court of competent jurisdiction, or by the Issuer will be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein, which has a reported capital and surplus of not less than $50,000,000, be authorized under the law to exercise corporate trust powers, be subject to supervision or examination by a federal or state authority, and be an Eligible Lender so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the Financed Eligible Loans originated under the Higher Education Act.

Additional Covenants by the Trustee to Conform to the Higher Education Act.

The Trustee has covenanted that it will at all times (a) be an Eligible Lender under the Higher Education Act so long as such designation is necessary, as determined by the Issuer, (b) maintain the guarantees and federal benefits under the Higher Education Act with respect to the Financed Eligible Loans, and (c) not knowingly dispose of or deliver any Financed Eligible Loans originated under the Higher Education Act or any security interest in any such Financed Eligible Loans to any party who is not an Eligible Lender so long as the Higher Education Act or Regulations adopted thereunder require an Eligible Lender to be the owner or holder of such Financed Eligible Loans; provided, however, that nothing above will prevent the Trustee from delivering the Eligible Loans to the Master Servicer, a Subservicer or a Guaranty Agency.

Right of Inspection.

An Owner will be permitted at reasonable times during regular business hours and in accordance with reasonable regulations prescribed by the Trustee to examine at the principal office of the Trustee a copy of any report or instrument theretofore filed with the Trustee relating to the condition of the Trust Estate.

Merger of the Trustee.

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 will be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, will be the successor of the Trustee hereunder, provided such corporation will be otherwise qualified and eligible under the Indenture, without the execution or filing of any paper of any further act on the part of any other parties hereto.

Corporate Trustee Required; Eligibility; Conflicting Interests.

There will at all times be a Trustee hereunder which will have a combined capital and surplus of at least $50,000,000. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in

its most recent report of condition so published. If at any time the Trustee will cease to be eligible in accordance with the provisions of this Section, it will resign immediately in the manner and with the effect hereinafter specified in this Article. Neither the Issuer nor any Person directly or indirectly controlling or controlled by, or under common control with, the Issuer will serve as Trustee.

Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer or any other obligor upon the Bonds or the property of the Issuer or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Bonds will then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee will have made any demand on the Issuer for the payment of overdue principal, premium, if any, or interest) will be entitled and empowered, by intervention in such proceeding or otherwise:

(1) to file and prove a claim for the whole amount, or such lesser amount as may be provided for in the Bonds, of principal (and premium, if any) and interest, if any, owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable fees, compensation, expenses, disbursements and advances of the Trustee and its agents and counsel) and of the Owners allowed in such judicial proceeding; and

(2) to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Owner of Bonds to make such payments to the Trustee, and if the Trustee will consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due to it for the reasonable fees, compensation, expenses, disbursements and advances of the Trustee and any predecessor Trustee, their agents and counsel, and any other amounts due the Trustee or any predecessor Trustee.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of the Indenture to which the Trustee will be a party), the Trustee will be held to represent all the Bondholders, and it will not be necessary to make any Bondholders parties to any such proceedings.

No Petition.

The Trustee will not at any time institute against the Issuer any bankruptcy proceeding under any United States federal or state bankruptcy or similar law in connection with any obligations of the Issuer under the Indenture.

SUPPLEMENTAL INDENTURES:

Supplemental Indentures Not Requiring Consent of Owners.

The Issuer and the Trustee may, without the consent of or notice to any of the Owners of any Bonds enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(1) to cure any ambiguity or formal defect or omission in the Indenture;

(2) to grant to or confer upon the Trustee for the benefit of the Owners any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Owners or the Trustee;

(3) to subject to the Indenture additional revenues, properties or collateral;

(4) to modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof 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 hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(5) to evidence the appointment of a separate or co-Trustee or a co-registrar or transfer agent or the succession of a new Trustee hereunder, or any additional or substitute Guaranty Agency, Master Servicer or Subservicer;

(6) 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 in conformance with the Higher Education Act if along with

such Supplemental Indenture there is filed an Opinion of Counsel to the effect that the addition or amendment of such provisions will in no way impair the existing security of the Owners of any Outstanding Bonds;

(7) to make any change as will be necessary in order to obtain and maintain for any of the Bonds an investment grade Rating from a nationally recognized rating service, which in the judgment of the Issuer will not be materially adverse to the Owner of any of the Bonds;

(8) to make any changes necessary to comply with or obtain more favorable treatment under any current or future law, rule or regulation, including but not limited to the Higher Education Act, the Regulations or the Code and the regulations promulgated thereunder;

(9) to create any additional Funds or Accounts or Subaccounts under the Indenture deemed by the Trustee to be necessary or desirable; or

(10) 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 Reserve Fund, so long as such action will not adversely affect the Ratings of any of the Bonds; or

(11) to make any other change which, in the judgment of the Issuer, is not materially adverse to the Owners of any Bonds;

provided, however, that nothing in this Section will permit, or 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, which approval will be evidenced by execution of a Supplemental Indenture.

Supplemental Indentures Requiring Consent of Owners.

Exclusive of Supplemental Indentures not requiring the consent of Owners and subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than a majority of the collective aggregate principal amount of the Bonds then Outstanding will have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or indentures supplemental hereto as will be deemed necessary and desirable by the Issuer and the Trustee 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 in this Section will permit, or be construed as permitting (a) without the consent of the Owner of each affected Bond then Outstanding, (i) an extension of the stated maturity date of the principal of or the interest on any such Bond, or (ii) a reduction in the principal amount of any such Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided herein, or (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 hereunder except as otherwise provided herein; 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 Issuer will request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each Owner of an affected Bond at the address shown on the registration books. Such notice (which will be prepared by the Issuer) will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all such Owners. If, within 60 days, or such longer period as will be prescribed by the Issuer, following the mailing of such notice, the Owners of not less than a majority of the collective aggregate principal amount of the affected Bonds outstanding at the time of the execution of any such Supplemental Indenture will have consented in writing to and approved the execution thereof as herein provided, no 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 Issuer from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section permitted and provided, the Indenture will be and be deemed to be modified and amended in accordance therewith.

DEFEASANCE:

Satisfaction of Indenture.

If the Issuer will pay, or cause to be paid, or there will otherwise be paid to the Bondholders, the principal of and interest on the Bonds, at the times and in the manner stipulated in the Indenture, then the pledge of the Trust Estate,

and all covenants, agreements and other obligations of the Issuer to the Bondholders and all other obligations due and outstanding will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will 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 Issuer will pay or cause to be paid, or there will otherwise be paid, to the Bondholders of any Outstanding Bonds the principal of and interest on such Bonds, at the times and in the manner stipulated in the Indenture, such Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Issuer to the Bondholders 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 subsection (a) of this Section if money for the payment thereof has been set aside and is being held in trust by the Trustee at the Bond Final Maturity Date or earlier prepayment date thereof. Any Outstanding Bond will, prior to the Bond Final Maturity Date or earlier prepayment thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section if (i) such Bond is to be prepaid on any date prior to the Bond Final Maturity Date and (ii) the Issuer will have given notice of prepayment as provided herein on said date, there will have been deposited with the Trustee either money (fully insured by the Federal Deposit Insurance Corporation or fully collateralized by Governmental Obligations) in an amount which will be sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal of and interest to become due on such Bond on and prior to the prepayment date or Bond Final Maturity Date thereof, and all other obligations due and outstanding, as the case may be. If moneys and/or Governmental Obligations are deposited with and held by the Trustee as provided in this subsection (b), such moneys and/or Governmental Obligations will be accompanied by a report of a nationally recognized independent certified public accountant firm or other financial services firm verifying that the amount of such moneys and/or Governmental Obligations deposited will be sufficient, together with interest to accrue thereon, to pay all the Bonds at or before their Maturity. Notwithstanding anything herein to the contrary, however, no such deposit will have the effect specified in this subsection (b) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding. Neither Governmental Obligations nor money deposited with the Trustee pursuant to this subsection (b) nor principal or interest payments on any such Governmental Obligations will 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 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 and all other obligations due and outstanding on and prior to such prepayment date or Bond Final Maturity Date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Issuer, as received by 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 Section, "Governmental Obligations" will mean 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), and such Governmental Obligations will 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 herein, and which obligations have been deposited in an escrow account which is irrevocably pledged as security for the Bonds. Such term will not include mutual funds and unit investment trusts.

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APPENDIX B

FORM OF OPINIONS OF CO-COUNSEL

Upon the issuance of the Bonds, Fulbright & Jaworski L.L.P. and Ballard Spahr LLP, Co-Counsel, propose to issue their approving opinion in substantially the following form:

We have acted as counsel to the Panhandle-Plains Higher Education Authority, Inc. (the "Authority") in connection with the issuance by the Authority of its Student Loan Revenue Bonds, Series 2010-1 A-1 (AMT Tax-Exempt LIBOR Floating Rate Bonds) in the aggregate principal amount of $76,300,000 (the "Series 2010-1 A-1 Bonds"), its Student Loan Revenue Bonds, Series 2010-1 A-2 (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) in the aggregate principal amount of $44,375,000 (the "Series 2010-1 A-2 Bonds"), its Student Loan Revenue Bonds, Series 2010-1 A-3 (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) in the aggregate principal amount of $27,000,000 (the "Series 2010-1 A-3 Bonds") and its Student Loan Revenue Bonds, Series 2010-1 A-4 (Non-AMT Tax-Exempt LIBOR Floating Rate Bonds) in the aggregate principal amount of $60,525,000 (the "Series 2010-1 A-4 Bonds" and collectively with the Series 2010-1 A-1 Bonds, the Series 2010-1 A-2 Bonds, and the Series 2010-1 A-3 Bonds, the "Bonds"). The Bonds are authorized to be issued under the 2010-1 Indenture of Trust dated as of November 1, 2010 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee") and eligible lender trustee. Capitalized terms not otherwise defined herein shall have the meanings specified in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Matters Certificate with respect to the Bonds dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Authority, certificates of the Authority, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the immediately preceding paragraph hereof. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, choice of laws, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any offering material relating to the Bonds and express no opinion with respect thereto.

Based upon and subject to the foregoing and in reliance thereon, as of the date hereof, it is our opinion that:

Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Authority and continuing compliance by the Authority with the requirements of the Internal Revenue Code of 1986. Interest on the Series 2010-1 A-1 Bonds is a tax preference item that is subject to the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2010-1 A-2 Bonds, the Series 2010-1 A-3 Bonds and the Series 2010-1 A-4 Bond is exempt from individual and corporate federal alternative minimum tax and is not includable in adjusted current earnings for purposes of corporate alternative minimum tax.

Except as set forth above, we express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Respectfully submitted,

Upon the issuance of the Bonds, Fulbright & Jaworski L.L.P. also proposes to issue their approving opinion in substantially the following form:

Re: Panhandle-Plains Higher Education Authority, Inc. Student Loan Revenue Bonds, Series 2010-1 (Tax-Exempt LIBOR Floating Rate Bonds)

WE HAVE ACTED AS BOND COUNSEL for the Panhandle-Plains Higher Education Authority, Inc. (the "Authority") for the purpose of rendering our opinion as to the legality and validity of the issuance of the bonds described above (collectively, the "Bonds") under the laws of the State of Texas, and for no other purpose. The Bonds are issued in separate Series pursuant to and secured under a 2010-1 Indenture of Trust, dated as of November 1, 2010 (the "Indenture"), between the Authority, Wells Fargo Bank, National Association, as trustee, and Wells Fargo Bank, National Association, as Eligible Lender Trustee.

WE HAVE NOT BEEN REQUESTED to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the Authority. Our examinations into the legality and validity of the Bonds included a review of the applicable and pertinent provisions of the laws of the State of Texas; a transcript of certified proceedings of the Authority relating to the authorization and issuance of the Bonds, including the Resolutions authorizing the issuance of the Bonds; the Indenture; customary certifications and opinions of officials of the Authority and other pertinent showings; and an examination of the Bonds executed and delivered by the Authority, which we found to be in due form and properly executed.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that the Bonds have been duly authorized by the Authority in compliance with the laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Indenture are valid and legally binding special and limited obligations of the Authority, payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by laws relating to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, or the exercise of judicial discretion in accordance with general principles of equity.

APPENDIX C

DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Higher Education Act provides for several different educational loan programs (collectively, "Federal Family Education Loans" or "FFELP Loans" and, the program with respect thereto, the "Federal Family Education Loan Program" or the "FFEL Program"). Under these programs, state agencies or private nonprofit corporations administering student loan insurance programs ("Guarantee Agencies" or "Guarantors") are reimbursed for portions of losses sustained in connection with FFELP Loans, and holders of certain loans made under such programs are paid subsidies for owning such loans. Certain provisions of the Federal Family Education Loan Program are summarized below.

The Higher Education Act has been subject to frequent amendments, including several amendments that have changed the terms of and eligibility requirements for the FFELP Loans. The Higher Education Act will likely be the subject of further legislation during the time the Bonds are Outstanding. There can be no assurance that the Higher Education Act, or other relevant federal or State laws, rules and regulations will not be changed in the future in a manner that will adversely impact the programs described below and the student loans made thereunder. Generally, this Official Statement describes only the provisions of the Federal Family Education Loan Program that currently apply to loans made on or after July 1, 1998 and prior to July 1, 2010. The following summary of the Federal Family Education Loan Program as established by the Higher Education Act does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.

Recent Federal Legislation Affecting the FFEL Program

On March 30, 2010, President Obama signed into law H.R. 4872 – the Health Care and Education Reconciliation Act of 2010 ("HCERA"). HCERA provides that after June 30, 2010, no new student loans will be made under the FFEL Program. Beginning July 1, 2010, all subsidized and unsubsidized Stafford loans, PLUS loans, and Consolidation loans can only be made under the government's Federal Direct Loan Program ("FDLP").

The elimination of the FFEL Program could have a material adverse impact on the Master Servicer and the Subservicers, the Authority and the Guarantors. For example, the Servicers may experience increased costs due to reduced economies of scale to the extent the volume of loans serviced by the Servicers is reduced. Those cost increases could affect the ability of the Servicers to satisfy their obligations to service the student loans held in the Trust Estate securing the Bonds. Student loan volume reductions could further reduce revenues received by the Guarantors available to pay claims on defaulted FFELP Loans. In addition, the level of competition currently in existence in the secondary market for FFELP Loans could be reduced, resulting in fewer potential buyers of FFELP Loans and lower prices available in the secondary market for those loans.

HCERA also allows, from July 1, 2010 through June 30, 2011, certain borrowers who are in-school or in-grace to obtain a Federal Direct Consolidation Loan. In order to qualify, the borrower must meet the following conditions: the borrower must have a loan in at least two of the following categories: FDLP, FFELP Loans held by a lender or FFELP Loans held by the Secretary of Education and the borrower has not entered repayment on at least one of the loans being consolidated.

On July 31, 2008, the United States House of Representatives and United States Senate took separate action to approve the Conference Report on the Higher Education Opportunity Act (HR 4137). HR 4137, which the President signed into law on August 14, 2008, provides for various revisions to and reauthorizations of the Higher Education Act.

Among other things HR 4137 provides for: (i) lender and school "codes of conduct" applicable to both FFELP and private loans; (ii) the Secretary in coordination with the Federal Reserve to determine minimum reporting requirements for lenders and schools participating in preferred lending arrangements; (iii) effective July 1, 2010, excluding certain veteran's educational benefits from the definition of a student's "estimated financial assistance;" (iv) extending the prohibited inducement provisions applicable to guarantors and lenders to prohibit, among other things, unsolicited mailings of loan applications by electronic means and various payments to other parties; (v) extending certain provisions of the Servicemembers Civil Relief Act to FFELP Loans providing that eligible servicemembers may request that the rates on FFELP Loans be reduced to 6%; (vi) extending consolidation loan program authority to September 30, 2014; (vii) expanding loan forgiveness programs applicable to both FFELP and direct loans, subject to appropriations, for borrowers employed full time in an area of national need; (viii) providing for certain disclosures to be made to borrowers by lenders prior to disbursements, prior to repayment, during repayment and for loans in default and (ix)

extending prohibitions on inducements, limiting payments to certain persons and requiring additional disclosures with respect to private loans.

In May, 2008, the President signed into law HR 5715 (P.L. 110-227) referred to as the "Ensuring Continued Access to Student Loans Act of 2008" or "ECASLA," which authorized the Secretary to advance loans to guarantors and to purchase FFELP Loans (including from lenders such as the Authority). ECASLA also amended other provisions of the Higher Education Act raising loan limits, providing for additional repayment terms on PLUS loans and easing certain credit criteria.

The Higher Education Reconciliation Act of 2005 (the "2005 HERA Amendment") contained many new provisions which took effect on July 1, 2006 and extended various provisions of the FFEL Program through September 30, 2012 and includes, but is not limited to, provisions that (i) reduce student loan insurance from 98% to 97% for loans for which the first disbursement is made after July 1, 2006, (ii) reduce the reimbursement available for student loans serviced by servicers designated for exceptional performance from 100% to 99%, (iii) permanently eliminate recycling of 9.5% floor loans on student loans first disbursed on or after April 1, 2006, (iv) require payment by lenders to the Department of Education of any interest paid by borrowers which is in excess of the special allowance payment rate and (v) phased out certain borrower origination fees.

The College Cost Reduction and Access Act (the "CCRA Act"), signed by the President on September 27, 2007, made significant changes to (among other things) the FFEL Program. The CCRA Act (among other things) (i) decreases lender Special Allowance Payments for eligible non-profit lenders and holders such as the Authority by 0.40% for Stafford and Consolidation Loans and by 0.70% for PLUS Loans (effective for loans first disbursed on or after October 1, 2007); (ii) increases the lender paid origination fee for loans first disbursed on or after October 1, 2007 to 1.0 percent of the principal amount of the loan; (iii) requires a program to auction all FFELP Parent PLUS loans beginning July 1, 2009; (iv) effective after October 1, 2012, decreases lender insurance to 95% for loans made on or after that date (with certain exceptions); (v) eliminates exceptional performer designations for lenders, servicers and guarantors; (vi) reduces guaranty agency collection retention allowance from 23% to 16% beginning October 1, 2007; (vii) reduces the student loan interest rates for undergraduate subsidized FFELP Loans (as well as Direct Loans) over four years from 6.8% (for loans first disbursed prior to July 1, 2008) to 3.4% (for loans first disbursed prior to July 1, 2012), reverting back to 6.8% for loans first disbursed on or after July 1, 2012; and (viii) makes other changes to qualification, repayment and deferment provisions. The CCRA Act also expands certain grant programs and provides for forgiveness of Direct Loans for certain borrowers.

Federal Family Education Loans

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

Subsidized Stafford Loans

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

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

Unsubsidized Stafford Loans

Unsubsidized Stafford Loans were available for students (i) who do not qualify for Subsidized Stafford Loans due to parental and/or student income or assets in excess of permitted amounts or (ii) who do qualify for Subsidized Stafford Loans, but not in an amount sufficient to cover amounts needed. In other respects, the general requirements for Unsubsidized Stafford Loans are essentially the same as those for Subsidized Stafford Loans other than that there is no need requirement. The interest rate (except that Unsubsidized Stafford Loans are not subject to the interest rate reductions applicable to Subsidized Stafford Loans beginning July 1, 2008), the annual loan limits, the loan fee requirements and the special allowance payment provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the Secretary does not make interest subsidy payments and the loan limitations are determined without respect to the expected family contribution. The borrower is required to pay interest from the time such loan is disbursed or capitalize the interest until repayment begins.

PLUS Loan Program

The Higher Education Act authorized PLUS Loans to be made to graduate and professional students and parents of eligible dependent students. Only parents who do not have an adverse credit history, which has been revised by Pub. L. 110-227, are eligible for PLUS Loans. Graduate students who apply for a PLUS loan may use an endorser if they have adverse credit history. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of Guarantee Agencies and the Secretary in providing federal reinsurance on the loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest subsidy payments are not available under the PLUS Program and special allowance payments are more restricted. Pub. L. 110-227 also provided for the deferral of principal and interest payments on loans first disbursed on or after July 1, 2008 until 6 months after the dependent for whom the loan was obtained for becomes less than a half-time student.

The Consolidation Loan Program

The Higher Education Act authorized a program under which certain borrowers may consolidate their various student loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. Consolidation Loans may be made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured student loans incurred under and pursuant to the Federal Family Education Loan Program (other than PLUS Loans made to "parent borrowers") selected by the borrower, as well as loans made pursuant to the Perkins (formally "National Direct Student Loan") Loan Program, the Health Professional Student Loan Programs and the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"). The borrowers may be either in repayment status or in a grace period preceding repayment. Delinquent or defaulted borrowers are eligible to obtain Consolidation Loans if they agree to re-enter repayment through loan consolidation. Borrowers may add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. A Consolidation Loan will be federally insured or reinsured only if such loan is made in compliance with requirements of the Higher Education Act.

Interest Rates

<u>Prior to July 1, 2006</u>. Subsidized and Unsubsidized Stafford Loans disbursed on or after October 1, 1998 and prior to July 1, 2006 which are in in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.7%, or, if in repayment, plus 2.30%, in either case with a maximum rate of 8.25%. Subsidized Stafford Loans and Unsubsidized Stafford Loans in all other periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.3%, with a maximum rate of 8.25%. The rate is adjusted annually on July 1. PLUS Loans bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.1%, with a maximum rate of 9%. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998, bear interest at a rate equal to the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest one-eighth of 1%, with a maximum rate of 8.25%.

<u>Commencing July 1, 2006</u>. The Higher Education Act provides that for Subsidized and Unsubsidized Stafford Loans for which a first disbursement is made on or after July 1, 2006, the interest rate will be equal to 6.8% per annum and for PLUS Loans made on or after July 1, 2006, the interest rate will be equal to 8.5% per annum. Amendments to the Higher Education Act provide for a lowering of the interest rate to be charged undergraduate students on Subsidized Stafford Loans from such 6.8% to be phased in over time until such rate is to be 3.4% in July 2011 (for loans first disbursed on or after July 1, 2011), reverting back to 6.8% thereafter (for loans made after June 30, 2012). Consolidation

Loans for which the application was received by an eligible lender on or after July 1, 2006, will bear interest at a rate equal to the weighted average of the loans consolidated, rounded to the nearest higher one-eighth of one percent, with a maximum rate of 8.25%.

Loan Limits

The Higher Education Act requires that Subsidized and Unsubsidized Stafford Loans made to cover multiple enrollment periods, such as a semester, trimester or quarter be disbursed by eligible lenders in at least two separate disbursements. A Stafford Loan borrower may receive a subsidized loan, an unsubsidized loan, or a combination of both for an academic period. The Secretary has discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study.

The total amount of all PLUS Loans that (i) graduate students or parents may borrow on behalf of each dependent student or (ii) graduate or professional students may borrow for any academic year may not exceed the student's cost of attendance minus other estimated financial assistance for that student or graduate borrower.

The following are certain loan limits:

	Dependent Students		Independent Students		
Borrower's Academic Level	Subsidized and Unsubsidized from October 1, 1993 to June 30, 2007	Subsidized and Unsubsidized on or after July 1, 2007(1)	Additional Unsubsidized from July 1, 1994 to June 30, 2007	Additional Unsubsidized only on or after July 1, 2007(2)	Maximum Total Amount
Undergraduate (per year)					
1st Year	$2,625	$3,500	$4,000	$4,000	$7,500
2nd Year	3,500	4,500	4,000	4,000	8,500
3rd Year	5,500	5,500	5,000	5,000	10,500
Graduate (per year)	8,500	8,500	10,000	12,000	20,500
Aggregate Limit:					
Undergraduate	23,000	23,000	23,000	23,000	46,000
Graduate (including undergraduate)	65,500	65,500	73,000	73,000	138,500

(1) Pub. L. 110-227 increases these amounts by $2,000 per year for loans first disbursed on or after July 1, 2008. The aggregate limit for undergraduate students is increased to $31,000, with the subsidized limit remaining at $23,000.

(2) Pub. L. 110-227 increases the unsubsidized amounts by $2,000 per year for loans first disbursed on or after July 1, 2008 for the undergraduate study and increases the aggregate maximum amounts for independent undergraduate students and dependent students whose parents cannot borrow under the PLUS program to $57,500, with no more than $23,000 being subsidized.

Repayment

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

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed, except for loans first disbursed on or after July 1, 2008 which are eligible for deferment until 6 months after the student leaves school. Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program.

Consolidation Loans enter repayment on the date the loan is disbursed. The first payment is due within 60 days after that date. Consolidation Loans must be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans (but no longer than 30 years).

FFELP borrowers who accumulate outstanding FFELP Loans totaling more than $30,000 may receive an extended repayment plan, with a fixed or graduated payment amount paid over a longer period of time, not to exceed 25 years. A borrower may accelerate principal payments at any time without penalty. Once a repayment plan is established, the borrower may annually change the selection of the plan. The extended repayment plan only applies to individuals who have no outstanding principal or interest balance on any FFEL Program loan as of October 7, 1998, or on the date he or she obtains a FFEL Program loan after October 7, 1998.

Deferment and Forbearance Periods. No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest continues to accrue. Generally, Deferment Periods include periods (a) when the borrower has returned to an eligible educational institution on at least a half-time basis or is pursuing studies pursuant to an approved graduate fellowship or rehabilitation training program; (b) not exceeding three years while the borrower is seeking and unable to find full-time employment; and (c) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment Periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which Forbearance is mandatory. Mandatory Forbearance periods exist when the borrower is impacted by a national emergency, military mobilization, or when the geographical area in which the borrower resides or works is declared a disaster area by certain officials. Other mandatory periods include periods during which the borrower is (a) participating in a medical or dental residency and is not eligible for deferment; (b) serving in a qualified medical or dental internship program or certain national service programs; or (c) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, Forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Interest Subsidy Payments

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

Special Allowance Payments

The Higher Education Act provides for Special Allowance Payments to be made by the Secretary to eligible lenders. The rates for Special Allowance Payments are based on formulae that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax exempt or taxable).

Subject to the foregoing, the formulae for Special Allowance Payment rates for Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The term "T-Bill" as used in this table and the following table, means the average 91-day Treasury bill rate calculated as a "bond equivalent rate" in the manner applied by the Secretary as referred to in Section 438 of the Higher Education Act. The term "3-Month Commercial Paper Rate" means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper (financial) rates reported in the Federal Reserve's Statistical Release H-15.

Date of Loans	Annualized SAP Rate
On or after October 1, 1992 to June 30, 1995	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995 to June 30, 1998	T-Bill Rate less Applicable Interest Rate + 3.1%(1)
On or after July 1, 1998 to December 31, 1999	T-Bill Rate less Applicable Interest Rate + 2.8%(2)
On or after January 1, 2000 to June 30, 2006	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34%(3)
On or after April 1, 2006	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.34%(3)(4)
On or after October 1, 2007 (for lenders such as the Authority)	3-Month Commercial Paper Rate less Applicable Interest Rate + 1.94%(5)

(1) Substitute 2.5% in this formula while such loans are in the in-school or grace period.
(2) Substitute 2.2% in this formula while such loans are in the in-school or grace period.
(3) Substitute 1.74% in this formula while such loans are in the in-school or grace period.
(4) If the applicable interest rate is less than the 3-Month Commercial Paper Rate + 2.34%, the lender must refund the difference to the U.S. Department of Education.
(5) Substitute 1.34% in this formula while such loans are in the in-school, grace or deferment period.

The formula for Special Allowance Payment rates for PLUS and Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992 to December 31, 1999	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.64%(1)
On or after April 1, 2006	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.64%(2)
On or after October 1, 2007 (for lenders such as the Authority)	3-Month Commercial Paper Rate less Applicable Interest Rate + 1.94% (PLUS) and 2.24% (Consolidation)(3)

(1) For PLUS loans disbursed on or after January 1, 2000 but prior to July 1, 2006, Special Allowance will not be paid unless the calculated interest rate exceeds the 9% cap.
(2) If the applicable interest rate is less than 3-Month Commercial Paper Rate + 2.64%, the lender must refund the difference to the U.S. Department of Education.
(3) If the applicable interest rate is less than 3-Month Commercial Paper Rate + 1.94% (PLUS) or 2.24% (Consolidation), the lender must refund the difference to the U.S. Department of Education.

Special Allowance Payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary offsets Interest Subsidy Payments and Special Allowance Payments by the amount of Origination Fees and Lender Loan Fees described in the following section.

The Higher Education Act provides for certain loans first disbursed on or after April 1, 2006, if the interest on such loan at the stated interest rate is higher than the rate applicable to such loan including Special Allowance Payments, the holder of the loan is to credit the difference to the United States Government quarterly.

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

Loan Fees

Insurance Premium/ Federal Default Fee. Prior to July 1, 2006, a Guarantee Agency is authorized to charge a premium, or guarantee fee, of up to 1% of the principal amount of the loan, which may be deducted proportionately from each installment of the loan. Effective for loans for which the date of guarantee of principal is on or after July 1, 2006, the optional 1% fee is eliminated and a Federal default fee of 1% of the principal amount of the loan must be charged.

Origination Fee. The lender is required to pay to the Secretary an origination fee equal to a certain percentage of the principal amount of each Subsidized and Unsubsidized Stafford and PLUS Loan. The lender may charge these fees to the borrower by deducting them proportionately from each disbursement of the loan proceeds. The origination fee for PLUS Loans is 3% and the origination fee for Subsidized and Unsubsidized Stafford Loans ranged from 3% for loans disbursed before July 1, 2006 to 0.5% ending July 1, 2010.

Lender Loan Fee. The lender of any FFELP Loan is required to pay to the Secretary an additional origination fee equal to 1.00% of the principal amount of the loan on all loans for which the first disbursement occurred on or after October 1, 2007.

The Secretary collects from the lender or subsequent holder the maximum origination fee authorized and the lender loan fee, either through reductions in Interest Subsidy or Special Allowance Payments or directly from the lender or holder.

Rebate Fee on Consolidation Loans. The holder of any Consolidation Loan is required to pay to the Secretary a monthly fee equal to .0875% (1.05% per annum) of the principal amount of, plus accrued interest on the loan. For Consolidation Loans based on applications received during the period of October 1, 1998 to January 31, 1999, the requirement annual payment is 0.62% of the principal amount of, plus accrued interest on the loan.

Insurance and Guarantees

A Federal Family Education Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments. If the loan is guaranteed by a guarantor in accordance with the provisions of the Higher Education Act, the guarantor is to pay the holder a percentage of such amount of the loss subject to reduction as described in the following paragraphs within 60 days of such notification of such default.

Federal Insurance

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

Guarantees

If the loan is guaranteed by a guarantor in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the guarantor for a statutorily-set percentage (98% for loans first guaranteed prior to July 1, 2006 and 97% for loans first guaranteed on or after July 1, 2006 and prior to October 1, 2012; however, under HCERA no loans will be disbursed after June 30, 2010) of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as the eligible lender has properly serviced such loan. Under the Higher Education Act, the Secretary enters into a guarantee agreement and a reinsurance agreement (the "Guarantee Agreements") with each guarantor which provides for federal reimbursement for amounts paid to eligible lenders by the guarantor with respect to defaulted loans.

Guarantee Agreements. Pursuant to the Guarantee Agreements, the Secretary is to reimburse a guarantor for the amounts expended in connection with a claim resulting from the death, bankruptcy or total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure, borrowers whose borrowing eligibility

was falsely certified by the eligible institution, or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a guarantor's claims rate experience for federal reimbursement purposes. Generally, educational loans are non-dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary is to reimburse a guarantor for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below.

The Secretary may terminate Guarantee Agreements if the Secretary determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such agreements, the Secretary is authorized to provide the guarantor with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the guarantor, ensure the uninterrupted payment of claims, or ensure that the guarantor will make loans as the lender-of-last-resort.

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

Reimbursement. The amount of a reimbursement payment on defaulted loans made by the Secretary to a guarantor is subject to reduction based upon the annual claims rate of the guarantor calculated to equal the amount of federal reimbursement as a percentage of the original principal amount of originated or guaranteed loans in repayment on the last day of the prior fiscal year. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The formula for reimbursement amounts is summarized below:

Claims Rate	Guarantor Reinsurance Rate for Loans made prior to October 1, 1993	Guarantor Reinsurance Rate for Loans made between October 1, 1993 and September 30, 1998[(1)]	Guarantor Reinsurance Rate for Loans made on or after October 1, 1998[(1)]
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5% and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% up to 9%; 75% of claims 9% and over

(1) Other than student loans made pursuant to the lender of last resort program or student loans transferred by an insolvent guarantor as to which the amount of reinsurance is equal to 100%.

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

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

Under the Guarantee Agreements, if a payment on a Federal Family Education Loan guaranteed by a guarantor is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment. Guarantor retentions remaining after payment of the Secretary's equitable share on such collections on consolidations of defaulted loans were reduced to 18.5% from 27% effective July 1, 1997 and for other loans were reduced from 27% to 24% (23% effective October 1, 2003). Beginning October 1, 2007, Guarantor retentions are limited to 16%. The Higher Education Act provides that on or after October 1, 2006 a guarantor may not charge a borrower collection costs in an amount in excess of 18.5% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower, provided that the guarantor must remit to the Secretary a portion of the collection charge equal to 8.5% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009 a guarantor must remit to the Secretary any collection fees on defaulted loans paid off through consolidation by the borrower in excess of 45% of the guarantor's total collections on default loans in any one federal fiscal year.

Lender Agreements. Pursuant to most typical agreements for guarantee between a guarantor and the originator of the loan, any eligible holder of a loan insured by such a guarantor is entitled to reimbursement from such guarantor of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability or bankruptcy of the student borrower at the rate of 100% of such loss, subject to certain limitations and exceptions, (98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006 or 97% for loans in default made on or after July 1, 2006). Guarantors generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable guarantor in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable guarantor all rights accruing to the holder under the note evidencing the loan. The Higher Education Act requires a guarantor to file a claim for reimbursement with respect to losses within 30 days after the guaranty agency discharges its insurance obligation on the loan.

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

Guarantor Reserves

Each guarantor is required to establish a Federal Student Loan Reserve Fund (the "Federal Fund") which, together with any earnings thereon, are deemed to be property of the United States. Each guarantor is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, default collections, insurance premiums, 70% of payments received as administrative cost allowance after October 7, 1998 for loans insured prior to that date and other receipts as specified in regulations. A guarantor is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund (described below) at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A guarantor is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment (which amount may not be more than 45% of the balance of the guarantor's Federal Fund), is the property of the guarantor. A guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year, 30% of payments received after October 7, 1998 for the administrative cost allowance for loans insured prior to that date and the retention of collections on defaulted loans and other receipts as specified in regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans disbursed after July 1, 2006, guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1% of principal of the loan.

The Secretary is authorized to enter into voluntary, flexible agreements with guarantors under which various statutory and regulatory provisions can be waived. In addition, under the Higher Education Act, the Secretary is prohibited from requiring the return of all of a guarantor's reserve funds unless the Secretary determines that the return

of these funds is in the best interest of the operation of the FFELP Program, or to ensure the proper maintenance of such guarantor's funds or assets or the orderly termination of the guarantor's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a guarantor to: (a) return to the Secretary all or a portion of its reserve fund that the Secretary determines is not needed to pay for the guarantor's program expenses and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the guarantor's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure. Under current law, the Secretary is also authorized to direct the guaranty agency to require the return, to the guaranty agency or to the Secretary, of any reserve funds or assets held by, or under the control of, any other entity, which the Secretary determines are necessary to pay the program expenses and contingent liabilities of the guaranty agency, or which are required for the orderly termination of the guaranty agency's operations and the liquidation of its assets.

APPENDIX D

WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT EACH QUARTERLY DISTRIBUTION DATE FOR THE BONDS

PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE BONDS

Prepayments on pools of financed student loans can be calculated based on a variety of prepayment models. The model used herein to calculate prepayments is the constant prepayment rate and is referred to herein as the "CPR" model.

The CPR model is based on prepayments assumed to occur at a constant percentage rate. CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period (including accrued interest to be capitalized), after applying scheduled payments, that prepays during that period.

The CPR model assumes that financed student loans will prepay in each month according to the following formula:

Monthly Prepayments = (Pool Balance after scheduled payments) x $(1-(1-\text{CPR})^{1/12})$

Accordingly, monthly prepayments, assuming a $1,000 balance after scheduled payments would be as follows for various levels of CPR:

	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
Monthly Prepayment	$0.0	$1.68	$3.40	$5.14	$6.92

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual eligible loan pool. The financed student loans pledged under the Indenture will not prepay according to the CPR, nor will all of the financed student loans pledged under the Indenture prepay at the same rate. Potential investors must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

For the sole purpose of calculating the information presented in the tables, it is assumed, including but not limited to the following, that:

- the Statistical Cut-off Date for the financed student loans is September 30, 2010;
- the Date of Issuance is November 17, 2010;
- the Pool Balance of the Eligible Loans is assumed to be approximately $216,347,419 as of September 30, 2010;
- the par amount of the Series 2010-1 A-1 Bonds is assumed to be $76,300,000, the par amount of the Series 2010-1 A-2 Bonds is assumed to be $44,375,000, the par amount of the Series 2010-1 A-3 Bonds is assumed to be $27,000,000 and the par amount of the Series 2010-1 A-4 Bonds is assumed to be $60,525,000;
- accrued interest to be capitalized on the Date of Issuance on the student loans equals approximately $3,741,151 on September 30, 2010, which amount is not included in the Pool Balance;
- the financed student loans included in the Pool Balance consist of 93 representative loans ("rep lines"), which have been created for modeling purposes from individual student loans based on combinations of similar loan characteristics, which include, but are not limited to, loan status, interest rate, loan type, SAP interest rate index, Subservicer, and remaining term;
- All rep lines are assumed to be in repayment;
- prepayments on the loans begin immediately on all rep lines;
- there are government payment delays of 60 days for Interest Subsidy Payments and Special Allowance Payments;
- there are payment delays of 60 days for interest rebates and interest floor payments;
- no delinquencies or defaults occur on any of the financed student loans, no purchases from the Trust Estate for breaches of representations, warranties or covenants occur, and all student borrower payments are collected in full;
- no borrower benefits are utilized;

- Three-Month LIBOR remains at 0.35%, the 3-Month Commercial Paper Rate remains at 0.25%, and the T-Bill remains at 0.15% for the life of the transaction;
- quarterly distributions begin on April 1, 2011, and payments are made quarterly on the first day of every January, April, July and October thereafter, whether or not the first is a Business Day;
- the interest rate for each Series of Bonds at all times will be as follows:
  Series 2010-1 A-1 Bonds: 1.00% per annum;
  Series 2010-1 A-2 Bonds: 1.15% per annum;
  Series 2010-1 A-3 Bonds: 1.40% per annum; and
  Series 2010-1 A-4 Bonds: 1.60% per annum.
- interest accrues on each Series of Bonds on an actual/360 day count basis;
- monthly Administration Fees paid to the Administrator equal to 1/12 of 0.60% of the Pool Balance;
- monthly Servicing Fees are paid according to schedules set forth in the servicing agreement with an assumed 3% inflation rate per annum adjusted annually. For first full month of the transaction, the Servicing Fees were approximately 0.30% per annum of the principal balance of the financed student loans in the Pool Balance;
- Trustee fees equal to 1/4 of 0.02% per annum of the outstanding principal balance of the Bonds are paid quarterly to the Trustee;
- a Consolidation Loan rebate fee equal to 1.05% per annum of the outstanding principal balance of the Consolidation Loans in the Pool Balance, paid monthly from the Trust Estate to the Department of Education;
- the Reserve Fund has an initial balance equal to approximately $520,500 and thereafter has a balance equal to the greater of (a) 0.25% of the aggregate principal amount of the outstanding Bonds as of the close of business on the last day of the related Collection Period and (b) $315,000;
- all payments are assumed to be made at the end of the month and amounts on deposit in the Collection Fund and Reserve Fund, including reinvestment income earned in the previous month, net of Servicing Fees, are reinvested in eligible investments at the assumed reinvestment rate of 0.15% per annum through the end of the Collection Period; reinvestment earnings from the prior Collection Period are available for distribution;
- the Collection Fund has an initial balance of approximately $1,307,327 at closing, which when received consists of $1,307,327 of accrued interest (not expected to be capitalized);
- for modeling purposes, Bond Principal Distributions were assumed to be in $0.01 denominations;
- no clean-up call or mandatory auction of the financed student loans occurs;
- no Event of Default has occurred or is continuing to occur;
- no deposits into the Excess Interest Fund are made;
- monthly fee of $2,000 for Back-Up Administrator; and
- no release of financed student loans.

The tables below have been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of financed student loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms to scheduled maturity and loan ages of the financed student loans could produce slower or faster principal payments than implied by the information in these tables, even if the dispersions of weighted average characteristics, remaining terms to scheduled maturity and loan ages are the same as the characteristics, remaining terms to scheduled maturity and loan ages assumed. See "CERTAIN RISK FACTORS" above.

Each set of projected weighted average lives reflects a projected average of the periods of time for which the Bonds are Outstanding. Such projected weighted average lives do not reflect the period of time which any one Bond will remain Outstanding. At each prepayment speed, some Bonds will remain Outstanding for periods of time shorter than the applicable projected weighted average life, while some will remain Outstanding for longer periods of time.

WEIGHTED AVERAGE LIVES, PAYMENT WINDOWS AND EXPECTED MATURITY DATES OF THE BONDS AT VARIOUS PERCENTAGES OF THE CPR

	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
			Weighted Average Life (Years)[1]		
Series 2010-1 A-1	2.4	2.0	1.7	1.5	1.4
Series 2010-1 A-2	5.7	5.0	4.5	4.0	3.6
Series 2010-1 A-3	7.6	6.9	6.3	5.7	5.2
Series 2010-1 A-4	11.8	10.7	9.7	8.8	8.1
			Expected Maturity Date		
Series 2010-1 A-1	July 1, 2015	October 1, 2014	April 1, 2014	October 1, 2013	July 1, 2013
Series 2010-1 A-2	October 1, 2017	January 1, 2017	July 1, 2016	January 1, 2016	July 1, 2015
Series 2010-1 A-3	April 1, 2019	July 1, 2018	January 1, 2018	April 1, 2017	October 1, 2016
Series 2010-1 A-4	January 1, 2027	January 1, 2026	January 1, 2025	January 1, 2024	October 1, 2022

[1] The weighted average life of the Bonds (assuming a 360-day year consisting of twelve 30 day months) is determined by: (a) multiplying the amount of each principal payment on the Bonds by the number of years from the Date of Issuance to the related Quarterly Distribution Date, (b) adding the results, and (c) dividing that sum by the aggregate principal amount of the Bonds as of the Date of Issuance.

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PERCENTAGES OF ORIGINAL PRINCIPAL AMOUNT OF THE SERIES 2010-1 A-1 BONDS REMAINING AT CERTAIN QUARTERLY DISTRIBUTION DATES AT VARIOUS PERCENTAGES OF THE CPR

Distribution Date	0%	2%	4%	6%	8%
Initial	100%	100%	100%	100%	100%
Oct 11	81	77	72	68	64
Oct 12	59	50	41	33	24
Oct 13	36	23	11	0	0
Oct 14	12	0	0	0	0
Oct 15	0	0	0	0	0
Oct 16	0	0	0	0	0
Oct 17	0	0	0	0	0
Oct 18	0	0	0	0	0
Oct 19	0	0	0	0	0
Oct 20	0	0	0	0	0
Oct 21	0	0	0	0	0
Oct 22	0	0	0	0	0
Oct 23	0	0	0	0	0
Oct 24	0	0	0	0	0
Oct 25	0	0	0	0	0
Oct 26	0	0	0	0	0
Oct 27	0	0	0	0	0
Oct 28	0	0	0	0	0
Oct 29	0	0	0	0	0
Oct 30	0	0	0	0	0
Oct 31	0	0	0	0	0

PERCENTAGES OF ORIGINAL PRINCIPAL AMOUNT OF THE SERIES 2010-1 A-2 BONDS REMAINING AT CERTAIN QUARTERLY DISTRIBUTION DATES AT VARIOUS PERCENTAGES OF THE CPR

Distribution Date	0%	2%	4%	6%	8%
Initial	100%	100%	100%	100%	100%
Oct 11	100	100	100	100	100
Oct 12	100	100	100	100	100
Oct 13	100	100	100	100	81
Oct 14	100	95	71	48	26
Oct 15	79	51	25	*	0
Oct 16	37	7	0	0	0
Oct 17	0	0	0	0	0
Oct 18	0	0	0	0	0
Oct 19	0	0	0	0	0
Oct 20	0	0	0	0	0
Oct 21	0	0	0	0	0
Oct 22	0	0	0	0	0
Oct 23	0	0	0	0	0
Oct 24	0	0	0	0	0
Oct 25	0	0	0	0	0
Oct 26	0	0	0	0	0
Oct 27	0	0	0	0	0
Oct 28	0	0	0	0	0
Oct 29	0	0	0	0	0
Oct 30	0	0	0	0	0
Oct 31	0	0	0	0	0

* Less than 0.5%, but greater than 0.

PERCENTAGES OF ORIGINAL PRINCIPAL AMOUNT OF THE SERIES 2010-1 A-3 BONDS REMAINING AT CERTAIN QUARTERLY DISTRIBUTION DATES AT VARIOUS PERCENTAGES OF THE CPR

Distribution Date	0%	2%	4%	6%	8%
Initial	100%	100%	100%	100%	100%
Oct 11	100	100	100	100	100
Oct 12	100	100	100	100	100
Oct 13	100	100	100	100	100
Oct 14	100	100	100	100	100
Oct 15	100	100	100	100	63
Oct 16	100	100	68	28	0
Oct 17	90	42	*	0	0
Oct 18	21	0	0	0	0
Oct 19	0	0	0	0	0
Oct 20	0	0	0	0	0
Oct 21	0	0	0	0	0
Oct 22	0	0	0	0	0
Oct 23	0	0	0	0	0
Oct 24	0	0	0	0	0
Oct 25	0	0	0	0	0
Oct 26	0	0	0	0	0
Oct 27	0	0	0	0	0
Oct 28	0	0	0	0	0
Oct 29	0	0	0	0	0
Oct 30	0	0	0	0	0
Oct 31	0	0	0	0	0

* Less than 0.5%, but greater than 0.

PERCENTAGES OF ORIGINAL PRINCIPAL AMOUNT OF THE SERIES 2010-1 A-4 BONDS REMAINING AT CERTAIN QUARTERLY DISTRIBUTION DATES AT VARIOUS PERCENTAGES OF THE CPR

Distribution Date	0%	2%	4%	6%	8%
Initial	100%	100%	100%	100%	100%
Oct 11	100	100	100	100	100
Oct 12	100	100	100	100	100
Oct 13	100	100	100	100	100
Oct 14	100	100	100	100	100
Oct 15	100	100	100	100	100
Oct 16	100	100	100	100	97
Oct 17	100	100	100	84	69
Oct 18	100	90	73	58	45
Oct 19	86	68	52	39	28
Oct 20	69	52	38	26	16
Oct 21	57	41	27	16	8
Oct 22	46	31	18	8	0
Oct 23	35	21	10	1	0
Oct 24	25	12	2	0	0
Oct 25	14	3	0	0	0
Oct 26	2	0	0	0	0
Oct 27	0	0	0	0	0
Oct 28	0	0	0	0	0
Oct 29	0	0	0	0	0
Oct 30	0	0	0	0	0
Oct 31	0	0	0	0	0

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APPENDIX E

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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NOTE 12 - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Consolidation Loan Rebate Fees

Each quarter the Authority must continue to pay rebate fees to the Department of Education for its student loan consolidation loans, based on end of month principal balances at applicable federal rates by loan type. As of August 31, 2009 and 2008 outstanding principal balances of consolidation loans was approximately $896,000,000 and $935,000,000, respectively. During the years ended August 31, 2009 and 2008 consolidation loan rebates fees expense was $9,586,787 and $10,097,846, respectively.

Loan Purchase Commitments, Related Lawsuit and Related Subsequent Activity

During the normal course of business, the Authority makes written commitments with various non-related and related party financial institutions and other student loan originators to purchase student loan notes. Several of the financial institutions and other student loan originators with whom the Authority conducts business also have management positions (officers or employees) that serve terms on the Authority's Board making the institution or originator a related party lender. Management of the Authority believes student loan note purchase transactions with related party lenders occurred during the normal course of business and were based on the underlying written purchase agreements in place at that time.

Significant terms included in the majority of the loan purchase agreements include reimbursements of loan principal, accrued interest and lender origination fees, plus also loan premiums ranging from 1% to 3% of the outstanding student loan principal amounts purchased. Since April 2008, the Authority has not had capacity to purchase more student loan notes, as it was notified by its liquidity providers and rating agencies that no additional eligible student loan notes may be purchased by the Authority and that future funds and monies received in the trust estates must be used to redeem principal of the outstanding student loan revenue bond debt, as a first priority as required under the indentures' provisions.

During late 2008, the Authority was notified that Commercial Bank of Texas, N.A had brought a claim that alleged that the Authority defaulted on a written purchase commitment to Commercial Bank to purchase its eligible student loan notes beginning in 2008. The claim was that Commercial Bank should recover damages from the Authority for its loan servicing fees, expenses incurred, origination fees, plus premiums to be reimbursed by the Authority. The Authority vigorously contested the claim and also the amount of damages requested. During the first quarter of 2010 the Authority and Commercial Bank entered into a mutual agreement to settle this litigation.

The Authority has not been notified of any other claims, assessments or threatened litigation from other financial institutions or originators which it currently has outstanding written loan purchase agreements, and management does not anticipate litigation from others besides Commercial Bank. Management of the Authority has also made efforts to work with lenders to help them sell their remaining loan portfolios. During November 2009 the Authority purchased approximately $1,688,000 of student loan notes from four financial institutions with the selling institutions financing the purchases with loans back to the Authority, which loans are collateralized by the student loan notes purchased by the Authority. Management anticipates it will purchase additional similar amounts of student loan notes from lenders that are willing to finance the purchases with the Authority during 2010.

NOTE 12 - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES (continued)

Legislative Matters

On September 27, 2007, the President of the United States signed the College Cost Reduction and Access Act (H.R. 2669) which has and will continue to have a significant negative financial impact on the Authority. The major new student loan provisions include the following:

- Reduction of lender special allowance payments for loans disbursed on or after October 1, 2007, to Commercial Paper rates plus 1.34% for Stafford loans (in-school and grace); plus 1.94% for Stafford loans (in repayment); plus 1.94% for PLUS loans and plus 2.24% for consolidation loans.

- Increase in lender fees for all loans disbursed on or after October 1, 2007 to 1.0% of the principal amount of the loan.

- Lender insurance remains at 97% as in current law, but decreases to 95% for loans made on or after October 1, 2012.

- Exceptional Performer designation eliminated effective October 1, 2007. Eligible lender servicers receiving exceptional performer designation prior to October 1, 2007 shall maintain such designation for the remainder of the year for which the designation was made.

- Interest rates are reduced for undergraduate subsidized Stafford loans with the first disbursement made:

    - On or after July 1, 2008 and before July 1, 2009, the rate is 6.0%
    - On or after July 1, 2009 and before July 1, 2010, the rate is 5.6%
    - On or after July 1, 2010 and before July 1, 2011, the rate is 4.5%
    - On or after July 1, 2011 and before July 1, 2012, the rate is 3.4%
    - Loans made on or after July 1, 2012, the rate is 6.8%

Bonds and Auction Rate Securities Market Environment

Market volatility and fluctuations in interest rates beginning in late 2007 and continuing throughout 2008 to mid 2009 in the active bond markets resulted in substantial increases in the Authority's interest rates on outstanding bonds payable during 2008 through mid 2009, particularly those bonds with variable interest rates, including Auction Rate Securities type bonds as earlier disclosed in Note 7. With interest expense comprising the Authority's largest expense item, market volatility and fluctuations in interest rates had a significant negative financial impact on the Authority during 2008 through mid 2009.

During mid 2009 market volatility and fluctuations in interest rates slowed, with interest rates leveling down, resulting in interest expense on bonds to decrease significantly from 2008 to mid 2009. Management of the Authority believes this current favorable interest rate environment will continue throughout most of 2010. However, if market volatility and fluctuations in interest rates increase or if federal and national interest rates are increased in order to combat inflation, it would again have a significant negative financial impact on the Authority.

NOTE 12 - COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES (continued)

Discontinuance of Purchases of Student Loan Notes

During April 2008, the Authority was notified by its liquidity providers and rating agencies for all of the Authority's trust indentures, which indentures include student loan notes, cash, investments, revenues and the outstanding student loan revenue bond debt held under the indentures' trust estates, that no additional eligible student loan notes may be purchased by the Authority and that future funds and monies received in the trust estates must be used to redeem principal of the outstanding student loan revenue bond debt, as a first priority as required under the indentures' provisions.

The basis for this notification and direction by its liquidity providers and rating agencies of the Authority's trust indentures was due to (1) terms in the bonds which have a term out requirement maturity and which have higher maximum interest rates, as earlier disclosed in Note 7, and (2) the current parity level of the indentures' trust estates which were no longer at the levels reviewed and approved by the liquidity providers and rating agencies, as described in the student loan revenue bond agreements.

During the year ended August 31, 2009, the Authority paid down $175,100,000 of bond debt from student loan repayments received during 2009, see earlier disclosure in Note 7 of bond debt outstanding. Management of the Authority expects to pay down another $96,081,880 of bond debt from student loan repayments expected to be received during 2010.

Litigation Related to Special Allowance Payments

During August 2009 the Authority was notified that it was one of six defendants in the U.S. District Court of Eastern Virginia by the United States of America, *ex rel.* Jon H. Oberg, under the Federal False Claims Act, 31 U.S.C. Sections 3729-33 (FCA), referred to as Oberg vs. Nelnet, Inc., et al. This claim alleges that the defendants, including the Authority illegally increased its holdings of student loan notes between 2003 and 2004 for billing at the 9.5% minimum special allowance tax-exempt rate, and as a result improperly collected approximately $37 million in unlawful special allowance payments from the Department of Education. This litigation is likely to occur between mid July and September 2010 by jury trial as demanded in the suit which would occur in Alexandria, Virginia. If claimant is successful against the Authority, such a claim would have a significant negative financial impact on the Authority. Management of the Authority vigorously disputes the plaintiff's allegations, believes this lawsuit is without merit and plans to vigorously defend its position.

National Economic Environment

Beginning in December 2008, the national economy began to significantly decline overall, with reports by certain Federal government agencies that the national economy actually went into an economic recession beginning in December 2007. With high and rising consumer debt levels coupled with high and rising unemployment rates as of late 2009, the continued downtown in the national economy may increase the likelihood of borrower requests for loan deferments, forbearances and defaults, which may also have a significant negative financial impact on the Authority in 2010.

NOTE 13 - SUBSEQUENT EVENTS

Bond Payable Retirements, Elimination of Special Allowance Payments
Effective January 5, 2010, the Authority fully retired the 1991, 1992 and 1993 bonds payable in the 1991 AB Trust Indenture, see Note 7 for earlier disclosure of bond debt outstanding. As a result of the retirement of these bonds, which such bonds were also the remaining qualifying bonds for underlying student loan notes to be eligible to continue to be billed to the U.S. Department of Education at the 9.5% minimum special allowance tax-exempt rate, the fourth calendar quarter of 2009 will be the final quarter for the Authority to bill such loans at the 9.5% minimum special allowance tax-exempt rate, and going forward such loans will be billed for special allowance payments at the taxable rates. Approximately $85,000,000 of eligible student loan notes were previously being billed for special allowance payments at the tax-exempt rate as of August 31, 2009.

Also in conjunction with retirements of the 1991, 1992 and 1993 bonds payable, the standby bond purchase agreement with Lloyds TSB Bank PLC and the insurance reimbursement agreement with MBIA Insurance Corporation (see Note 8) and the remarketing agreement with Citigroup Global Markets, Inc. (see Note 9) lapsed effective January 5, 2010.

Loan Conversions
Through August 31, 2009, approximately $1,584,000,000 of student loan notes were fully converted to the PPSLC sub-servicer, ACS. Subsequent to year end the majority of the remaining student loan notes were converted, and management expects the remaining notes to be converted by February 2010.

SAFRA and HCEARA Legislation
The goal of the Student Aid and Fiscal Responsibility Act's (SAFRA) legislation by the U.S. House of Representatives was to provide Americans with education to help the U.S. economy, but was to also nationalize the student loan industry, which would likely eliminate the FFELP program and significantly impact the Authority. The Act was passed by the House on September, 17, 2009, but the Senate had not taken any action on this legislation through March 25, 2010.

On March 25, 2010, both the House and Senate passed H.R. 4872 the Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA). This reconciliation bill contains revised SAFRA provisions, which, among other things, amends the Higher Education Act of 1965, terminates the FFELP program effective July 1, 2010, increases the Pell Grant program, enhances the Income Based Repayment program and includes a provision retaining and funding non-profit loan servicing. Management of the Authority is currently reviewing and planning for this legislation signed into law by the President on March 30, 2010.

SUPPLEMENTAL INFORMATION – 2009 ONLY

PANHANDLE-PLAINS HIGHER EDUCATION AUTHORITY, INC.

COMBINING SCHEDULE OF STATEMENT OF NET ASSETS INFORMATION
August 31, 2009

	1991AB Trust	1993CDE Trust	Abilene Trust	Central Trust	Lines of Credit	General Fund	Total
Assets							
Cash, Cash Equivalents and Investments	$ 61,176,590	$ 19,378,027	$ 17,657,282	$ 8,812,148	$ 3,730,343	$ 3,474,575	$ 114,228,965
Accrued Interest Receivable	30,429,775	3,595,675	4,175,883	2,737,190	2,701,248	15,715	43,655,486
Special Allowance Payments Receivable (Payable), net	(1,970,046)	(423,221)	(655,136)	(215,296)	(391,604)	-	(3,655,303)
Prepaid Expenses	117,352	17,001	58,785	15,979	-	4,031	213,148
Accounts Receivable	11,818	1,500	14,495	-	74,133	-	101,946
Investment, held to maturity	-	-	-	-	-	2,000,000	2,000,000
Student Loan Notes Receivable, net	1,246,228,322	264,720,891	175,886,824	108,106,807	58,926,070	-	1,853,868,914
Deferred Loan Acquisition Premiums, net	16,076,794	326,582	1,178,555	1,749,538	1,708,968	2	21,040,439
Deferred Issuance Costs, net	4,022,545	535,245	430,923	1,327,815	-	-	6,316,528
Noncompete Agreement, net	-	-	-	-	-	-	-
Due From (To) Other Funds	-	-	-	-	-	-	-
Total Assets	$ 1,356,093,150	$ 288,151,700	$ 198,747,611	$ 122,534,181	$ 66,749,158	$ 5,494,323	$ 2,037,770,123
Liabilities							
Accounts Payable	$ 2,797,962	$ 273,071	$ 307,994	$ 325,404	$ 42,930	$ 33,175	$ 3,780,536
Accrued Interest Payable	1,287,068	253,717	209,222	242,123	108,691	-	2,100,821
Arbitrage Rebate Payable	-	-	170,815	61,583	-	-	232,398
Excess Earnings Payable	1,751,167	-	-	-	-	-	1,751,167
Senior Bonds Payable	1,284,475,000	252,700,000	176,625,000	100,650,000	-	-	1,814,450,000
Subordinate Bonds Payable	15,000,000	23,000,000	3,000,000	10,000,000	-	-	51,000,000
Line of Credit	-	-	-	-	63,518,294	-	63,518,294
Less Unamortized Original Issue Discount, net	(4,730,010)	(1,050,770)	(371,005)	-	-	-	(6,151,785)
Total Liabilities	1,300,581,187	275,176,018	179,942,026	111,279,110	63,669,915	33,175	1,930,681,431
Net Assets							
Beginning Balance	51,667,839	13,199,224	17,996,089	12,019,274	3,145,675	6,205,771	104,233,872
Current Year Activity	3,844,124	(223,542)	809,496	(764,203)	(66,432)	(744,623)	2,854,820
Total Net Assets	55,511,963	12,975,682	18,805,585	11,255,071	3,079,243	5,461,148	107,088,692
Total Liabilities and Net Assets	$ 1,356,093,150	$ 288,151,700	$ 198,747,611	$ 122,534,181	$ 66,749,158	$ 5,494,323	$ 2,037,770,123

See accompanying notes and independent auditors' report

PANHANDLE-PLAINS HIGHER
EDUCATION AUTHORITY, INC.

COMBINING SCHEDULE OF STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSET INFORMATION
Year Ended August 31, 2009

	1991AB Trust	1993CDE Trust	Abilene Trust	Central Trust	Lines of Credit	General Fund	Total
Revenues							
Interest on Investments and Cash Equivalents	$ 636,993	$ 173,227	$ 315,485	$ 81,725	$ 2,860	$ 19,805	$ 1,230,095
Interest on Student Loan Notes	50,228,326	12,568,144	8,007,556	4,708,300	3,301,724	-	78,814,050
Special Allowance Payments Revenue (Expense), net	(1,643,515)	(1,108,242)	(2,281,859)	(969,339)	(2,007,304)	-	(8,010,259)
Excess Earnings Reimbursement	-	-	-	-	-	-	-
Other Income	2,847	-	-	1,771	-	1,789	6,407
Total Revenues	49,224,651	11,633,129	6,041,182	3,822,457	1,297,280	21,594	72,040,293
Expenses							
Interest on Bonds and Line of Credit	31,913,741	6,919,297	4,491,988	2,774,786	1,029,716	-	47,129,528
Loan Servicing Fees	8,994,425	1,725,319	1,394,691	554,849	314,982	-	12,984,266
Maintenance and Operating Fees	5,691,229	766,142	947,231	636,877	-	1,201	8,042,680
Commitment Fees	102,961	-	-	-	-	9,607	112,568
Amortization of Deferred Issuance Costs	204,300	24,347	18,545	48,294	-	-	295,486
Amortization of Noncompete Agreements	-	-	-	-	-	462,448	462,448
Legal, Accounting and Professional Fees	139,837	42,802	56,269	31,870	-	167,020	437,798
Trustee Fees	128,545	36,999	60,840	34,400	-	4,206	264,990
Remarketing, Auction Rate and Broker Fees	555,449	(9,434)	8,093	171,126	-	-	725,234
Consolidation Loan Rebate Fees	6,009,921	2,432,193	857,590	287,083	-	-	9,586,787
Debt Forgiveness and Provision for Loan Losses	843,949	102,606	84,924	67,792	19,014	-	1,118,285
Arbitrage Rebate Adjustment	(56,900)	-	(131,085)	(20,417)	-	-	(208,402)
Excess Earnings Adjustment	(9,172,833)	(183,600)	(2,557,400)	-	-	-	(11,913,833)
Bond Rating Fees	21,500	-	-	-	-	14,614	36,114
Dues and Subscriptions	-	-	-	-	-	44,792	44,792
Board Member Fees	-	-	-	-	-	2,790	2,790
Bank Charges	132	-	-	-	-	9,148	9,280
Miscellaneous Expense	4,271	-	-	-	-	50,390	54,661
Total Expenses	45,380,527	11,856,671	5,231,686	4,586,660	1,363,712	766,216	69,185,472
Net Revenues (Expenses)	3,844,124	(223,542)	809,496	(764,203)	(66,432)	(744,622)	2,854,821
Net Assets, at Beginning of Year	51,667,839	13,199,224	17,996,089	12,019,274	3,145,675	6,205,770	104,233,871
Net Transfers	-	-	-	-	-	-	-
Net Assets, at End of Year	$ 55,511,963	$ 12,975,682	$ 18,805,585	$ 11,255,071	$ 3,079,243	$ 5,461,148	$ 107,088,692

See accompanying notes and independent auditor's report

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PANHANDLE-PLAINS HIGHER EDUCATION AUTHORITY, INC. • STUDENT LOAN REVENUE BONDS, SERIES 2010-1 A-1, SERIES 2010-1 A-2, SERIES 2010-1 A-3 AND SERIES 2010-1 A-4

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