NORTHSTAR EDUCATION FINANCE, INC.
Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2025 and 2024

NorthStar Education Finance, Inc.

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Independent Auditors' Report

To the Board of Directors of
Northstar Education Finance, Inc.

Opinion

We have audited the financial statements of Northstar Education Finance, Inc. (the Company), which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2025 and 2024, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

Milwaukee, Wisconsin
December 10, 2025

NorthStar Education Finance, Inc.

STATEMENTS OF FINANCIAL POSITION
As of September 30, 2025 and 2024
(in thousands)

ASSETS

	2025	2024
ASSETS		
Cash and cash equivalents (Note 2)	$ 9,643	$ 12,745
Interest-bearing deposits (Note 2)	48,343	44,042
Unrestricted investments (Notes 2 and 3)	6,307	-
Student loans, net of allowance of $608 and $1,967 (Notes 2, 4 and 5)	605,394	692,530
Interest receivable	25,041	25,595
Servicer receivable (Note 2)	370	531
Government receivable (Note 2)	4,766	7,059
Restricted cash and cash equivalents (Note 2)	27,847	43,127
Prepaid expenses and other assets	-	12
TOTAL ASSETS	$ 727,711	$ 825,641

LIABILITIES AND NET ASSETS

	2025	2024
LIABILITIES		
Accounts payable and accrued liabilities	$ 4,193	$ 3,262
Long-term debt (Note 6)		
Principal	569,116	664,622
Less: unamortized debt issuance costs (Note 2)	(1,424)	(1,706)
Long-term debt, net	567,692	662,916
Total Liabilities	571,885	666,178
NET ASSETS		
Net assets without donor restrictions	155,826	159,463
TOTAL LIABILITIES AND NET ASSETS	$ 727,711	$ 825,641

NorthStar Education Finance, Inc.

STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2025 and 2024
(in thousands)

	2025	2024
OPERATING REVENUE		
Student loan interest income (Note 2)	$ 47,281	$ 63,494
Loan premium amortization (Note 2)	(262)	(527)
Total Operating Revenue	47,019	62,967
OPERATING EXPENSES		
Interest expense	34,649	50,399
Financing expense	264	399
Loan servicing fees	613	593
Loan consolidation fees	5,758	6,747
(Recovery of) provision for credit losses (Note 5)	(1,897)	803
Federal loan default expense	216	188
Legal expenses	595	292
Professional services	2,144	3,155
Charitable grants	12,425	4,300
Other	163	90
Total Operating Expenses	54,930	66,966
OTHER INCOME		
Interest income	4,274	5,140
Total Other Income	4,274	5,140
CHANGE IN NET ASSETS	(3,637)	1,141
NET ASSETS, BEGINNING OF PERIOD	159,463	158,930
Impact from adoption of (ASC) 326	-	(608)
NET ASSETS, END OF PERIOD	$ 155,826	$ 159,463

NorthStar Education Finance, Inc.

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2025 and 2024
(in thousands)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,637)	$ 1,141
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities		
Amortization of loan premium costs	262	527
Amortization of debt issuance costs	282	900
(Recovery of) provision for credit losses	(1,897)	803
Decrease in assets		
Interest receivable	554	5,495
Servicer receivable	161	1,187
Government receivable	2,293	1,367
Prepaid expenses and other assets	12	21
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	931	(1,034)
Net Cash Flows (Used in) Provided by Operating Activities	(1,039)	10,407
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from payments on student loans	88,771	176,342
Proceeds from maturities of interest-bearing deposits	57,669	59,000
Proceeds from maturities of unrestricted investments	4,220	-
Purchases of and reinvestment in interest-bearing deposits	(61,970)	(65,042)
Purchases of and reinvestment in unrestricted investments	(10,527)	-
Net Cash Flows Provided By Investing Activities	78,163	170,300
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(95,506)	(192,646)
Net Cash Flows Used In Financing Activities	(95,506)	(192,646)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(18,382)	(11,939)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – Beginning of Year	55,872	67,811
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH – End of Year	37,490	55,872
Cash and Cash Equivalents	9,643	12,745
Restricted Cash and Cash Equivalents	27,847	43,127
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 37,490	$ 55,872
CASH PAID FOR INTEREST	$ 35,439	$ 50,406

See accompanying notes to financial statements.

NOTE 1 - Business Operations

NorthStar Education Finance, Inc. ("NEF" or the "Company") is a Delaware non-stock nonprofit corporation that was incorporated in January 2000 and was formed to administer the student loan programs started by NorthStar Guarantee, Inc. Shortly after receiving a favorable determination from the Internal Revenue Service in March of 2003 that NEF was an organization described in Section 501(c)(3) of the Internal Revenue Code, NorthStar Guarantee, Inc. transferred beneficial ownership of all remaining assets (including all student loans) to NEF, and NEF assumed all associated liabilities. Effective July 1, 2010, federal legislation eliminated the authority to provide new loans under The Federal Family Education Loan ("FFEL") Program and required that all new federal loans be made through the Direct Student Loan Program ("DSLP"). At that time, the Company made a decision to discontinue its student loan origination business but continues to manage its historic loan portfolio.

The Company is dedicated to supporting its charitable purpose, which is to foster, aid, encourage and assist the pursuit of higher education. Supporting its mission, the Company provides students who have existing loans which were issued under NEF's The Higher Education ("T.H.E.") Loan Program, the lowest possible cost on their loans. In particular, the Company returns excess revenues (if funding source available) to eligible student borrowers in the form of the T.H.E. Repayment Bonus ("T.H.E. Bonus"). NEF's primary charitable goals are to (a) continue servicing its outstanding student loans; (b) manage its financings as necessary to maximize the T.H.E. Bonus paid to student borrowers; and (c) make grants to other organizations in furtherance of its educational mission.

The Company has financed its student loan portfolio through a series of student loan asset-backed note issues, beginning with the first issue in the year 2000. As a result, a significant amount of the Company's student loans has been pledged under indentures and held by trusts specific to the respective securities issues.

NEF's Board of Directors provides oversight to the Company. As NEF has no employees, management and administrative operations are outsourced to a third-party organization through an administration and technology agreement.

The Company uses Nelnet as its third-party loan servicer to perform certain activities for supporting the administration of its outstanding student loan portfolio. These activities include collecting and processing borrower payments, responding to borrower and lender inquiries and requests, as well as processing changes to repayment plans, deferments and forbearances and other default prevention activities.

The Company uses a third-party law firm to manage placements of defaulted private student loans with law firms in respective states for collection and litigation.

The Company's financial assets available within one year of the statement of financial position date for general expenditures consisted of cash and cash equivalents and interest-bearing deposits totaling $57,986 and $56,787 as of September 30, 2025 and 2024, respectively. The Company's practice is to structure these financial assets to be available as its general expenditures, liabilities and obligations come due. All other financial assets are structured to support the student loan asset-backed trusts.

NOTE 2 – Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents consist of checking, demand deposit and savings accounts. The Company considers depository accounts and investments with a maturity date of acquisition and expected usage of three months or less to be cash and cash equivalents. The Company places its cash and cash equivalents with high quality financial institutions. At times, these balances may exceed government insured limits. The Company maintains cash balances in various financial institutions which exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash. The Company has $1,726 of funds that exceeded FDIC insurance limits as of September 30, 2025. Cash pledged as collateral for securities included in long-term debt is excluded from cash and cash equivalents and presented in these financial statements as restricted cash and cash equivalents.

Interest bearing deposits

Interest bearing deposits include investments of unrestricted cash in certificates of deposits and Certificate of Deposit Account Registry Service ("CDARS") with high quality financial institutions that are carried at cost with original maturities greater than three months. The Company maintains cash balances in various financial institutions which exceed the FDIC insurance limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash. The Company has $35,516 of funds that exceeded FDIC insurance limits as of September 30, 2025.

Unrestricted investments

Unrestricted investments represent unrestricted cash which has been invested in U.S. Treasury Notes with original maturities greater than three months. As the Company has the ability and intent to hold these investments until their respective maturity dates and changes in fair value are not material, they are recorded at amortized cost (see Note 3). The Company has funds invested with various financial institutions which exceed the FDIC insurance limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash. The Company has $6,224 of funds that exceeded FDIC insurance limits as of September 30, 2025.

Student loans and allowance for credit losses

The Company's portfolio of student loans consists of federal and private student loans. The Company's federal loans were originated under the FFEL Program. Federal loans include consolidation, Stafford, PLUS and GradPLUS loans. Stafford, PLUS and GradPLUS loans have original terms of ten years, and consolidation loans have terms ranging from ten to twenty-five years. The Company's private loans have original terms of fifteen or twenty years. Federal loans are recorded at cost and are presented net of unamortized premium costs on the Statements of Financial Position. The Company utilizes the interest method to amortize these costs, which takes into consideration actual loan prepayments.

NOTE 2 – Summary of Significant Accounting Policies (cont.)

The Company's federal loans are guaranteed by the U.S. Department of Education ("DOE"), with reimbursement rates ranging from 97% to 100% of principal and related accrued interest balances. Pursuant to federal regulations, the Company is required to repurchase (from the respective guarantor) a loan that was reimbursed under a bankruptcy claim if the bankruptcy is subsequently dismissed by the court or, as a result of a hearing, the loan is considered non-dischargeable, and the borrower is responsible for repayment of the loan. Due to the Company's historical experience with its portfolio of federal loans and the guarantee, no allowance for federal student loans has been recorded by the Company in the financial statements.

During the year ended September 30, 2024, the Company experienced an increased volume of FFEL Program loan repayments which was primarily from borrowers consolidating their loans into Federal Direct Loans in response to various loan forgiveness programs proposed or offered under the Biden-Harris Debt Relief Program.

The consolidations noted above were primarily from loans securitized in the Company's two FFEL Program financings (see Note 6) and resulted in an increase in cash proceeds which was used to pay down outstanding debt (principal) on these two financings, one of which was paid in full in June 2024. FFEL Program loan consolidation volume was a significant factor contributing to the decline in NEF's outstanding debt during the year ended September 30, 2024. FFEL Program loan consolidations were not significant during the year ended September 30, 2025.

Private student loans are recorded at cost and reported net of the allowance for credit losses ("allowance") on the Statements of Financial Position. The Company's allowance represents a reserve for estimated expected credit losses on the Company's private student loans. On October 1, 2023, the Company adopted ASC 326, *Financial Instruments-Credit Losses*. The guidance, which was issued as Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses* (Topic 326), makes significant changes to the accounting for credit losses on financial instruments and disclosures about them. The guidance affects all entities in all industries and applies to a wide variety of financial instruments, including loans receivable. The current expected credit loss, or CECL, model established by ASU 2016-13, requires the immediate recognition of estimated expected credit losses over the life of a financial instrument. As the Company's private student loans are considered as all having similar risk characteristics (the majority were originated under the same underwriting guidelines, to students attending similar high-quality schools, etc.-see Note 5), the evaluation and analysis is performed on the entire pool of private student loans. The Weighted Average Remaining Maturity (WARM) method is a methodology used to estimate credit losses for financial asset pools within the CECL framework. NEF uses the WARM method based on the characteristics of its private loan portfolio, and, pursuant to the WARM method, uses current loan balances, a lookback at charge offs, net of recoveries and estimated remaining terms as inputs into the calculation.

The Company also takes into consideration factors other than defaults which could have an impact on the collectability of the portfolio, including but not limited to the following:

- Overall economic conditions
- Regulatory changes impacting alternative student loans
- Changes in the volume of past due accounts

NOTE 2 – Summary of Significant Accounting Policies (cont.)

During the year ended September 30, 2024, the Company performed its initial analysis pursuant to the adoption of ASC 326 and using the modified retrospective approach, recorded a cumulative adjustment to the allowance of $608 (which reduced beginning net assets) pursuant to ASC 326 implementation guidance.

Defaulted private loans are generally charged off to the allowance when a loan is greater than 180 days delinquent. Subsequent recoveries of accounts previously charged off are recorded (restored) to the allowance.

The Company believes the allowance is adequate as of September 30, 2025 and 2024. While the Company used available information to estimate losses on private loans, future adjustments to the allowance may be necessary based on changes in economic conditions.

Servicer receivable

Servicer receivable represents student loan principal and interest payments collected and applied to borrower balances by the Company's third-party loan servicer that have not yet been remitted to the Company. No allowance was deemed necessary as of September 30, 2025 and 2024.

Government receivable

Government receivable represents an amount due from the DOE for borrower interest earned on federal student loans which is less than the floating rates derived from the DOE's Special Allowance Payments ("SAP") formula, established under The Higher Education Act of 1965 (the "Act").

The SAP formulas are based on type of loan and disbursement date, as well as (for Stafford loans only), repayment status. The rates derived from the DOE's SAP formula, which pertain to the Company's federal loans are based on 30-day average Secured Overnight Financing Rate ("SOFR") (plus tenor adjustment) and/or 91-day Treasury Notes.

Restricted cash and cash equivalents

The Company's restricted cash and cash equivalents include cash pledged as collateral for securities included in long-term debt. Cash pledged as collateral is held by a trustee in various accounts subject to use restrictions imposed by trust indentures specific to each of the Company's security issues. Pursuant to stipulations in these indentures, cash held in trust accounts must be used for distributions as required under the specific indenture obligations. Restricted cash and cash equivalents consist of funds invested in highly liquid financial instruments with stated maturities of three months or less. These financial instruments are not insured by the FDIC; however, the bank trustee, US Bank, is recognized as a major financial institution, consistently ranked among the largest banks in the United States. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

NOTE 2 – Summary of Significant Accounting Policies (cont.)

Debt issuance costs

The Company's debt issuance costs relate to a recognized debt liability and are presented in the Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with the presentation of a debt discount. Amortization of debt issuance costs is reported as interest expense and is computed using a modified interest method, which takes into consideration actual debt prepayments.

Income taxes

The Company is a tax-exempt organization described under the provisions of Internal Revenue Code Section 501(c)(3) and therefore has made no provision for income taxes.

Charitable Grants

The Company follows the guidelines of Accounting Standards Codification Topic 958-605, *Not-for-Profit Entities*. Pursuant to these guidelines, the Company's grants, which are considered unconditional, are expensed when the respective charitable grant agreement is entered into. For those considered conditional, the grant is expensed when the respective conditions have been met. The Board meets periodically to determine the recipients and amounts of the grants, including any conditions, and has historically limited the grants to a select number of recipients.

Net assets

Net assets are classified based on the existence or absence of restrictions. Accordingly, net assets of the Company are classified and reported as follows:

Net assets without donor restrictions include net assets which are not subject to any restrictions.

Student loan interest income

<u>Federal loans</u>

The Company's federal loans earn interest at the greater of the borrower's rate or a floating rate which is determined by the DOE's SAP formula pursuant to the Act. The rates derived from the DOE's SAP formula, which pertain to the Company's federal loans, are based on 30-day Average SOFR (plus tenor adjustment), and/or 91-day Treasury Notes. If the floating rate exceeds the borrower rate, the DOE makes a payment directly to the Company. If the floating rate is less than the rate the borrower is obligated to pay, the Company earns interest at the borrower rate on all loans with first disbursements prior to April 1, 2006. For loans with first disbursements on or after April 1, 2006, the Company must remit back to the DOE on a quarterly basis any borrower interest in excess of the floating rate. The borrower interest rates on the majority of the Company's federal loans are fixed to term, with a small number of loans with variable rates based on the 91-day U.S. Treasury Bill.

NOTE 2 – Summary of Significant Accounting Policies (cont.)

FFEL Program loans originated prior to April 1, 2006 generally earn interest at the higher of the borrower rate, which is fixed over a period of time, or a floating rate based on the DOE's SAP formula set by the DOE. The SAP rate is based on an applicable index plus a fixed spread that depends on loan type, origination date, and repayment status. The Company generally financed its student loan portfolio with variable rate debt. In low and/or certain declining interest rate environments, when the fixed borrower rate is higher than the SAP rate, these student loans earn at a fixed rate while the interest on the variable rate debt typically continues to reflect the low and/or declining interest rates. In these interest rate environments, the Company may earn additional spread income that it refers to as "floor income". In high interest rate environments, this floor income declines or is eliminated.

Private loans

The Company's private student loans have variable interest rates that reset quarterly with the majority based on 3-month CME Term SOFR (plus adjustment).

Student loan premiums

Student loan premiums consist of origination and lender fees paid to the DOE on federal loans originated by the Company, premiums paid in the acquisition of student loans and certain expenses incurred to originate student loans. The Company utilizes the interest method to amortize these costs, taking into account actual loan prepayments. Changes in the estimated carrying value of loan premiums resulting from changes in the timing or amount of the repayment of the underlying student loans are recorded in the Statements of Activities in the period in which the change is identified.

Interest expense

The Company has financed its student loan portfolio with securities which have interest rates that, based on contractual agreements, are indexed to U.S. Treasury Bill rates or Average SOFR.

Loan consolidation fees

Loan consolidation fees represent monthly interest payment rebate fees paid to the DOE which are required of lenders who hold consolidation loans. The rate used to calculate the fee is determined by the DOE and is applied to the principal amount plus accrued unpaid interest on the loan to calculate the amount of the monthly fees due.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(in thousands)

NOTE 3 – Investments

The following is a summary of the Company's investments as of September 30, 2025 (NOTE: There were no investments in 2024):

Type of Investment	Amortized Cost	Fair Value
Held to maturity investments in:		
U.S. Treasury Notes		
Unrestricted	$ 6,307	$ 6,527
Total	$ 6,307	$ 6,527

There were no investments that have been in a continuous unrealized loss position greater than 12 months as of September 30, 2025.

NOTE 4 – Student Loans, Net

Student loans, net, consisted of the following as of September 30, 2025 and 2024:

	2025	2024
Federal guaranteed student loans	$ 573,808	$ 652,386
Private student loans	30,255	39,910
Unamortized loan premiums	1,939	2,201
Total	606,002	694,497
Allowance for credit losses (Note 5)	(608)	(1,967)
Student loans, net	$ 605,394	$ 692,530

(in thousands)

NOTE 5 - Allowance for Credit Losses

The change in the allowance for the years ended September 30, 2025 and 2024 consisted of the following:

	2025	2024
Beginning balance	$ 1,967	$ 798
Impact of ASC 326 adoption	-	608
(Recovery of) provision for credit losses	(1,897)	803
Private loan charge-offs	(755)	(1,066)
Recoveries	1,293	824
Ending balance	$ 608	$ 1,967

As of September 30, 2025 and 2024, student loans totaling approximately $8,738 and $13,223, respectively, were 91 days or more delinquent. Of these totals, $8,307 and $12,889 were federal guaranteed student loans and $431 and $334 were private student loans as of September 30, 2025 and 2024, respectively.

The Company’s private student loans were originated using the Company’s program guidelines, with loans being made only to eligible borrowers at eligible schools. Borrower eligibility was determined through a proprietary credit underwriting process utilizing credit scoring models, cosigner requirements and consideration of other factors such as school eligibility. School eligibility was determined by the Company, based on the school’s historical default experience. All loan servicing functions are performed by the Company’s third-party loan servicer, which also provides supplemental default aversion activities.

(in thousands)

NOTE 5 - Allowance for Credit Losses (cont.)

Information about the credit quality of the Company's private student loans for the years ended September 30, 2025 and 2024 is as follows:

	2025		
	Outstanding balance	Percentage of repayment	Percentage of total
Deferment	$ 363	-	1.2%
Forbearance	147	-	0.5
Repayment			
Current	28,687	96.4%	
Delinquent 31-60 days	304	1.0	
Delinquent 61-90 days	323	1.1	
Delinquent 91 days or greater	431	1.5	
Total in repayment	29,745	100.0%	98.3
Total	$ 30,255		100.0%

	2024		
	Outstanding balance	Percentage of repayment	Percentage of total
Deferment	$ 350	-	0.9%
Forbearance	360	-	0.9
Repayment			
Current	37,731	96.2%	
Delinquent 31-60 days	573	1.5	
Delinquent 61-90 days	562	1.4	
Delinquent 91 days or greater	334	0.9	
Total in repayment	39,200	100.0%	98.2
Total	$ 39,910		100.0%

NOTE 6 - Long-Term Debt

The Company has, from time to time, issued taxable student loan asset-backed notes to finance its student loans as follows:

Years 2000-2007

The Company issued a series of securities pursuant to two separate master indentures of trusts. Series of issuances in years 2000-2005 and in 2007 are secured by a pool of federally-guaranteed student loans originated under the FFEL Program. The issuance in year 2006 (Series 2006A) is secured by a pool of private student loans. The securities issued pursuant to these master indentures of trusts are secured by the respective federal and private student loan portfolios, accrued interest on the loans, and other assets pledged as collateral in each of the respective trusts.

The securities issued by the Company included senior and subordinate floating rate notes and senior reset rate notes, all of which were issued at a fixed spread to 3-month LIBOR (90-day Average SOFR plus tenor adjustment as of July 1, 2023). The senior floating rate notes secured by federally guaranteed student loans were issued at a fixed maturity with targeted amortization schedules. The Company also issued senior and subordinate auction rate notes with interest rates that are reset every 28 days based upon auction procedures. These securities have approximately forty-year maturities with prepayment at the option of the Company. The reset rate notes were paid in full in 2023.

As of September 30, 2025 and 2024, the Company had outstanding taxable auction rate notes of $530,150 and $583,900, respectively. Beginning in February 2008, a disruption in the auction rate securities market resulted in failures in auctions on these notes. As a result, all of the Company's auction rate notes bear interest at the maximum rate allowable under their terms. The maximum allowable interest rates on these taxable auction rate securities is based on the 91-day U.S. Treasury Bill plus 1.20% (and a defined Net Loan Rate) on the AAA rated securities and the 91-day U.S. Treasury Bill plus 1.50% on the A rated securities and uses a rolling 13-month period average to determine the actual interest rate. The rates reset every 28 days.

Unamortized debt issuance costs associated with these financings were approximately $1,424 and $1,706, respectively, as of September 30, 2025 and 2024.

Year 2012

In October 2012, the Company completed an asset-backed refinancing with debt issuance transactions totaling $686,600, which included a structured issue secured by a portfolio of federally insured FFEL Program student loans (NorthStar Student Loan Trust I, or the "2012-1" Issue). NEF, as the issuer, invested approximately $8,900 in its 2012 refinancing transactions, which included the issue of the 2012-1 notes, as well as a series of notes secured by a portfolio of private student loans which were paid in full in September 2016. The 2012-1 subordinate note was paid in full in October 2016, and the senior floating rate notes were paid in full in June 2024. The Company's investment in these financings was returned when all outstanding debt was paid in full in June 2024.

NOTE 6 - Long-Term Debt (cont.)

Year 2016

On September 7, 2016, NEF completed an asset-backed refinancing with a debt issuance totaling $90,000 (par value), which included a structured issue secured by a portfolio of private student loans (NorthStar Student Loan Trust III, or the "2016A" Issue). The Company received proceeds of approximately $16,200 from overcollateralization on the transaction. These funds represent a return of most of the Company's investments in the re-financings in years 2011 and 2012 totaling approximately $18,000. All outstanding notes were paid in full in April 2024, and as a result, the remaining investment of approximately $1,800 was returned to the Company.

(in thousands)

NOTE 6 - Long-Term Debt (cont.)

The Company's outstanding balance of long-term debt by issue and type of security, and current interest rates consisted of the following as of September 30, 2025 and 2024:

Floating Rate Notes	Final Maturity	2025	2024	2025 Current Interest Rate
Series 2005-1A-4	4/28/2032	$ 38,500	72,300	4.85%
Series 2006A-A4	8/28/2035	385	7,068	4.94
Series 2006A-B	11/28/2035	81	1,354	5.14
Total Floating Rate Notes		$ 38,966	$ 80,722	

Auction Rate Notes	Final Maturity	2025	2024	2025 Current Interest Rate
Series 2000-B	11/1/2040	$ 9,500	$ 9,500	6.58%
Series 2002-A	4/1/2042	-	19,550	N/A
Series 2002-B	4/1/2042	37,000	37,000	7.08
Series 2004-1B	12/1/2044	30,000	30,000	5.47
Series 2004-2B	12/28/2044	25,500	25,500	5.51
Series 2005-1B	10/30/2045	20,000	20,000	5.51
Series 2007-1A	1/29/2046	375,950	410,150	5.43-5.62
Series 2007-1B	1/28/2047	32,200	32,200	5.51
Total Auction Rate Notes		$ 530,150	$ 583,900	
Total		$ 569,116	$ 664,622	

Pursuant to trust indentures and agreements associated with the specific issues, the Company is required, among other things, to maintain certain financial covenants and ratios. The Company was in compliance with these covenants and ratios during the fiscal years ended September 30, 2025 and 2024.

(in thousands)

NOTE 7 – Functional Expenses

The Company’s Statements of Activities include operating expenses that support the following functions as of September 30, 2025 and 2024:

	2025			
	Student Loan Portfolio Management	Charitable	General and Administrative	Total
Interest expense	$ 34,649	$ -	$ -	$ 34,649
Financing expense	264	-	-	264
Loan servicing fees	613	-	-	613
Loan consolidation fees	5,758	-	-	5,758
Recovery of credit losses	(1,897)	-	-	(1,897)
Federal loan default expense	216	-	-	216
Legal expenses	534	-	61	595
Professional services	254	-	1,890	2,144
Charitable grants	-	12,425	-	12,425
Other	-	-	163	163
	$ 40,391	$ 12,425	$ 2,114	$ 54,930

	2024			
	Student Loan Portfolio Management	Charitable	General and Administrative	Total
Interest expense	$ 50,399	$ -	$ -	$ 50,399
Financing expense	399	-	-	399
Loan servicing fees	593	-	-	593
Loan consolidation fees	6,747	-	-	6,747
Provision for credit losses	803	-	-	803
Federal loan default expense	188	-	-	188
Legal expenses	209	-	83	292
Professional services	205	-	2,950	3,155
Charitable grants	-	4,300	-	4,300
Other	-	-	90	90
	$ 59,543	$ 4,300	$ 3,123	$ 66,966

NOTE 8 – Significant Risks and Concentrations

The Company's business is primarily focused on managing its portfolio of federal and private student loans and overseeing its financings to pay its outstanding debt obligations. Because of the Company's concentration in one industry, it is exposed to credit, legislative, operational, regulatory and liquidity risks associated with the student loan industry.

As of September 30, 2025, the Company's portfolio of student loans was comprised of approximately 95% federal and 5% private student loans. The Company's private loans are unsecured. The government subsidized loans are substantially guaranteed. As a result of legislation changes in 2010 (see Note 1), all federal loans are now made through the DSLP. The terms and conditions of the Company's FFEL Program loans were not affected by this legislation. However, Congress and the Administration still exercise significant authority over the servicing and administration of existing FFEL Program loans. Because of the ongoing uncertainty around efforts to reduce the federal budget deficit, the timing, method, and manner of implementation of various federal student loan forgiveness and other administration program initiatives has become less predictable. This, and general economic conditions, may impact the Company's ability to collect loans and interest from students.

The Company receives periodic payments from its third-party student loan servicer. These amounts are generally unsecured from the time student loan payments are received by the loan servicer until the time they are remitted to the Company.

NOTE 9 - Subsequent Events

The Company has evaluated subsequent events through December 10, 2025, the date which the financial statements were available to be issued. No subsequent events or transactions have occurred requiring adjustments to or disclosures in the financial statements.