

**\$98,700,000****Adjustable Rate Student Loan Revenue Bonds****Series 2012A****CUSIP: 66705G AA1****NorthStar Student Loan Trust II****Issuing Entity****NorthStar Education Finance, Inc.**  
**Sponsor****NorthStar Capital Markets Services, Inc.**  
**Administrator and Master Servicer****Dated: Date of Delivery****Price of all Bonds: 100%****Due: October 1, 2042**

The Adjustable Rate Student Loan Revenue Bonds, Series 2012A in the aggregate principal amount of \$98,700,000 (the “Series 2012A Bonds”) are being issued by NorthStar Student Loan Trust II (the “Trust”). The Series 2012A Bonds shall be in fully-registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC is to act as securities depository of the Series 2012A Bonds. Individual purchases of the Series 2012A Bonds are to be made in book-entry form only, in the principal amount of \$100,000 and in integral multiples of \$1,000 in excess thereof. Purchasers of the Series 2012A Bonds will not receive certificates representing their interest in the Series 2012A Bonds purchased.

The Series 2012A Bonds will be issued pursuant to a Trust Indenture, dated as of October 1, 2012 (the “General Indenture”), by and among the Trust, U.S. Bank National Association, as eligible lender trustee, and U.S. Bank National Association, as trustee (in such capacity, the “Trustee”), and a First Supplemental Indenture of Trust dated as of October 1, 2012 (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”), between the Trust and the Trustee. The Series 2012A Bonds will be issued by the Trust primarily to acquire private student loans from affiliates of the Trust.

The Series 2012A Bonds will initially bear interest at a rate to be determined prior to the issuance of the Series 2012A Bonds and to be in effect during the initial Interest Period, which shall commence on the Date of Delivery and continue to (but not include) October 11, 2012. Thereafter, the Series 2012A Bonds will bear interest at a Weekly Rate. The interest rate on the Series 2012A Bonds will be determined by RBC Capital Markets, LLC, as the Remarketing Agent, and will go into effect on Thursday of each week. The Series 2012A Bonds will continue to bear interest at a Weekly Rate unless, at the direction of the Trust and subject to the satisfaction of certain conditions precedent described in the Indenture and the 2012 Credit Provider Agreement (defined below) and the Letter of Credit (described below), the interest rate on the Series 2012A Bonds is converted to another type of interest rate. This Official Statement describes terms and provisions applicable to the Series 2012A Bonds only while they are in the Weekly Rate Mode. In the event of a conversion to another Mode, the Series 2012A Bonds, except for Bank Bonds (as defined herein), will be subject to mandatory tender. Potential purchasers of converted Series 2012A Bonds will be provided with separate offering materials containing descriptions of the terms applicable to the Series 2012A Bonds in the Mode to which the Series 2012A Bonds are being converted. The Series 2012A Bonds are subject to optional redemption and mandatory redemption from revenues prior to maturity and to optional and mandatory tender, all as described herein. See the caption “DESCRIPTION OF THE SERIES 2012A BONDS” herein.

The Series 2012A Bonds will be dated their date of delivery and will bear interest from such date until payment of principal has been made or provided for. Interest on the Series 2012A Bonds is payable on the first Business Day of each month, commencing November 1, 2012.

Principal of and interest on the Series 2012A Bonds and the purchase price upon tender of the Series 2012A Bonds is payable from an irrevocable direct-pay letter of credit, to be dated October 25, 2012 (the “Letter of Credit”), issued by Royal Bank of Canada (the “2012 Credit Provider”), acting through its WFC, New York, Branch.



Royal Bank of Canada

Pursuant to the Letter of Credit and Reimbursement Agreement, dated as of October 1, 2012 (the “2012 Credit Provider Agreement”), among the Trust, NorthStar Education Finance, Inc. and the 2012 Credit Provider, the 2012 Credit Provider will issue the Letter of Credit in the Original Stated Amount as described herein. Subject to certain limitations and conditions described herein under the caption “THE LETTER OF CREDIT AND THE 2012 CREDIT PROVIDER AGREEMENT” herein, an alternate credit facility may be substituted for the Letter of Credit. The Letter of Credit will expire, unless otherwise extended or renewed or earlier terminated in accordance with its terms, on September 15, 2015.

THE SERIES 2012A BONDS, AND ANY ADDITIONAL BONDS AS DESCRIBED HEREIN, ARE SPECIAL OBLIGATIONS OF THE TRUST PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF THE PLEDGED ASSETS PROVIDED THEREFOR UNDER THE INDENTURE. SEE THE CAPTION “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS” HEREIN.

The Series 2012A Bonds are offered when, as and if issued by the Trust and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice. Certain legal matters will be passed upon for NorthStar Student Loan Trust II by its counsel, Chapman and Cutler LLP, and for the Underwriter by its counsel, Kutak Rock LLP. It is expected that the Series 2012A Bonds in definitive form will be available for delivery to DTC on or about October 25, 2012.

**RBC Capital Markets**

October 24, 2012.

This Official Statement is submitted in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesman, or other person has been authorized by the Trust or the Underwriter to give any information or make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2012A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the Trust and other sources which the Trust believes to be reliable. Certain information in this Official Statement has been obtained from NorthStar Education Finance, Inc., NorthStar Capital Markets Services, Inc. and the 2012 Credit Provider for inclusion herein and has not been independently verified by the Trust, the Underwriter, or their respective counsel. 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 Trust. This Official Statement does not constitute a contract between the Trust or the Underwriter and any one or more of the Bondholders of the Series 2012A Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE SERIES 2012A BONDS MAY BE CHANGED FROM TIME-TO-TIME BY THE UNDERWRITER AFTER SUCH SERIES 2012A BONDS ARE RELEASED FOR SALE, AND SUCH SERIES 2012A BONDS MAY BE OFFERED AND SOLD TO CERTAIN DEALERS (INCLUDING DEALERS DEPOSITING SERIES 2012A BONDS INTO INVESTMENT ACCOUNTS) AND OTHERS AT PRICES LOWER THAN THE INITIAL PUBLIC OFFERING PRICE. IN CONNECTION WITH THE OFFERING OF THE SERIES 2012A BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2012 CREDIT PROVIDER IS PERMITTED, BUT NOT OBLIGATED, TO PURCHASE SERIES 2012A BONDS FOR ITS OWN ACCOUNT AS THOUGH IT WERE NOT SERVING AS THE 2012 CREDIT PROVIDER, INCLUDING FOR THE PURPOSE OF PREVENTING SUCH SERIES 2012A BONDS FROM BECOMING BANK BONDS, AS DEFINED HEREIN.

Upon issuance, the Series 2012 Bonds will not be registered under the Securities Act of 1933 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 on the accuracy of this Official Statement or approved the Series 2012A Bonds for sale. The Indenture will not be qualified under the Trust Indenture Act of 1939.

The CUSIP identification number provided on the cover page of this Official Statement is being provided solely for the convenience of bondholders only, and neither the Trust nor the Underwriter makes any representation with respect to such number or undertakes any responsibility for its accuracy. The CUSIP number is subject to being changed after the issuance of the Series 2012A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2012A Bonds.

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) 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 HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCLOSURE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS

ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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**FOR NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER NEW HAMPSHIRE REVISED STATUTE ANNOTATED, CHAPTER 421-B (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED TO OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE INVESTOR OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## **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, prospective 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. Forward-looking statements are included in this Official Statement (among others) under the captions “SOURCES AND USES OF FUNDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS—Summary of Cash Flow Analysis” and “RISK FACTORS” herein and in “APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM” hereto.

Any forward-looking statements reflect the Trust’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 Trust’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, Bondholders should not place undue reliance on the forward-looking statements.

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

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

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

Prospective investors should read this Official Statement and the documents that are referenced in this Official Statement completely and with the understanding that the Trust’s actual future results may be materially different from what the Trust expects. The Trust may not update the forward-looking statements, even though the Trust’s situation may change in the future, unless the Trust 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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## OFFICIAL STATEMENT

**\$98,700,000**

**NORTHSTAR STUDENT LOAN TRUST II**  
**Adjustable Rate Student Loan Revenue Bonds**  
**Series 2012A**

### INTRODUCTION

#### General

This Official Statement, which includes the cover page and the Appendices attached hereto, sets forth information concerning the issuance by the NorthStar Student Loan Trust II (the “Trust”) of \$98,700,000 aggregate principal amount of Adjustable Rate Student Loan Revenue Bonds, Series 2012A (the “Series 2012A Bonds”). All capitalized terms used in this Official Statement, and not otherwise defined herein, will have the same meanings as in a Trust Indenture, dated as of October 1, 2012 (as it may be amended, supplemented or otherwise modified, the “General Indenture”), among the Trust, U.S. Bank National Association, as eligible lender trustee (in such capacity, the “Eligible Lender Trustee”), and U.S. Bank National Association, as trustee (in such capacity, the “Trustee”), and a First Supplemental Indenture of Trust, dated as of October 1, 2012 (the “First Supplemental Indenture” and together with the General Indenture, the “Indenture”), between the Trust and the Trustee.

In order to ensure the availability of funds for the timely payment of the Series 2012A Bonds, the Trust, NorthStar Education Finance, Inc. (“NEF”) and Royal Bank of Canada (the “2012 Credit Provider”), acting through its WFC, New York, Branch, have entered into a Letter of Credit and Reimbursement Agreement, dated as of October 1, 2012 (the “2012 Credit Provider Agreement”), under which the 2012 Credit Provider will issue its irrevocable direct-pay letter of credit in support of the Series 2012A Bonds (the “Letter of Credit”).

The Series 2012A Bonds are being issued for the purpose of acquiring a portfolio of private student loans from affiliates of the Trust, funding a Reserve Account for the Series 2012A Bonds and paying the costs of issuing the Series 2012A Bonds as described under the caption “SOURCES AND USES OF FUNDS” herein. Although the Indenture permits the Trust to acquire and pledge student loans originated pursuant to the Federal Family Education Loan Program under the Higher Education Act of 1965, as amended (the “Higher Education Act”), the student loans acquired with the proceeds of the Series 2012A Bonds and originally pledged under the Indenture are private student loans originated under the sponsor’s T.H.E. Loan Program (the “Private Loans”) and are not collateralized or guaranteed and are not originated under the Higher Education Act. The Private Loans are more fully described in “APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM” hereto. Although the Indenture permits the Trust to issue additional bonds and use the proceeds therefrom to acquire student loans that were originated pursuant to the Federal Family Education Loan Program under the Higher Education Act, none of the proceeds of the Series 2012A Bonds will be used to acquire such student loans. If the Trust issues additional bonds for the purpose of acquiring student loans that were originated pursuant to the Federal Family Education Loan Program, the Trust will provide notice of such issuance to the Owners of the Series 2012A Bonds, which will permit the Owners of the Series 2012A Bonds to optionally tender their Series 2012A Bonds if they so desire.

#### Miscellaneous

Descriptions of, among other things, the Series 2012A Bonds, the 2012 Credit Provider, the Trust, NEF, NorthStar Capital Markets Services, Inc. (“NCMS”), as the administrator and the master servicer, NorthStar Education Services, LLC, as the subcontractor of NCMS, Great Lakes Educational Loan Services, Inc. (“GLELSI”), as servicer, the Letter of Credit, the 2012 Credit Provider Agreement, the student loans pledged pursuant to the Indenture (which will initially consist solely of Private Loans) (the “Loans”) and the Indenture are included in this Official Statement. NCMS is not affiliated with either the Trust or the Sponsor. See the caption “THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER—The Administrator and Master Servicer” herein. The information and descriptions in this Official Statement do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Indenture, the Letter of Credit,

the 2012 Credit Provider Agreement and the Series 2012A Bonds, are summaries of, and subject to, the detailed provisions of such documents and are qualified in their entirety by reference to each such document, which will be on file with the Trust and the Trustee. This Official Statement does not constitute a contract between the Trust, NEF or the Underwriter, and any one or more Owners of the Series 2012A Bonds.

## **DESCRIPTION OF THE SERIES 2012A BONDS**

### **General Terms of the Series 2012A Bonds**

The Series 2012A Bonds will be issued in the aggregate principal amount of \$98,700,000 and will mature on October 1, 2042, subject to prior redemption. The Series 2012A Bonds will bear interest as described herein.

**This Official Statement describes terms and provisions applicable to the Series 2012A Bonds only while they are in the Weekly Rate Mode. In the event the Series 2012A Bonds are converted to another Mode, the Series 2012A Bonds, except for Bank Bonds (as defined herein), will be subject to mandatory tender. Potential purchasers of those converted Series 2012A Bonds will be provided with separate offering materials containing descriptions of the terms of the Series 2012A Bonds applicable to the Mode to which the Series 2012A Bonds are being converted.**

The Series 2012A Bonds will be issued in fully-registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as Securities Depository for the Series 2012A Bonds. Individual purchases of the Series 2012A Bonds will be made in book-entry form only in the principal amount of authorized denominations. Purchasers of the Series 2012A Bonds will not receive certificates representing their interests in the Series 2012A Bonds purchased. See the caption “Book-Entry System” below.

### **Denomination and Payment**

The Series 2012A Bonds are initially being issued in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. The authorized denominations are subject to change if the Mode is converted to other than the Weekly Rate Mode. Both the principal of and the interest on the Series 2012A Bonds will be payable in any currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Except as provided in the Indenture, payment of the principal of all Series 2012A Bonds is to be made upon the presentation and surrender of such as the same becomes due and payable.

Other than as provided in the Indenture with respect to the Series 2012A Bonds held in the book-entry system, interest shall be paid with respect to Series 2012A Bonds (i) by federal funds wire transfer by the Trustee to any account within the United States upon written instruction of the Bondholder of \$1,000,000 or more in aggregate principal amount of the Series 2012A Bonds, or (ii) by check mailed on the Interest Payment Date by the Trustee to the Bondholder at the Bondholder’s address as it last appears on the registration books kept by the Trustee at the close of business on the applicable Record Date for such Interest Payment Date.

### **Record Date for Interest Payment**

Interest on any Series 2012A Bonds shall be paid on the Interest Payment Date to the Bondholder thereof on the Record Date. The Record Date for the interest payable on any Interest Payment Date on Series 2012A Bonds bearing interest at a Weekly Rate means the Business Day immediately preceding the Interest Payment Date.

### **Transfer, Exchange and Registration**

In the event the book-entry system is discontinued, the Series 2012A Bonds may be transferred and exchanged on the books of the Trust, which shall be kept for such purpose at the corporate trust office of the Trustee, by the Bondholder only upon presentation and surrender thereof to the Trustee. Series 2012A Bonds are transferable upon the surrender thereof together with a written instrument of transfer satisfactory to the Trustee.

While the Series 2012A Bonds are in a Weekly Rate Mode, new Series 2012A Bonds registered and delivered in an exchange or transfer will be in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof for a like aggregate principal amount as the Series 2012A Bonds surrendered for exchange or transfer. The Trust is required to execute and the Trustee is required to authenticate and deliver such new Series 2012A Bonds. See the caption “Book-Entry System” below for a description of the system to be utilized initially in regard to ownership and transferability of the Series 2012A Bonds.

Except with respect to optional and mandatory tenders, the Trust will not be obligated to (i) register the transfer of or exchange any Series 2012A Bond during a period beginning on the date Series 2012A Bonds are selected for redemption and ending on the day of the mailing of a notice of redemption of Series 2012A Bonds selected for redemption; (ii) register the transfer of or exchange any Series 2012A Bond selected for redemption in whole or in part, except the unredeemed portion of a Series 2012A Bond being redeemed in part; or (iii) make any such exchange or transfer of any Series 2012A Bond during the period beginning on the Record Date for an Interest Payment Date and ending on the Interest Payment Date.

### **Trustee**

U.S. Bank National Association will serve as Trustee and Tender Agent for the Series 2012A Bonds. U.S. Bank National Association may resign or be removed pursuant to the terms of the Indenture; provided, however the resignation or removal will not be effective until a successor has been appointed which is acceptable to the 2012 Credit Provider and such successor has accepted the appointment. All notices required to be delivered to the Trustee shall be delivered by mail delivery/overnight mail to: U.S. Bank National Association, 425 Walnut Street, 6<sup>th</sup> Floor, Mail Code CN-OH-W6CT, Cincinnati, Ohio 45202.

### **Remarketing Agent**

RBC Capital Markets, LLC (“RBCCM”) has been appointed to serve as the initial remarketing agent (the “Remarketing Agent”) for the Series 2012A Bonds. RBCCM may resign or be removed as Remarketing Agent and a successor may be appointed in accordance with the Indenture, the 2012 Credit Provider Agreement and the Remarketing Agreement, dated as of October 1, 2012 (the “Remarketing Agreement”), among the Trust, NEF and RBCCM. RBCCM may suspend its remarketing efforts as set forth in the Remarketing Agreement and the 2012 Credit Provider Agreement. The office of the Remarketing Agent is Three World Financial Center, 200 Vesey Street, 8th Floor, New York, New York 10281-8098; Attention: Municipal Short-Term Desk. For additional information regarding the Remarketing Agent’s obligations under the Remarketing Agreement, its role in the process of remarketing the Series 2012A Bonds and its ability to terminate its duties and obligations under the Remarketing Agreement, see the caption “RISK FACTORS” herein.

### **Interest**

Calculation of Interest. While the Series 2012A Bonds bear interest at a Weekly Rate, interest on the Series 2012A Bonds is to be computed on the basis of a year of 360 days and the actual number of days elapsed. Initially, the Series 2012A Bonds will bear interest at a Weekly Rate; provided, that from the date of issuance of the Series 2012A Bonds to, but not including, November 1, 2012, the Series 2012A Bonds will bear interest at a per annum rate to be established prior to the issuance of the Series 2012A Bonds. The interest rate for the Series 2012A Bonds in the Weekly Rate Mode is the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then existing market conditions, would result in the sale of the Series 2012A Bonds on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. Initially, the Rate Determination Date for the Series 2012A Bonds in the Weekly Rate Mode is each Thursday, or the immediately preceding Business Day if Thursday is not a Business Day, to go into effect on such Thursday.

The Remarketing Agent is required to establish each Weekly Rate by 10:00 a.m., New York City time, on the applicable Rate Determination Date, and to make the new rate available by 11:00 a.m., New York City time, on such Rate Determination Date by Electronic Means to the Trust, the Trustee, the Tender Agent, the Credit Facility Issuer and the Liquidity Facility Issuer (if any). If the Remarketing Agent fails or is unable to determine the Weekly Rate for the Series 2012A Bonds, then the Series 2012A Bonds shall bear interest during each subsequent Interest

Period at the previously determined Weekly Rate until such time as the Remarketing Agent determines the Weekly Rate or there is delivered to the Trust a Favorable Opinion.

In no circumstances may interest on the Series 2012A Bonds (other than Bank Bonds) exceed the Maximum Rate. The Maximum Rate means, with respect to the Series 2012A Bonds which are not Bank Bonds, fifteen percent (15%) per annum; provided, however, in no event shall the Maximum Rate exceed the maximum rate permitted by applicable law. The Maximum Rate may be revised with the approval of the Trust and the Credit Provider and notice to the rating agencies.

Interest Payment Dates. Interest on the Series 2012A Bonds in the Weekly Rate Mode (other than Bank Bonds) will be paid on (a) the first Business Day of each month, commencing November 1, 2012, (b) the applicable Maturity Date, and (c) each Mode Change Date, in an amount equal to the interest accrued during the interest accrual period preceding the applicable Interest Payment Date. Each interest accrual period for the Series 2012A Bonds commences on (and includes) the last Interest Payment Date for which interest has been paid (or if no interest has been paid, from the date of issuance) and ends on the day preceding the succeeding Interest Payment Date.

### **Interest Rate Modes; Conversion**

The Indenture permits the Trust, by complying with certain conditions, to convert the interest rate on the Series 2012A Bonds from a Weekly Rate to another interest rate, including to a different form of adjustable rate, or a rate that is fixed to the maturity of the Series 2012A Bonds. Upon conversion of the Series 2012A Bonds to any Mode, Bondholders will be required to tender their Series 2012A Bonds for purchase at the principal amount thereof plus unpaid accrued interest to the tender date, as described under the caption “Tender Provisions—Mandatory Tender” below. Bondholders of the Series 2012A Bonds being converted will receive notice of such conversion at least 15 days prior to the Mode Change Date. Bondholders will not have the option to retain Series 2012A Bonds that are required to be tendered on such a Mode Change Date.

### **Tender Provisions**

Optional Tender. So long as a Credit Facility (including the Letter of Credit) or a Liquidity Facility is in effect to pay the Purchase Price of tendered Series 2012A Bonds and the Series 2012A Bonds bear interest at a Weekly Rate, the Bondholders of the Series 2012A Bonds (other than any Series 2012A Bond bearing interest at a rate other than a Weekly Rate, any Series 2012A Bond registered in the name of, or held for the account of, the Trust, or any Bank Bond (the “Excluded Bonds”)) may tender their Series 2012A Bonds to the Tender Agent for purchase at the Purchase Price as summarized below in the table under the caption “Summary of Certain Provisions of the Series 2012A Bonds” below.

The Tender Agent will pay the Purchase Price of Series 2012A Bonds which are tendered to the Tender Agent as described herein, but solely from and to the extent of the funds described below under the caption “Remarketing and Purchase” below.

Interest will cease to accrue on the Purchase Date on any Series 2012A Bond that the Bondholder thereof has elected to tender for purchase and that is not tendered on the Purchase Date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof. The Bondholder of such untendered Series 2012A Bond will not be entitled to any payment other than the Purchase Price for such Series 2012A Bond, and such untendered Series 2012A Bond will no longer be Outstanding or entitled to the benefits of the Indenture, except for payment of the Purchase Price from money held by the Trustee for such payment.

Mandatory Tender. While the Series 2012A Bonds are in a Weekly Rate Mode and the Letter of Credit or an Alternate Credit Facility or Alternate Liquidity Facility is then in effect to pay the Purchase Price of such Series 2012A Bonds, the Series 2012A Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price, without the right of retention, on each of the following dates (each a “Mandatory Purchase Date”):

- (a) each Mode Change Date;

(b) the second Business Day preceding the Expiration Date of a Credit Facility (including a Direct-Pay Credit Facility) or Liquidity Facility;

(c) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Credit Facility (including a Direct-Pay Credit Facility) or a Liquidity Facility;

(d) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the Trustee of a written notice from the issuer of a Direct-Pay Credit Facility that such Direct-Pay Credit Facility will not be reinstated (in respect of interest) to an amount equal to the interest component of the Liquidity and Credit Amount required with respect to the Series 2012A Bonds;

(e) the Substitution Date for a Credit Facility (including a Direct-Pay Credit Facility) or a Liquidity Facility;

(f) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) following the receipt by the Trustee of a written notice from the issuer of a Credit Facility (including a Direct-Pay Credit Facility) or Liquidity Facility that pursuant to such Credit Facility or Liquidity Facility the issuer of such Credit Facility or Liquidity Facility is directing at its option that all such Series 2012A Bonds be subject to mandatory tender pursuant to this paragraph (f); and

(g) the Rate Determination Date immediately following the Rate Determination Date on which a VRDB Trigger Event occurs.

Each Mandatory Purchase Date must be a Business Day.

The Trustee will give notice of such mandatory tender by mail to the affected Bondholders of the Series 2012A Bonds subject to mandatory tender, by the applicable tender notice deadline. If notice of a mandatory tender is given by the Trustee as described herein, the failure of any Bondholder to receive such notice for any reason shall not affect the requirement that such Series 2012A Bonds be mandatorily tendered and such Series 2012A Bonds shall be deemed to be mandatorily tendered on the Mandatory Purchase Date at the Purchase Price, shall cease to bear interest, and shall not be deemed outstanding for any purpose other than to receive the Purchase Price for such Series 2012A Bonds from the Tender Agent. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Bondholder.

The Tender Agent will pay the Purchase Price of Series 2012A Bonds which are tendered to the Tender Agent as described herein, but solely from and to the extent of the funds described under the caption "Remarketing and Purchase" below.

Interest on any Series 2012A Bond that is not tendered on a Mandatory Purchase Date, but for which there has been irrevocably deposited with the Tender Agent an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the Mandatory Purchase Date. The Bondholders of such untendered Series 2012A Bonds will not be entitled to any payment other than the Purchase Price for such Series 2012A Bond, and such untendered Series 2012A Bonds will no longer be outstanding or entitled to the benefits of the Indenture, except for payment of the Purchase Price from money held by the Tender Agent for such payment.

Remarketing and Purchase. In the event a Bondholder exercises its option to tender Series 2012A Bonds, or if any Series 2012A Bond becomes subject to mandatory tender, the Remarketing Agent is required to use its best efforts to sell such Series 2012A Bonds at a price equal to 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming optional or Mandatory Purchase Date, provided the Credit Facility (including the Letter of Credit), an Alternate Credit Facility or a Liquidity Facility is in effect to pay the Purchase Price. The Remarketing Agent will cause the aggregate Purchase Price of tendered Series 2012A Bonds that have been successfully remarketed to be paid to the Tender Agent in immediately available funds for deposit to the Remarketing Proceeds Account of the Purchase Fund. On each Purchase Date, unless the Trustee has received notice from the Remarketing Agent that the Remarketing Agent has remarketed all of the tendered Series 2012A

Bonds subject to purchase, the Trustee will, to the extent permitted by the Liquidity Facility (including the Letter of Credit), make a draw under the Liquidity Facility pursuant to the Indenture for the purchase of tendered Series 2012A Bonds (excluding Excluded Bonds) that have not been successfully remarketed. Upon receipt from the Liquidity Facility Issuer (including the 2012 Credit Provider) of immediately available funds to pay the Purchase Price of Series 2012A Bonds, the Tender Agent will deposit such money in the Liquidity Facility Purchase Account of the Purchase Fund for application to the Purchase Price of the Series 2012A Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account of the Purchase Fund are not sufficient.

The Purchase Price of Series 2012A Bonds tendered for purchase is required to be paid by the Tender Agent solely from and to the extent of the following sources in the order of priority indicated: (a) first, from immediately available funds on deposit in the Remarketing Proceeds Account of the Purchase Fund; and (b) second, from immediately available funds on deposit in the Liquidity Facility Purchase Account of the Purchase Fund. The failure to pay the Purchase Price for Series 2012A Bonds shall not constitute an Event of Default under the Indenture and such Series 2012A Bonds shall not be purchased and shall remain in the Mode in effect immediately preceding such Purchase Date or Mandatory Purchase Date, as the case may be. **None of the Trust, NEF nor the Administrator is obligated to purchase tendered Series 2012A Bonds.**

## Summary of Certain Provisions of the Series 2012A Bonds

The table below summarizes certain information with respect to Series 2012A Bonds bearing interest at a Weekly Rate:

	<u>Weekly Rate</u>
Interest Payment Dates	With respect to the Series 2012A Bonds, the first Business Day of each month, commencing November 1, 2012.
Rate Determination Date	Thursday, or if Thursday is not a Business Day, the immediately preceding Business Day.
Rate Period	Weekly Rate effective to (but not including) Thursday of next week.
Effective Date of Rate	Each Thursday.
Bondholder's Notice of Optional Tender; Optional Tender Dates	Written notice to Tender Agent, Trustee and the Remarketing Agent by Bondholder not later than 4:00 p.m. on any Business Day that is not less than 7 days prior to Purchase Date; the Purchase Date must be on a Business Day.
Delivery of and Payment for Series 2012A Bonds Subject to Optional and Mandatory Tender	Series 2012A Bonds shall be delivered (with all necessary endorsements) at or before 12:00 noon on the Purchase Date or Mandatory Purchase Date, at the designated office of the Tender Agent; payment of the Purchase Price with respect to such purchases shall be made to the Bondholders of tendered Series 2012A Bonds by wire transfer in immediately available funds by the Tender Agent by the close of business on the Purchase Date or Mandatory Purchase Date.
Written Notice of Mode Change Date	Trustee shall give notice to Bondholders not later than 15 days prior to the Mode Change Date.
Notice of Mandatory Tender	Subject to certain exceptions, the Trustee shall give notice to the Bondholders of the Series 2012A Bonds subject to mandatory tender not less than 15 days prior to Mandatory Purchase Date.

All times shown are Eastern time. A "Business Day" means a day other than (i) a Saturday; (ii) a Sunday; (iii) a day on which the Federal Reserve Bank or banks located in the city in which the office of the 2012 Credit Provider where demands for payment are to be presented or the office of the Liquidity Facility Issuer where demands for payment are to be presented, as applicable, are authorized or required to remain closed; or (iv) a day on which the Federal Reserve Bank or banks located in the city in which the principal office of the Trustee is located are required or authorized by law to remain closed.

## Redemption Provisions

**Optional Redemption.** While in a Weekly Rate Mode, any Series 2012A Bond may be redeemed in whole or in part on any Business Day at the option of the Trust at a Redemption Price equal to the principal amount thereof plus accrued interest to the Redemption Date. Notwithstanding the foregoing, if a Credit Facility is in effect, then unless the Credit Provider has failed to honor a properly presented and conforming drawing under the Credit Facility (and such failure remains uncured), no notice of optional redemption shall be given by the Trustee until (i) the Trust has deposited with the Trustee moneys in an amount sufficient to reimburse the Credit Provider in accordance with the terms of the Credit Facility then in effect for the amount of any draw which is permitted to be made, if any, on

the Credit Facility in connection with such redemption, or (ii) the Trustee has received written consent from the Credit Provider to such optional redemption.

**Mandatory Redemption.** The Series 2012A Bonds are subject to mandatory redemption on a quarterly basis on the first Business Day of each March, June, September and December, in whole or in part in Authorized Denominations, at a price of par plus accrued interest to the date of redemption, from amounts on deposit in the Retirement Subaccount of the Payment Account (if the amount on deposit in the Retirement Subaccount of the Payment Account is at least \$1,000,000). See “APPENDIX B—SUMMARY OF THE INDENTURE—Creation and Operation of Accounts—Revenue Account; Payment Account” hereto.

**Priority of Redemption of Bank Bonds.** In the event that there are Bank Bonds, such Bank Bonds will be redeemed prior to any Series 2012A Bond that is not a Bank Bond.

**Terms Regarding Redemptions.** Redemptions of the Series 2012A Bonds shall be made in whole or in part in Authorized Denominations; provided that a Series 2012A Bond may only remain Outstanding in an Authorized Denomination.

The Series 2012A Bonds or portions thereof to be redeemed will be selected by the Trust.

Upon surrender of any Series 2012A Bond called for redemption in part only, the Trust shall execute and the Trustee shall authenticate and deliver to the Bondholder thereof, a new Series 2012A Bond of an Authorized Denomination in an aggregate principal amount equal to the unredeemed portion of the Series 2012A Bond surrendered.

The Series 2012A Bonds shall be redeemed as provided in the Indenture upon notice as provided in the Indenture, provided that notices of redemption shall not be given less than 15 days prior to the Redemption Date with respect to Series 2012A Bonds in the Weekly Rate Mode.

While the Letter of Credit is in effect, the Redemption Price of Series 2012A Bonds shall be payable from the proceeds of draws under the Letter of Credit prior to the use of funds from any other source.

### **Book-Entry System**

The information in this section concerning DTC and DTC’s book-entry system has been obtained from DTC, and the Trust takes no responsibility for the accuracy thereof.

DTC is to act as securities depository for the Series 2012A Bonds. The Series 2012A Bonds are to be issued as fully-registered Series 2012A 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 Series 2012A Bond certificate is to be issued for the Series 2012A Bonds, in the aggregate principal amount of the Series 2012A Bonds, and is to 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 a Standard & Poor’s (“S&P”) rating of AA+. The DTC Rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. Neither the Trust nor the Underwriter makes any representation about such information. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2012A Bonds under the DTC system must be made by or through Direct Participants, which are to receive a credit for the Series 2012A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012A Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012A Bonds, except in the event that use of the book-entry system for the Series 2012A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2012A 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 Series 2012A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012A Bond documents. For example, Beneficial Owners of Series 2012A Bonds may wish to ascertain that the nominee holding the Series 2012A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices are to be sent to DTC. If less than all of the Series 2012A Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012A Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trust 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 Series 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2012A 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 Trust or the Trustee, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Direct or Indirect Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Direct or Indirect Participant and not of DTC nor its nominee, the Trustee or the Trust, subject to any statutory or regulatory requirements as may be in effect from time-to-time.

Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trust or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have the Series 2012A Bonds purchased or tendered, through its Participant, to a Tender Agent, and shall effect delivery of such Series 2012A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2012A Bonds, on DTC's records, to a Tender Agent. The requirement for physical delivery of the Series 2012A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2012A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2012A Bonds to Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2012A Bonds at any time by giving reasonable notice to the Trust or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012A Bond certificates are required to be printed and delivered.

The Trust may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012A Bond certificates are to be printed and delivered to DTC.

NEITHER THE TRUST NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DTC DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2012A BONDS; (C) THE DELIVERY BY ANY SUCH PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO THE BONDHOLDER; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2012A BONDS; OR (E) ANY OTHER ACTION TAKEN BY DTC AS THE BONDHOLDER OF THE SERIES 2012A BONDS.

So long as Cede & Co. or its registered assign is the Bondholder of the Series 2012A Bonds, the Trust and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trust or the Trustee, neither the Trust nor the Trustee will have any responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owner of the Series 2012A Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC.

## SOURCES AND USES OF FUNDS

The following tables show the estimated sources and uses of funds relating to the Series 2012A Bonds:

### Sources of Funds

Bond Proceeds.....	\$98,700,000
Cash Contribution .....	<u>926,169</u>
Total Sources of Funds.....	<u>\$99,626,169</u>

### Uses of Funds

Acquisition of Private Loans.....	\$97,551,356
Deposit to Reserve Account.....	987,000
Costs of Issuance.....	<u>1,087,813</u>
Total Uses of Funds .....	<u>\$99,626,169</u>

In connection with the issuance of the Series 2012A Bonds and the retirement of obligations outstanding under prior debt arrangements of affiliates of the Trust, NEF, as the sponsor of the Trust, will deposit \$28,496,822 in principal amount and accrued interest of Private Loans into the Loan Account as part of the Pledged Assets. To the extent that payments have been made on the Private Loans anticipated to be acquired by the Trust, such payments will be deposited to the Revenue Account on the date of issuance of the Series 2012A Bonds. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS—Initial Overcollateralization” herein.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS

### General

The Series 2012A Bonds, and any additional bonds issued pursuant to the Indenture, are special limited obligations of the Trust payable solely out of the revenues, assets and funds pledged therefor under the Indenture as described under the caption “The Pledged Assets” below, except that while the Letter of Credit is in full force and effect, the principal of and interest on the Series 2012A Bonds (other than Excluded Bonds) whether at stated maturity, maturity by earlier redemption, by declaration of acceleration, on an interest payment date, or otherwise, will be payable from the proceeds of draws under the Letter of Credit prior to the use of funds from any other source available under the Indenture. Under the Indenture, the Trust may in the future issue additional Bonds with a lien on the Pledged Assets on parity with or subordinate to the Series 2012A Bonds on terms and conditions set forth in the Indenture. Such additional bonds may only be issued with the consent of the 2012 Credit Provider.

### The Pledged Assets

The Series 2012A Bonds, and any additional bonds issued pursuant to the Indenture, and the obligation of the Trust to repay such bonds and to pay all amounts due and owing to the 2012 Credit Provider, will be secured by the assets pledged under the Indenture (collectively, the “Pledged Assets”), which consist of (a) the Loans and notes evidencing the same and any related servicing agreements; (b) all moneys and securities from time to time held by the Trustee under the terms of the Indenture (excluding the Non-Pledged Account, the Operating Account and any other account specifically excluded by the terms of the Indenture, including the terms of any Supplemental Indenture) and any and all other real or personal property of every name and nature, from time to time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security under the Indenture, by the Trust or by anyone on its behalf or with its written consent to the Trustee, which is authorized under the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture; and (c) all Revenues including all payments, proceeds, charges and other cash income received by the Trust from or on account of any Loan, including scheduled, delinquent and advance payments of and any guaranty or insurance proceeds with respect to, interest on any Loan and any special allowance payment received by the Trust pursuant to the Higher Education Act with respect to any Loan, payouts or

prepayments, proceeds attributable to principal from insurance or from the sale, assignment or other disposition of such Loan and any payments representing such principal from the guaranty or insurance of any such Loan and all interest earned or gain realized from the investment of amounts in any Account (other than amounts required to be deposited to or on deposit in the Operating Account or the Non-Pledged Account), and all amounts received pursuant to any Financial Product.

Although the Indenture permits the Trust to acquire and pledge student loans originated pursuant to the Federal Family Education Loan Program under the Higher Education Act, the Eligible Loans to be acquired with the proceeds of the Series 2012A Bonds will consist solely of Private Loans that are not collateralized or guaranteed and are not originated under the Higher Education Act. The Private Loans are more fully described in “APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM” hereto.

### **Letter of Credit**

In order to ensure the availability of funds for the timely payment of the Series 2012A Bonds, the Trust, NEF and the 2012 Credit Provider have entered into the 2012 Credit Provider Agreement under which the 2012 Credit Provider will issue the Series 2012A Letter of Credit supporting the Series 2012A Bonds (the “Letter of Credit”). The Letter of Credit will be in an original stated amount (the “Original Stated Amount”) equal to the principal of and 50 days of accrued interest on the Series 2012A Bonds at a rate of 15% per annum based on a year of 360 days, unless increased, decreased or reinstated in accordance with the terms of the 2012 Credit Provider Agreement and the Letter of Credit. The Letter of Credit is initially scheduled to expire on September 15, 2015, but may be extended, terminated or replaced prior to such expiration in accordance with its terms. The Series 2012A Bonds are subject to mandatory tender for purchase prior to the occurrence of any expiration, termination or replacement of the Letter of Credit. See the caption “THE LETTER OF CREDIT AND THE 2012 CREDIT PROVIDER AGREEMENT” herein.

### **Initial Collateralization**

Following the application of the proceeds of the Series 2012A Bonds and the acquisition of the Private Loans, the ratio of the Aggregate Market Value (as defined in “APPENDIX B—SUMMARY OF THE INDENTURE” hereto) to the aggregate principal amount of the Series 2012A Bonds outstanding on the date of issuance is expected to be approximately 128.7%. See the caption “SOURCES AND USES OF FUNDS” herein.

### **Loan Account**

On the date of issuance, the Private Loans acquired with the proceeds of the Series 2012A Bonds and cash and the additional Private Loan contributed by the Sponsor will be transferred into the Loan Account created under the Indenture as described under the caption “SOURCES AND USES OF FUNDS” herein. The Private Loans deposited in the Loan Account or acquired with amounts on deposit in the Loan Account will be held by the Servicer (as bailee for the Trustee), and accounted for as part of the Loan Account. See the caption “CHARACTERISTICS OF THE LOANS” herein for information regarding the Private Loans expected to be transferred to the Loan Account.

### **Reserve Account**

The Series 2012A Bonds are additionally secured by the Reserve Account in an amount equal to the Reserve Account Requirement. Upon the issuance of the Series 2012A Bonds, a deposit of cash in an amount equal to \$987,000 is to be made from proceeds of the Series 2012A Bonds. The Reserve Account Requirement shall be an amount equal to 1.0% of the aggregate principal amount of Series 2012A Bonds outstanding; provided, however, the Reserve Account Requirement must be at least equal to \$500,000. Moneys in the Reserve Account are to be used in designated priorities, to cure insufficiencies of amounts in the Revenue Account. See also “APPENDIX B—SUMMARY OF THE INDENTURE” hereto.

## **Investment of Accounts Held by Trustee**

The Trustee shall invest amounts credited to any Account established under the Indenture in investment securities described in the Indenture pursuant to directions received from the Trust. In the absence of a direction, the Trustee shall invest amounts held under the Indenture in Permitted Investments as set forth in the Indenture.

## **Summary of Cash Flow Analysis**

The Trust has caused RBCCM to prepare a cash flow analysis of the portfolio of existing Private Loans that is expected to be acquired on or about the date of issuance of the Series 2012A Bonds (the "Cash Flow Analysis").

Based on certain assumptions, including those described under the caption "CHARACTERISTICS OF THE LOANS" herein, and recognizing certain factors described under the caption "RISK FACTORS" herein, the Trust currently expects, and the Cash Flow Analysis indicates, that the Revenues will be sufficient to pay principal of and interest on the Series 2012A Bonds when due, or to reimburse the 2012 Credit Provider for payment of such amounts, and also to pay the annual cost of all Trustee fees, fees for the Letter of Credit, servicing costs and other Fees and Expenses until the final maturity or prior redemption of the Series 2012A Bonds. However, there is no assurance that the Revenues will be sufficient for such payments, in which case an Event of Default could occur. If the Trustee had to liquidate all or a portion of the Loans upon the occurrence of an Event of Default, or for any other reason, it is possible that the Trustee could not sell the Loans for their full par value. Even though the Pledged Assets may be in excess of the principal amount of Series 2012A Bonds outstanding at any given time, it is possible that the Trustee may not be able to sell the Loans and the other Pledged Assets for a sufficient amount to pay the principal and accrued interest on the Series 2012A Bonds and any additional bonds issued pursuant to the Indenture. See the caption "RISK FACTORS" herein.

## **CHARACTERISTICS OF THE LOANS**

The Trust expects that the Loans will originally consist of 100% Private Loans. The aggregate outstanding principal balance of the Private Loans expected to comprise a portion of the Loans in each of the following tables includes the principal balance due from borrowers, which does not include accrued interest and interest expected to be capitalized upon commencement of repayment. The percentages set forth in the tables below may not always add to 100% and the balances may not always add to \$122,099,575 for the Loans, due to rounding.

In the event that the principal amount of Loans required to provide collateral for the Series 2012A Bonds varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to cause the 2012 Credit Provider to issue the Letter of Credit, the pricing of the interest rate on the Series 2012A Bonds, the principal amount of Series 2012A Bonds to be offered, the rate of amortization or prepayment on the portfolio of Loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of Loans to be pledged to the Trustee may consist of a subset of the pool of Loans described below or may include additional Eligible Loans not described below.

The aggregate characteristics of the pool of Loans, including the composition of the Loans and the related borrowers, the distribution by school type, the distribution by loan type, the distribution by borrower interest rate, the distribution by principal balance, and the distribution by remaining term to scheduled maturity, as applicable, 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 Loans will be pledged to the Trustee under the Indenture will occur after that date. The aggregate characteristics may also vary as a result of the inclusion of Loans not described below or the exclusion of Loans that are described below, in each case for the reasons described in the preceding paragraphs under this caption. The information as of the statistical cut-off date set forth under this caption is with respect to Loans expected to be pledged to the Trustee under the Indenture. The Trust believes that the characteristics of the pool of Loans described below are representative of the pool of Loans that will be pledged to the Trustee under the Indenture on or about the date of issuance.

The Private Loans are more fully described in “APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM” hereto. As of August 31, 2012, the Statistical Cut-off Date, the characteristics of the pool of Loans expected to be pledged to the Trustee pursuant to the Indenture were as described below.

**Composition of Loans  
(As of the Statistical Cut-off Date)**

Aggregate Outstanding Principal Balance	\$122,099,575
Number of Borrowers	7,059
Average Outstanding Principal Balance Per Borrower	\$17,297
Number of Loans	9,943
Average Outstanding Principal Balance Per Loan	\$12,280
Weighted Average Remaining Term (months)	211.86

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

School Type	Number of Borrowers	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
4-Year +	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>
Total	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

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

Borrower Principal Balance	Number of Borrowers	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
Less than \$500	66	\$ 15,415	0.01%
\$500 to \$999	162	125,383	0.10
\$1,000 to \$1,999	461	697,031	0.57
\$2,000 to \$2,999	545	1,355,234	1.11
\$3,000 to \$3,999	591	2,054,162	1.68
\$4,000 to \$5,999	1,083	5,402,860	4.42
\$6,000 to \$7,999	958	6,672,944	5.47
\$8,000 to \$9,999	878	7,855,972	6.43
\$10,000 to \$14,999	1,886	23,094,450	18.91
\$15,000 to \$19,999	1,784	30,407,915	24.90
\$20,000 to \$24,999	637	14,204,097	11.63
\$25,000 to \$29,999	377	10,226,783	8.38
\$30,000 to \$34,999	230	7,392,731	6.05
\$35,000 to \$39,999	127	4,751,780	3.89
\$40,000 to \$49,999	103	4,506,851	3.69
\$50,000 to \$59,999	32	1,716,494	1.41
\$60,000 to \$69,999	12	769,235	0.63
\$70,000 to \$79,999	8	585,435	0.48
\$80,000 to \$89,999	2	173,242	0.14
\$90,000 to \$99,999	<u>1</u>	<u>91,560</u>	<u>0.07</u>
Total	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

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

Loan Type	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
LawMBA Nonsubsidized	2,123	\$ 27,305,673	22.36%
MED Nonsubsidized	6,213	77,362,557	63.36
NATL Nonsubsidized	1,455	13,266,243	10.87
DENT Nonsubsidized	<u>152</u>	<u>4,165,102</u>	<u>3.41</u>
Total	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

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

Borrower Status	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
In-School	226	\$ 2,209,635	1.81%
Grace	924	10,954,079	8.97
Deferment	1,197	14,574,154	11.94
Forbearance	133	1,904,891	1.56
Repayment	<u>7,463</u>	<u>92,456,816</u>	<u>75.72</u>
Total	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

**Distribution of  
Loans By Days Delinquent  
(As of the Statistical Cut-off Date)**

Days Delinquent	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
Not in Repayment	2,480	\$ 29,642,759	24.28%
0-30 days	7,216	89,620,517	73.40
31-60 days	134	1,448,996	1.19
61-90 days	40	450,402	0.37
91-120 days	30	378,667	0.31
121-150 days	26	428,942	0.35
151-180 days	16	125,382	0.10
181 days and above	<u>1</u>	<u>3,910</u>	<u>0.00*</u>
Total	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

\*Greater than 0.00%, but less than 0.005%.

**Distribution of Loans  
by Number of Months to Scheduled Maturity  
(As of the Statistical Cut-off Date)**

Remaining Months to Scheduled Maturity	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
61 to 72	1	\$ 1,745	0.00%*
109 to 120	33	157,393	0.13
121 to 132	118	672,652	0.55
133 to 144	396	2,680,702	2.20
145 to 156	486	3,672,986	3.01
157 to 168	466	4,001,510	3.28
169 to 180	578	5,091,717	4.17
181 to 192	1,227	12,679,335	10.38
193 to 220	3,126	43,177,948	35.36
221 to 260	3,204	46,058,472	37.72
261 to 300	296	3,723,613	3.05
Over 300	<u>12</u>	<u>181,501</u>	<u>0.15</u>
Total	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

\*Greater than 0.00%, but less than 0.005%.

**Distribution of  
Loans By FICO Score  
(As of the Statistical Cut-off Date)**

FICO Score	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
No FICO Available	856	\$ 5,600,637	4.59%
Less than 620	20	209,396	0.17
620-649	333	5,116,052	4.19
650-679	813	10,408,207	8.52
608-709	1,707	20,466,008	16.76
710-749	2,903	36,245,932	29.69
750 and greater	<u>3,311</u>	<u>44,053,343</u>	<u>36.08</u>
Totals	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

**Distribution of  
Loans in Repayment By Months in Repayment  
(As of the Statistical Cut-off Date)**

Number of Months in Repayment Status	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
0 to 12 months	1,132	\$16,501,310	17.85%
13 to 24 months	1,184	16,163,530	17.48
25 to 36 months	1,332	18,029,972	19.50
37 to 48 months	2,114	24,748,649	26.77
49 to 60 months	1,410	14,826,217	16.04
61 to 72 months	290	2,174,884	2.35
73 or more	<u>1</u>	<u>12,254</u>	<u>0.01</u>
Totals	<u>7,463</u>	<u>\$92,456,816</u>	<u>100.00%</u>

**Distribution of  
Loans By Account Balance  
(As of the Statistical Cut-off Date)**

Account Balance	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
Less than \$500	25	\$ 4,920	0.00*%
\$500 to \$999	52	36,734	0.03
\$1,000 to \$1,999	181	259,075	0.21
\$2,000 to \$2,999	244	553,254	0.45
\$3,000 to \$3,999	266	849,335	0.70
\$4,000 to \$5,999	591	2,582,633	2.12
\$6,000 to \$7,999	720	4,203,256	3.44
\$8,000 to \$9,999	636	4,728,551	3.87
\$10,000 to \$14,999	1,608	15,848,278	12.98
\$15,000 to \$19,999	1,811	24,147,547	19.78
\$20,000 to \$24,999	1,018	13,942,950	11.42
\$25,000 to \$29,999	698	10,954,632	8.97
\$30,000 to \$34,999	532	9,572,936	7.84
\$35,000 to \$39,999	370	6,790,621	5.56
\$40,000 to \$49,999	507	10,695,773	8.76
\$50,000 to \$59,999	347	7,476,419	6.12
\$60,000 to \$69,999	172	4,169,762	3.42
\$70,000 to \$79,999	103	2,974,294	2.44
\$80,000 to \$89,999	42	1,608,831	1.32
\$90,000 to \$99,999	12	372,772	0.31
\$100,000 to \$109,999	3	101,752	0.08
\$110,000 to \$119,999	5	225,250	0.18
Less than \$500	<u>25</u>	<u>4,920</u>	<u>0.00*</u>
Totals	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

\*Greater than 0.00%, but less than 0.005%.

**Distribution of  
Loans By Geographic Location  
(As of the Statistical Cut-off Date)**

Geographic Location	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
Alabama	50	\$ 684,618	0.56%
Alaska	19	257,056	0.21
Arizona	195	2,622,354	2.15
Arkansas	18	174,248	0.14
California	1,887	27,240,063	22.31
Colorado	173	2,204,869	1.81
Connecticut	99	1,375,178	1.13
Delaware	15	190,738	0.16
District of Columbia	222	3,068,733	2.51
Florida	372	4,361,780	3.57
Georgia	234	2,896,344	2.37
Hawaii	31	437,051	0.36
Idaho	37	345,273	0.28
Illinois	280	3,147,092	2.58
Indiana	55	650,981	0.53
Iowa	35	288,850	0.24
Kansas	27	463,486	0.38
Kentucky	31	475,946	0.39
Louisiana	160	1,697,681	1.39
Maine	188	2,012,534	1.65
Maryland	240	3,100,446	2.54
Massachusetts	242	3,236,414	2.65
Michigan	191	2,034,329	1.67
Minnesota	554	4,618,479	3.78
Mississippi	26	362,259	0.30
Missouri	124	1,539,763	1.26
Montana	18	195,139	0.16
Nebraska	48	456,088	0.37
Nevada	57	732,391	0.60
New Hampshire	65	799,343	0.65
New Jersey	267	3,592,400	2.94
New Mexico	25	407,686	0.33
New York	749	10,591,207	8.67
North Carolina	164	2,174,947	1.78
North Dakota	20	214,037	0.18
Ohio	177	2,013,883	1.65
Oklahoma	70	1,009,990	0.83
Oregon	118	1,517,329	1.24
Pennsylvania	671	8,089,812	6.63
Puerto Rico	6	105,476	0.09
Rhode Island	31	367,473	0.30
South Carolina	43	552,055	0.45
South Dakota	10	97,894	0.08
Tennessee	85	996,808	0.82
Texas	355	5,215,849	4.27

Utah	67	902,582	0.74
Vermont	17	264,107	0.22
Virginia	262	3,241,967	2.66
Washington	153	2,019,622	1.65
West Virginia	18	218,815	0.18
Wisconsin	889	6,230,094	5.10
Wyoming	8	81,304	0.07
Guam	4	27,449	0.02
Virgin Islands	1	4,505	0.00*
Armed Forces	4	52,231	0.04
Armed Forces Americas	1	6,567	0.01
Armed Forces Pacific	9	85,112	0.07
Foreign Country	<u>26</u>	<u>348,851</u>	<u>0.29</u>
Totals	<u>9,943</u>	<u>\$122,099,575</u>	<u>100.00%</u>

\*Greater than 0.00%, but less than 0.005%.

### **Borrower Benefit Programs**

Through application of its T.H.E. Bonus Program, NEF helped borrowers reduce the cost of financing their education by providing eligible borrowers (those in active repayment and less than 60 days delinquent) a monthly credit on their student loans which was equal to an annualized interest rate discount. The T.H.E. Bonus program was suspended temporarily in February of 2008 and a settlement was made with NEF's borrowers, resulting in mandated settlement guaranteed minimum benefit payments and the reinstatement of bonus benefits to eligible borrowers. The current funding source for bonus payments is from excess cash released from certain financings sponsored by NEF and NEF's own cash reserves. There are no other payment incentives with respect to the Loans. Any payment under the T.H.E. Bonus Program on the Loans will be deposited to a designated Settlement Bonus Trust Account.

### **Repurchase of Loans**

Pursuant to their respective Student Loan Purchase Agreement or Student Loan Sale Agreement, NEF and the Depositor have agreed to repurchase, within 30 days of a request, any Loan which has ceased to be an Eligible Loan under the Indenture due to any action taken or failed to be taken by the owner of such Loan prior to the Trust's acquisition of such student loan at a price equal to the principal balance of such Loan. Neither NEF nor the Depositor may have the financial resources to meet the repurchase obligation under its respective Student Loan Purchase Agreement or Student Loan Sale Agreement. The failure of NEF or the Depositor to repurchase a student loan would be a breach of its respective Student Loan Purchase Agreement or Student Loan Sale Agreement, but is not an Event of Default under the Indenture, and would not permit the exercise of remedies under the Indenture. See the caption THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST II—Description of the Student Loan Sale Agreement" herein.

### **THE TRANSFERORS**

The Private Loans were made by either PNC Bank, N.A. or University National Bank (each an "Originating Lender") pursuant to the T.H.E. Loan Program and were all acquired by NorthStar T.H.E. Funding, LLC or NorthStar T.H.E. Funding III, LLC, affiliates of NEF. The Private Loans owned by NorthStar T.H.E. Funding, LLC were later transferred to NEF. NorthStar T.H.E. Funding III, LLC will transfer its Private Loans to NEF pursuant to a bill of sale. Substantially all of these Private Loans were originated under NEF's underwriting criteria described in "APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM" hereto. Any Private Loans not originated pursuant to the T.H.E. Loan Program were originated under a loan program with substantially the same terms as the T.H.E. Loan Program. The transferors that are affiliates of NEF are all limited liability companies.

The Series 2012A Bonds do not represent an interest in, or obligation of, any of the transferors of the Private Loans or their affiliates (other than the Trust). No purchaser of the Series 2012A Bonds will have any recourse to any of the transferors of the student loans or their affiliates. The Series 2012A Bonds are not insured or guaranteed by the Federal Deposit Insurance Corporation or, at the request of or for the account of any of the transferors of the Private Loans or their affiliates, by any other governmental agency. The underwriting criteria used by the transferors of the Private Loans in originating Private Loans acquired by the Trust may be different from those used by the transferors of the student loans and their affiliates in originating student loans under other existing student loan programs.

## **THE LETTER OF CREDIT AND THE 2012 CREDIT PROVIDER AGREEMENT**

### **General**

The following is a brief description of certain provisions of the Letter of Credit and the 2012 Credit Provider Agreement, and is not to be considered as a full statement of the provisions of such documents. This summary is qualified by reference to and is subject to such documents. Capitalized terms used herein and not defined shall have the meanings set forth in the 2012 Credit Provider Agreement. The provisions of any substitute or replacement Credit Facility and related Credit Provider Agreement may be different from those summarized below.

The Indenture requires the Trustee to draw upon the Letter of Credit whenever principal or interest is due on the Series 2012A Bonds, whether on any Interest Payment Date or stated maturity date or upon redemption or acceleration. The Trustee is also required under the provisions of the Indenture to draw on the Letter of Credit under certain circumstances including mandatory or optional tender of the Series 2012A Bonds if remarketing proceeds are insufficient to pay the purchase price.

### **The Letter of Credit and the 2012 Credit Provider Agreement**

The Letter of Credit will be in all respects an irrevocable direct-pay obligation of the 2012 Credit Provider. The Letter of Credit will be issued in an amount (the "Original Stated Amount") equal to the aggregate principal amount of the outstanding Series 2012A Bonds, plus 50 days' interest on the Series 2012A Bonds, at the rate of 15% per annum based on a year of 360 days and actual number of days elapsed. The Original Stated Amount may be increased, decreased or reinstated under certain circumstances described in the 2012 Credit Provider Agreement and the Letter of Credit. Under the Letter of Credit, the Trustee, upon compliance with the terms of the Letter of Credit, is authorized and directed to draw up to (a) an amount sufficient (i) to pay principal of the Series 2012A Bonds (other than Excluded Bonds (as defined in the Letter of Credit)) when due, whether at maturity or upon redemption or acceleration, and (ii) to pay the portion of the purchase price of Series 2012A Bonds (other than Excluded Bonds) delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed equal to the principal amount of such Series 2012A Bonds, plus (b) an amount not to exceed 50 days of interest on the Series 2012A Bonds, at the rate of 15% per annum based on a year of 360 days, (A) to pay accrued and unpaid interest on Series 2012A Bonds (other than Excluded Bonds) or (B) to pay the portion of the purchase price of Series 2012A Bonds (other than Excluded Bonds), delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed, equal to the interest accrued, if any, on such Series 2012A Bonds.

Upon any drawing, the amount of the Letter of Credit will be reduced automatically by the amount of such drawing. The amount of any drawing for interest due on an interest payment date will be automatically reinstated unless the 2012 Credit Provider notifies the Trustee within 10 days of such drawing that an Event of Default under the 2012 Credit Provider Agreement (including the Trust's failure to reimburse the 2012 Credit Provider for such drawing) has occurred, in which case the amount of such drawing will not be reinstated. The amount of any drawing to pay the purchase price of Series 2012A Bonds in connection with an Optional Tender (as defined in the Letter of Credit) of the Series 2012A Bonds will be reinstated upon receipt by the 2012 Credit Provider of (i) notice in the form specified in the Letter of Credit that the 2012 Credit Provider is being reimbursed for such drawing and (ii) funds in an amount equal to the purchase price of any Series 2012A Bonds purchased with the proceeds of such drawing. Reductions in the amount of the Letter of Credit occurring upon drawings for (i) the payment of the purchase price of Series 2012A Bonds upon a Mandatory Tender (as defined in the Letter of Credit), other than upon

a VRDB Trigger Event, (ii) the payment of the principal of and interest on the Series 2012A Bonds upon a redemption of the Series 2012A Bonds; (iii) the payment of the principal of and interest on the Series 2012A Bonds in connection with an Acceleration Drawing (as defined in the Letter of Credit); and (iv) the payment of the principal of and interest on the Series 2012A Bonds upon their Stated Maturity (as defined in the Letter of Credit) will not be subject to reinstatement. At any given time, the available amount under the Letter of Credit shall be equal to or greater than the Original Stated Amount, less (x) the amount of any drawings to the extent such amounts have not been reinstated and (y) the amount by which the Trustee, in a certificate delivered to the 2012 Credit Provider, has permanently reduced the amount of the Letter of Credit to the extent such reduction is not already accounted for by a reduction in the available amount pursuant to clause (x) above.

The 2012 Credit Provider Agreement requires the Trust to reimburse the 2012 Credit Provider for the full amount of any drawings under the Letter of Credit on the day on which such drawing is paid; provided, however, that so long as no Default or Event of Default has occurred and is continuing under the 2012 Credit Provider Agreement, any drawing on the Letter of Credit in order to pay the purchase price of the Series 2012A Bonds in connection with an Optional Tender or a Mandatory Tender shall be reimbursed as follows: (i) a drawing to pay the interest component of the purchase price with respect to the Series 2012A Bonds must be reimbursed by the Trust on the date of such drawing and (ii) a drawing to pay the principal component of the purchase price with respect to the Series 2012A Bonds must be reimbursed by the Trust in accordance with the amortization terms stated in the 2012 Credit Provider Agreement. Except for certain obligations stated in the 2012 Credit Provider Agreement, all of the Trust's obligations under the 2012 Credit Provider Agreement are limited obligations of the Trust payable from the Pledged Assets. To secure its obligations under the 2012 Credit Provider Agreement, the Trust will grant a security interest in the Pledged Assets to the Trustee for the benefit of the 2012 Credit Provider and the Bondholders of the Series 2012A Bonds and any additional bonds issued pursuant to the Indenture.

The Letter of Credit, by its terms, will expire on the earliest of (a) September 15, 2015 (as such date may be extended from time-to-time by the 2012 Credit Provider); (b) receipt by the 2012 Credit Provider of notice, in the form specified in the Letter of Credit, that the Series 2012A Bonds have been defeased, or that the Trust has obtained a substitute letter of credit; (c) the earlier of (i) the Business Day immediately succeeding the date of the 2012 Credit Providers's receipt of notice, in the form specified in the Letter of Credit, that the Series 2012A Bonds have been converted to a rate other than the Weekly Rate; and (ii) the date on which the 2012 Credit Provider honors a drawing under the Letter of Credit on or after the related Conversion Date (as defined in the Letter of Credit); (d) the earlier of (i) the date the 2012 Credit Provider honors a drawing under the Letter of Credit in connection with the acceleration of all of the related Series 2012A Bonds pursuant to the terms of the Indenture; and (ii) the Business Day immediately succeeding the date that is 10 days after the Trustee's receipt of notice, in the form specified in the Letter of Credit, that an Event of Default has occurred under the 2012 Credit Provider Agreement; (e) the earlier of (i) the date the 2012 Credit Provider honors a drawing under the Letter of Credit in connection with the mandatory tender of all of the respective Series 2012A Bonds pursuant to the terms of the First Supplemental Indenture, other than upon a VRDB Trigger Event; and (ii) the Business Day immediately succeeding the date that is 10 days after the Trustee's receipt of notice that an Event of Default has occurred under the 2012 Credit Provider Agreement; and (f) the earlier of (i) the date the 2012 Credit Provider honors a drawing under the Letter of Credit in connection with the mandatory tender of all of the related Series 2012A Bonds pursuant to the terms of the First Supplemental Indenture, other than upon a VRDB Trigger Event; and (ii) the Business Day immediately succeeding the date that is 10 days after the Trustee's receipt of notice that there has been a failure to reimburse the 2012 Credit Provider for an Interest Drawing under the 2012 Credit Provider Agreement.

Events of Default and Remedies Under the 2012 Credit Provider Agreement. Pursuant to the 2012 Credit Provider Agreement, the occurrence of any of the following events, among others, shall constitute an Event of Default thereunder. Reference is made to the 2012 Credit Provider Agreement for a complete listing of all Events of Default:

(a) *Payments.* The Trust or NEF fails to pay when due any Obligation (as defined in the 2012 Credit Provider Agreement) or any amount due under the Indenture (whether by acceleration or otherwise);

(b) *Representations.* Any representation or warranty made by or on behalf of the Trust, NEF, NES or the Administrator in 2012 Credit Provider Agreement or in any Related Document (as

defined in the 2012 Credit Provider Agreement) or in any certificate or statement delivered thereunder proves to have been inaccurate, misleading or incomplete in any material respect when made or deemed to have been made;

(c) *Covenants.* The Trust or NEF, as applicable, fails to perform certain enumerated covenants in the 2012 Credit Provider Agreement;

(d) *Other Covenants.* The Trust, NEF or NES, as applicable, fails to perform or observe any term, covenant or agreement (other than ones described in any other paragraph under this heading “Events of Default and Remedies Under the 2012 Credit Provider Agreement”) contained in the 2012 Credit Provider Agreement or any Related Document on its part to be performed or observed which failure continues for 10 Business Days or more;

(e) *Default on Debt.* (i) Any default or similar event not covered by another paragraph under this heading “Events of Default and Remedies Under the 2012 Credit Provider Agreement” occurs under any document evidencing Debt (as defined in the 2012 Credit Provider Agreement) of the Trust that is senior to or on parity with the Series 2012A Bonds and Bank Bonds, (ii) any default or similar event not covered by another paragraph under this heading “Events of Default and Remedies Under the 2012 Credit Provider Agreement” occurs under any document (after any applicable cure period) evidencing any other Debt of the Trust or NEF in an amount in excess of \$5,000,000 or (iii) any act or omission by the Trust or NEF occurs under any document which results in Debt of the Trust or NEF, as applicable, becoming, or being capable of becoming, immediately due and payable;

(f) *Contest of Validity.* Any provision of the 2012 Credit Provider Agreement, the Series 2012A Bonds or any of the other Related Documents ceases to be valid and binding; or the Trust, the Administrator, NES, NEF or any Governmental Authority (as defined in the 2012 Credit Provider Agreement) contests any such provision; or the Trust, the Administrator, NES, NEF or any agent or trustee on behalf of the Trust, the Administrator, NES or NEF denies that it has any further liability under any provision of the 2012 Credit Provider Agreement, the Series 2012A Bonds or any of the other Related Documents, as applicable; or the Trust or NEF, as applicable, in writing to the Trustee, the 2012A Credit Provider or any other Person, (i) claims that the Indenture, the Series 2012A Bonds, the Fee Agreement (as defined in the 2012 Credit Provider Agreement) or the 2012 Credit Provider Agreement is not valid or binding on it, (ii) repudiates its obligations under the Indenture, the Series 2012A Bonds, the Fee Agreement or the 2012 Credit Provider Agreement, and/or (iii) initiates any legal proceedings to seek an adjudication that the Indenture, the Series 2012A Bonds, the Fee Agreement or the 2012 Credit Provider Agreement or its obligation to repay any Material Debt (as defined in the 2012 Credit Provider Agreement) is not valid or binding on it;

(g) *Determination of Invalidity.* Any court of competent jurisdiction or other Governmental Authority with jurisdiction to rule on the validity of any provision of the 2012 Credit Provider Agreement, the Fee Agreement, the Series 2012A Bonds or the Indenture finds or rules that the 2012 Credit Provider Agreement, the Series 2012A Bonds, the Fee Agreement or the Indenture is not valid or is not binding on the Trust or NEF, as applicable;

(h) *Judgments.* Entry or filing of any judgment, writ or warrant of attachment or of any similar process in an amount in excess of \$1,000,000 against the Trust or NEF, or against any of their respective property, and failure of the Trust or NEF, as applicable, to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 30 days; or failure to pay or satisfy such judgment within 60 days or as otherwise required by such judgment, writ or warrant of attachment;

(i) *Other Documents.* Any default, event of default or similar event under any of the Related Documents (as defined respectively therein) or any Parity Facility (as defined in the 2012 Credit Provider Agreement) occurs;

(j) *Event of Insolvency.* An Event of Insolvency (as defined in the 2012 Credit Provider Agreement) with respect to the Trust or NEF occurs;

(k) *Change in Law.* Any elimination, diminution, adverse modification or other adverse change in the rights of the holders of Series 2012A Bonds (including but not limited to the Bank Bondholder (as defined in the 2012 Credit Provider Agreement)) in any collateral or other security related to the Series 2012A Bonds resulting from the repeal or amendment of any Law (as defined in the 2012 Credit Provider Agreement) occurs;

(l) *Material Adverse Change.* A material adverse change has, in the sole opinion of the 2012 Credit Provider, occurred in (i) the condition (financial or otherwise) of the Trust, NEF or NES or the laws, rules, guidelines or regulations (or their interpretation or administration) applicable to the Trust, NES or NEF and the transactions contemplated by the 2012 Credit Provider Agreement or any of the Related Documents, (ii) the ability of the Trust, NES or NEF to consummate the transactions contemplated by the 2012 Credit Provider Agreement or any of the Related Documents to which the Trust, NES or NEF, as applicable, is or will be a party or is or will be bound or (iii) the ability of the Trust, NES or NEF to perform any of its respective obligations under the 2012 Credit Provider Agreement or any of the Related Documents to which it is or will be a party or is or will be bound;

(m) *Servicer Insolvency Events.* The occurrence of an Insolvency Event with respect to any Servicer; provided that an Insolvency Event with respect to any Servicer will not constitute an Event of Default under the 2012 Credit Provider Agreement if another Servicer succeeds such Servicer and, within 30 days after the occurrence of such Insolvency Event, enters into a Servicing Agreement to service all of the student loans serviced by such Servicer at the time of such occurrence;

(n) *Pledged Assets.* The Pledged Assets are not held by, or otherwise not subject to a first priority security interest in favor of, the Trustee solely for the benefit of the 2012 Credit Provider and the holders of the Series 2012A Bonds;

(o) *Bonds.* Any bonds or other debt under the Indenture are issued in violation of the 2012 Credit Provider Agreement;

(p) *Lien on Pledged Assets.* The Trust or any Person with authority to act on its behalf asserts in writing that, or any of the Related Documents is amended to the effect that, or a final judgment or order which is non-appealable or unstayed of any Governmental Authority having jurisdiction over the Trust is entered finding that, the Trust's obligations in respect of the principal of or interest accrued and to accrue on the Series 2012A Bonds are for any reason not secured by a valid and enforceable lien on, or are not be payable from, any of the Pledged Assets;

(q) *Subordinate Bonds.* Any failure, wholly or partially, to make timely any payment required to be made on any Subordinate Bond, if issued, or any obligation payable on a parity with any Subordinate Bonds, if issued;

(r) *Downgrade.* Any long-term rating assigned to the Series 2012A Bonds which is not based solely on the rating of the 2012 Credit Provider shall be withdrawn, suspended or lowered below "A+" by Fitch or "A+" by S&P;

(s) *Bank Bonds.* Any bonds are at any time held as "bank bonds" under any Parity Facility;

(t) *Remarketing.* Failure by a Remarketing Agent to comply with the terms of the Remarketing Agreement, which failure continues for a period of thirty (30) days or more;

(u) *Usury.* Any Governmental Authority of competent jurisdiction determines that any Law of the State of Delaware prescribing a maximum rate or effective rate of interest applies to the 2012 Credit

Provider Agreement or the Bank Bonds relating to interest rates or other compensation payable to the the 2012 Credit Provider; and

(v) *Defaulted Student Loans.* The ratio of (i) the aggregate principal amount of defaulted student loans since the closing date for the Series 2012A Bonds to (ii) the aggregate principal amount of financed student loans as of the closing date for the Series 2012A Bonds is greater than or equal to (A) 2.25% as of or prior to October 25, 2013 or (B) 5.15% as of or prior to October 25, 2014.

## **2012 Credit Provider Agreement Remedies**

Following the occurrence of any of the above described Events of Default for the 2012 Credit Provider Agreement, the 2012 Credit Provider may exercise any one or more of the following rights and remedies in addition to any other remedies provided pursuant to the 2012 Credit Provider Agreement or provided by law. Reference is made to the 2012 Credit Provider Agreement for a complete listing of all consequences of Events of Default under the 2012 Credit Provider Agreement:

(a) If any Event of Default under the 2012 Credit Provider Agreement has occurred, then, and in any such event, (i) the 2012 Credit Provider may declare all outstanding Obligations (together with accrued interest thereon) to be, and all outstanding Obligations (together with accrued interest thereon) shall thereupon become, immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which have been waived by the Trust or NEF; (ii) the 2012 Credit Provider may cure any default, event of default or event of non-performance under the 2012 Credit Provider Agreement or any of the Related Documents (in which case NEF is required to reimburse the 2012 Credit Provider therefor), (iii) the 2012 Credit Provider may deliver to the Trustee written notice that an Event of Default has been declared under the 2012 Credit Provider Agreement and that the Letter of Credit will terminate 10 calendar days after the date of the Trustee's receipt of such notice and directing the acceleration of the Series 2012A Bonds, (iv) the 2012 Credit Provider may deliver to the Trustee written notice that an Event of Default has been declared under the 2012 Credit Provider Agreement and that the Letter of Credit will terminate 10 calendar days after the date of the Trustee's receipt of such notice and directing the mandatory tender of all of the Series 2012A Bonds, (v) the 2012 Credit Provider may proceed to protect its rights by suit in equity, action at law or other appropriate proceedings for specific performance of any covenant or agreement of the Trust or NEF herein contained and/or (vi) the 2012 Credit Provider may exercise any other rights or remedies available under the 2012 Credit Provider Agreement, any Related Documents or any other agreement or at law or in equity.

(b) In addition to the remedies set forth in clauses (iii) and (iv) of paragraph (a) above, upon the failure of the Trust to reimburse the 2012 Credit Provider for any Interest Drawing (as defined in the 2012 Credit Provider Agreement), the 2012 Credit Provider may send to the Trustee, at or before the close of business on the tenth day after such Interest Drawing was honored by the 2012 Credit Provider, a written notice requesting the mandatory tender of all of the Series 2012A Bonds.

(c) Except with respect to clauses (iii) and (iv) of paragraph (a) and paragraph (b) above, the failure of the 2012 Credit Provider to give notice of the exercise of any right or remedy shall not affect the validity or enforceability thereof.

(d) NEF has agreed to pay to the 2012 Credit Provider all expenses incurred or paid by the 2012 Credit Provider, including reasonable attorneys' fees and court costs, in connection with any default by the Trust or NEF under the 2012 Credit Provider Agreement or under the Fee Agreement or in connection with the enforcement of any of the terms of the 2012 Credit Provider Agreement or the Fee Letter or of any Related Document.

## **The 2012 Credit Provider**

*The following information has been provided by Royal Bank of Canada (referred to under this caption as "Royal Bank") for use in this Official Statement. Such information is not guaranteed as to accuracy or*

*completeness by, and is not to be construed as a representation by, the Trust, NEF, the Administrator or the Underwriter. This information has not been independently verified by the Trust, NEF, the Administrator or the Underwriter. No representation is made by the Trust, NEF, the Administrator or the Underwriter as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

Royal Bank is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada. Royal Bank is the parent company of RBC Capital Markets, LLC, the Underwriter and the Remarketing Agent for the Series 2012A Bonds.

Royal Bank and its subsidiaries operate under the master brand name RBC. Royal Bank is Canada's largest bank as measured by assets and market capitalization and is among the largest banks in the world based on market capitalization. Royal Bank is one of North America's leading diversified financial services companies and provides personal and commercial banking, wealth management services, insurance, corporate and investment banking and investor services on a global basis. Royal Bank and its subsidiaries employ approximately 80,000 full- and part-time employees who serve more than 15 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 51 other countries.

Royal Bank had, on a consolidated basis, as at July 31, 2012, total assets of C\$824.4 billion (approximately US\$822.0 billion\*), equity attributable to shareholders of C\$43.2 billion (approximately US\$43.0 billion\*), and total deposits of C\$502.8 billion (approximately US\$501.4 billion\*). The foregoing figures were prepared in accordance with International Financial Reporting Standards and have been extracted and derived from, and are qualified by reference to, Royal Bank's unaudited Interim Condensed Consolidated Financial Statements included in Royal Bank's Report to Shareholders for the fiscal period ended July 31, 2012.

The senior long-term unsecured debt of Royal Bank has been assigned ratings of AA- (negative outlook) by Standard & Poor's Ratings Services, Aa3 (stable outlook) by Moody's Investors Service and AA (stable outlook) by Fitch Ratings. Royal Bank's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange and the Swiss Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

Upon written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited Consolidated Financial Statements, to any person to whom this Official Statement is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, 4th Floor, North Tower, Toronto, Ontario M5J 2W7, Canada, or by calling (416) 955-7802, or by visiting [rbc.com/investorrelations/](http://rbc.com/investorrelations/).

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of Royal Bank since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.

### **Alternate Credit Facility**

Under the Indenture and subject to the terms of the 2012 Credit Provider Agreement, the Trust may replace the Letter of Credit with an Alternate Credit Facility. Any Alternate Credit Facility accepted by the Trustee on or prior to the Conversion Date will provide for all drawings described in the Letter of Credit, including all drawings for credit and liquidity. The Series 2012A Bonds will be subject to mandatory tender on the date of such replacement as described under the caption "DESCRIPTION OF THE SERIES 2012A BONDS—Tender Provisions" herein.

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\* As at July 31, 2012: C\$1.00 = US\$0.9971083856815240

## RISK FACTORS

Potential investors in the Series 2012A Bonds should consider the risks involved in purchasing the Series 2012A Bonds including the following risk factors, together with all other information in this Official Statement in deciding whether to purchase the Series 2012A Bonds. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2012A Bonds and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Series 2012A Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future.

### Letter of Credit Constitutes Primary Security

Owners of the Series 2012A Bonds (other than Excluded Bonds) prior to a Conversion Date for the Series 2012A Bonds will be required to look primarily to the 2012 Credit Provider for security and will be dependent upon the 2012 Credit Provider to honor draws under the Letter of Credit. There is no expectation that any Revenues will be used for the purpose of purchasing tendered Series 2012A Bonds or paying principal and interest on the Series 2012A Bonds when due. Only in the event that the 2012 Credit Provider becomes insolvent, or some other event occurs resulting in the 2012 Credit Provider's failure to honor draws under the Letter of Credit, will Owners of the Series 2012A Bonds have recourse to the Revenues. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012A BONDS" herein.

The 2012 Credit Provider's obligation to honor draws under the Letter of Credit constitutes a general unsecured obligation of the 2012 Credit Provider and will not be secured or otherwise guaranteed by the United States of America or any agency or instrumentality thereof, including the Federal Deposit Insurance Corporation.

The Trust, NEF and the 2012 Credit Provider will enter into the 2012 Credit Provider Agreement pursuant to which the Letter of Credit will be issued. Among other things, the 2012 Credit Provider Agreement provide for (a) the repayment to the 2012 Credit Provider of all drawings made under the Letter of Credit, together with specified interest on those draws; (b) the payment or reimbursement to the 2012 Credit Provider of certain specified fees, costs and expenses; (c) affirmative and negative covenants to be observed on the part of the Trust and NEF; and (d) certain indemnification obligations on the part of the Trust and NEF. The Series 2012A Bonds (other than Excluded Bonds) are subject to mandatory purchase on the date specified by the 2012 Credit Provider in a written notice to the Trustee following the occurrence of an Event of Default under the 2012 Credit Provider Agreement, which date is to be a Business Day not more than five days after the Trustee's receipt of such notice. See the caption "DESCRIPTION OF THE SERIES 2012A BONDS—Tender Provisions" herein. For a description of the Events of Default under the 2012 Credit Provider Agreement which could cause such mandatory purchase, see the caption "THE LETTER OF CREDIT AND 2012 CREDIT PROVIDER AGREEMENTS—The Letter of Credit and the 2012 Credit Provider Agreement—Events of Default and Remedies under the 2012 Credit Provider Agreement" herein.

### The 2012 Credit Provider

On each date on which principal of or interest on the Series 2012A Bonds is payable, whether upon redemption, an acceleration or stated maturity, or a tender and a failed or incomplete remarketing of the Series 2012A Bonds, the Trustee is required by the Indenture to draw moneys under the Letter of Credit (up to the amount available thereunder and in accordance with the terms thereof) in an amount sufficient to pay any principal of or interest due on the Series 2012A Bonds on such date, and is required to apply such moneys to pay such principal and interest when due without further authorization or direction. *There can be no assurance that the 2012 Credit Provider will have sufficient funds to enable it to honor its commitments under the Letter of Credit.* See the caption "THE LETTER OF CREDIT AND THE 2012 CREDIT PROVIDER AGREEMENT" herein for further information concerning the 2012 Credit Provider, the Letter of Credit, and the 2012 Credit Provider Agreement. The 2012 Credit Provider has the right to consent to, direct and control certain of the remedies taken by the Trustee under the Indenture upon an Event of Default; provided, however, the 2012 Credit Provider will not be allowed to waive any Event of Default under the Indenture if the 2012 Credit Provider has failed to honor a properly presented and conforming draw under the Letter of Credit. See the caption "APPENDIX B—SUMMARY OF THE INDENTURE" hereto.

## **Ratings**

The ratings on the Series 2012A Bonds are based upon the issuance of the Letter of Credit by the 2012 Credit Provider. It is possible that such ratings could be downgraded, and such lower ratings could affect the market price of the Series 2012A Bonds. See the caption “RATINGS” herein. The Series 2012A Bonds are not subject to mandatory tender for purchase in the event of any rating downgrade.

## **Enforceability of Remedies Against Bank**

The remedies available to Owners of the Series 2012A Bonds against the 2012 Credit Provider may be subject to judicial discretion, and limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, or other similar laws affecting the rights of creditors generally. The legal opinions to be delivered concurrently with delivery of the Series 2012A Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which may limit the specific enforcement under state law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the federal constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the state and its governmental bodies, in the interest of serving an important public purpose.

## **The Series 2012A Bonds are Not a Suitable Investment for All Investors**

The Series 2012A Bonds are not a suitable investment if a Bondholder requires a regular or otherwise predictable schedule of payments of interest or principal on any specific date. The Series 2012A Bonds are complex variable rate 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.

## **Risks Relating to Pledged Revenues in the Event of Insolvency of the 2012 Credit Provider or Other Failure to Pay a Draw on the Letter of Credit**

In the event that the 2012 Credit Provider fails to perform its obligations under the Letter of Credit, Owners of the Series 2012A Bonds will be dependent upon the Pledged Assets for repayment. The sufficiency of the Pledged Assets available for payment of the Series 2012A Bonds in such event is subject to a high degree of risk. Potential investors in the Series 2012A Bonds are encouraged to read this Official Statement in its entirety and should give particular consideration to the following risk factors relating to the Pledged Assets.

The rating agencies are expected to assign to the Series 2012A Bonds the ratings set forth under the caption “RATINGS” herein on the assumption that the 2012 Credit Provider will deliver the Letter of Credit on the date of issuance of the Series 2012A Bonds. Such ratings do not take into account, and should not be implied as an assessment of, the Pledged Assets.

## **Risks Associated with Interest Rates**

The interest rates on the Series 2012A Bonds will be variable and will fluctuate from one weekly rate period to another in response to changes in benchmark rates or general market conditions. The Trust can make no representation as to what these rates may be in the future. The Private Loans, however, generally bear interest at rates with an effective rate (taking into account any special allowance payments where applicable) equal to the rate borne by either 91-day Treasury bills or three-month LIBOR, plus a stated margin. See “APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM” hereto for Private Loan interest rate information.

As a result of the differences between the interest rates on the Series 2012A Bonds and the interest rates on the Private Loans, there could be periods of time when the interest payments received on the Private Loans are inadequate to cover the interest payments due on the Series 2012A Bonds and expenses required to be paid under the Indenture.

## **Turmoil in the Credit Markets**

There have been changes in the national credit markets since the fall of 2007 that have dramatically changed the way that NEF and its affiliates do business. Due to the turmoil in the credit markets, the cost of asset-backed securities financings has increased and their availability has decreased. Some of the issues that have made asset-backed borrowings more difficult include: the collapse of the auction rate securities market (as discussed below); the downgrade of national bond insurers; limited availability of credit support and liquidity in the market; the requirement by those credit and liquidity providers that are in the market of increasingly higher amounts of overcollateralization and higher fees payable to such credit and liquidity providers in financings; and the establishment by the credit rating agencies of significantly more rigorous cash flow assumptions and requirements.

Due to the limited recourse nature of the trust estate created under the Indenture the turmoil in the credit markets should not impact the payment of the Series 2012A Bonds unless it causes (i) erosion in the finances and operations of the Trust or NCMS to such an extent that they cannot honor any servicing, administration or similar obligations under the Indenture or the Master Servicing Agreement or (ii) the interest rates on the Series 2012A Bonds to increase more than the interest rates received by the Trust on the Loans.

## **Ratings of Other Student Loan Bonds Issued by Affiliates of NEF May be Reviewed or Downgraded**

Disruptions in the credit markets, along with concerns over the financial strength of several monoline insurers and banks which provide liquidity and credit support, the widening of interest rate spreads and the collapse of the auction rate securities market have caused the rating agencies to announce that they are reviewing or intend to review the ratings assigned to certain securities, including student loan asset-backed securities. Additionally, most student loan asset-backed securities are sensitive to spreads between commercial paper rates and LIBOR rates, and such spreads have been wider than historical levels since the credit market disruption began in 2007. These events have led to a number of ratings actions on student loan asset-backed securities. Ratings actions may take place at any time. The Trust cannot predict the timing of any ratings actions, nor can the Trust predict whether the ratings assigned to the Series 2012A Bonds will be downgraded. In addition, any adverse action by the rating agencies regarding securities which have been issued, or may be issued, by NEF or its affiliates may adversely affect the market value of the Series 2012A Bonds or any secondary market for the Series 2012A Bonds that may develop.

## **Consumer protection laws may affect enforceability of the Private Loans**

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. These requirements may apply to assignees such as the Trust and may result in both liability for penalties for violations and a material adverse effect upon the enforceability of the Private Loans. For example, federal law such as the Truth-in-Lending Act can create punitive damage liability for assignees and defenses to enforcement of the Private Loans, if errors were made in disclosures that must be made to borrowers. Certain state disclosure laws, such as those protecting co-signers, may also affect the enforceability of the Private Loans if appropriate disclosures were not given or records of those disclosures were not retained. If the interest rate on the loans in question exceeds applicable usury laws, that violation can materially adversely affect the enforceability of the Private Loans.

If the Private Loans were marketed or serviced in a manner that is unfair or deceptive, or if marketing, origination or servicing violated any applicable law, then state unfair and deceptive practices acts may impose liability on the loan holder, as well as creating defenses to enforcement. Under certain circumstances, the holder of a Private Loan is subject to all claims and defenses that the borrower on that loan could have asserted against the educational institution that received the proceeds of the Private Loans. Many of the Private Loans have been priced by lenders using a so-called “risk based pricing” methodology in which borrowers with lower creditworthiness are charged higher prices. If pricing has an adverse impact on classes of protected persons under the federal Equal Credit Opportunity Act and other similar laws, claims under those acts may be asserted against the originator and, possibly, the loan holder.

### **Private Loans may have Greater Risk of default than Higher Education Act loans; no Guarantee or Insurance**

The Private Loans are made to students who may have higher debt burdens than student loan borrowers as a whole. Borrowers of private student loans such as the Private Loans typically have already borrowed up to the maximum annual or aggregate limits under the Higher Education Act. In addition, the Private Loans have been made to graduate and professional students, who generally have higher debt burdens than student loan borrowers as a whole. As a result, borrowers of private student loans may be more likely to default on their payments or have a higher rate of forbearances. Failures by borrowers to pay timely the principal and interest on their private student loans or an increase in deference or forbearances could affect the timing and amount of available funds for any collection period and adversely affect our ability to pay principal and interest on your securities. In addition, the private student loans are not secured by any collateral of the borrowers and are not insured by any guaranty agency or by any governmental agency. Consequently, if a borrower defaults on a private student loan, you will bear the risk of loss to the extent that the Reserve Account or other credit enhancement provided under the indenture is insufficient to cover such default.

### **Risk of Bankruptcy Discharge of Private Loans**

Private credit student loans are generally not dischargeable by a borrower in bankruptcy; however, private credit student loans can become dischargeable if the borrower proves that keeping the loans non-dischargeable would impose an undue hardship on the debtor and the debtor's dependents. If you own any Series 2012A Bonds, you will bear any risk of loss resulting from the discharge of any borrower of a Private Loan.

### **Interests of other Persons in the Private Loans could be Superior to the Trust's Interest, which may result in Reduced Payments on your Series 2012A Bonds**

The Trust will file financing statements with the appropriate governmental authorities to perfect its interest in the Private Loans. NCMS and GLELSI will also mark their books and records accordingly. GLELSI will hold the promissory notes evidencing the Private Loans and will retain the records relating to any electronic notes. If another party purchases (or takes a security interest in) one or more Private Loans for new value in the ordinary course of business and obtains possession of those promissory notes evidencing Private Loans without actual knowledge of the trust estate's interests because of the failure to segregate or mark those promissory notes, the new purchaser (or secured party) will acquire an interest in those Private Loans superior to ours.

### **The GLELSI Servicing Agreement may be Terminated, resulting in Additional Costs to the Trust, Increased Servicing Fees or a Diminution in Servicing Performance, which could cause Delays in Payment or losses on the Series 2012A Bonds**

In the event of the termination of the GLELSI Servicing Agreement and the appointment of a successor Servicer, we cannot predict the cost of the transfer of servicing to the successor, the ability of the successor to perform the obligations and duties of the Servicer under the GLELSI Servicing Agreement (or any successor agreement), or the servicing fees charged by the successor. The occurrence of these events could adversely affect us or our ability to pay principal of and interest on the Series 2012A Bonds.

### **Other Litigation Risks**

The Trust may be subject to various claims, lawsuits, and proceedings that arise from time-to-time. See "LEGAL PROCEEDINGS."

### **The Remarketing Agent is Paid by the Trust**

The Remarketing Agent's responsibilities include determining the interest rate from time-to-time and using best efforts to remarket Series 2012A Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement), as further described in this Official Statement. The Remarketing Agent is appointed by the Trust and is paid by the Trust for its services. As a result, the interests

of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2012A Bonds.

#### **The Remarketing Agent May Purchase Series 2012A Bonds for its Own Account**

The Remarketing Agent acts as a remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2012A Bonds for its own account and, in its sole discretion, may acquire such tendered Series 2012A Bonds in order to achieve a successful remarketing of the Series 2012A Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2012A Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2012A Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2012A Bonds by purchasing and selling Series 2012A Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2012A Bonds. The Remarketing Agent may also sell any Series 2012A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2012A Bonds. The purchase of Series 2012A Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the Series 2012A Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2012A Bonds being tendered in a remarketing.

#### **Series 2012A Bonds may be Offered at Different Prices on any Date Including a Rate Determination Date**

Pursuant to the Indenture, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2012A Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2012A Bonds (including whether the Remarketing Agent is willing to purchase Series 2012A Bonds for its own account). There may or may not be Series 2012A Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Series 2012A Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2012A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series 2012A Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 2012A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2012A Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

#### **The Ability to Sell the Series 2012A Bonds other than through Tender Process may be Limited**

The Remarketing Agent may buy and sell Series 2012A Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 2012A Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2012A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2012A Bonds other than by tendering the Series 2012A Bonds in accordance with the tender process.

#### **Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Terminate its Obligations under the Remarketing Agreement**

The Remarketing Agent may be removed or resign on 30 days' prior written notice. In either event, the Trust shall use its best efforts to appoint a successor remarketing agent. Pursuant to the Remarketing Agreement and subject to the following paragraph, the resignation or removal of the Remarketing Agent shall not become effective until such time as a successor has been appointed and has accepted its appointment.

In addition, the Remarketing Agent may terminate its obligations under the Remarketing Agreement by providing 30 days' written notice to the Trust, the Trustee and the 2012 Credit Provider upon the earlier to occur of (a) the expiration or termination of the 2012 Credit Provider Agreement in accordance with its terms or (b) the occurrence of certain events set forth in the Remarketing Agreement, including but not limited to certain legislative changes, national emergencies or certain credit downgrades associated with the Series 2012A Bonds.

### **NEF may be Subject to Student Loan Industry Investigations**

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

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

NEF has been contacted to respond to information requests from certain federal and state bodies. NEF cooperated with such requests and has not heard anything additional from the parties which requested such information. Since such processes are typically confidential, NEF will not necessarily be able to advise of any such contacts or its involvement in such matters. The activity and number of investigations nationally recently appears to have greatly diminished.

### **General Economic Conditions**

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

### **Consumer Protection Laws may Affect Enforceability of Loans**

Numerous federal and state consumer protection laws, including various state usury laws and related regulations, impose substantial requirements upon lenders and servicers involved in consumer finance. Some states impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liability that could affect an assignee's ability to enforce consumer finance contracts such as the Loans. In addition, the

remedies available to the Trustee or the Bondholders upon an Event of Default under the Indenture may not be readily available or may be limited by applicable state and federal laws.

The U.S. Congress enacted the “Dodd-Frank Wall Street Reform and Consumer Protection Act” (the “Dodd-Frank Act”) which contains comprehensive revisions to U.S. financial services law. Among other things, it created the federal Consumer Financial Protection Bureau (the “CFPB”) and granted to the CFPB extensive rulemaking and enforcement authority. The CFPB has rulemaking and interpretive authority under a wide range of designated federal consumer financial services laws. It also has supervisory, examination and enforcement authority over certain institutions that offer or provide consumer financial products or services. Furthermore, the Dodd-Frank Act limits the federal preemption of state consumer financial law with respect to national banks and federal saving institutions and empowers state officials to enforce federal consumer protection laws and regulations. The Dodd-Frank Act requires hundreds of new regulations, addressing a wide range of areas affecting the financial services industry. We are unable to predict the form of any final regulations or guidelines, or whether any additional or similar changes to statutes or regulations, including the interpretation or implementation thereof, will occur in the future and their possible impact on NEF, the Administrator, the Master Servicer, the Servicer or the Trust.

### **Bondholders will Rely on GLELSI, NCMS and NES for the Servicing of the Private Loans**

Bondholders will be relying on GLELSI to service all of the Private Loans; however, NCMS provides certain supplementary collection procedures on delinquent and defaulted Private Loans (such duties will be subcontracted to NorthStar Education Services LLC). See “APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM—Default Management Program” hereto. If NCMS is no longer able to perform such supplementary collection procedures on delinquent and defaulted Private Loans, NES has agreed in the NES Subservicing Agreement to perform such supplementary collection procedures. GLELSI also acts as custodian with respect to the Private Loans pursuant to a custodian agreement among the Servicer, the Trustee and the Trust.

The cash flow projections relied upon by the Trust in structuring the issuance of the Series 2012A Bonds were based upon assumptions with respect to servicing costs which the Trust based upon the costs to service the Private Loans. No assurance can be made that the fees to GLELSI and NCMS for servicing the Private Loans will not increase, or that the Trust would be successful in entering into servicing agreements with other servicers that would be acceptable to the rating agencies at the assumed level of servicing cost if either the current Master Servicing Agreement or the GLELSI Servicing Agreement is terminated. Although NCMS is obligated to provide certain supplementary collection procedures on delinquent and defaulted Private Loans in accordance with the terms of the Master Servicing Agreement and GLELSI is required to service the Private Loans in accordance with the GLELSI Servicing Agreement, the timing of payments to be actually received with respect to the Private Loans will be dependent upon the ability of NCMS and GLELSI to adequately service such Private Loans. If the Trust acquires Eligible Loans originated pursuant to the Higher Education Act, the Trust will need to enter into a servicing agreement for such Eligible Loans with GLELSI or another servicer to service such Eligible Loans. In addition, the Trust and the Bondholders will be relying on the compliance by GLELSI, NCMS and NES with applicable federal and state laws and regulations.

### **Bankruptcy or Insolvency of GLELSI could Result in Payment Delays to the Bondholders**

GLELSI will act as the Servicer with respect to the Private Loans pursuant to the GLELSI Servicing Agreement between GLELSI and the Trust. In the event of a default by GLELSI resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer and delays in collections in respect of those affected Private Loans may occur. Any delay in the collections of Private Loans may delay payments to the Bondholders.

### **A Default by GLELSI could Adversely Affect the Series 2012A Bonds**

If GLELSI or another successor Servicer defaults on its obligations to service the student loans serviced by it, the Trust or the Trustee may, assuming that GLELSI is not the subject of a bankruptcy proceeding, remove such Servicer without the consent of any other party, subject to satisfaction of the conditions set forth in the Indenture. In the event of the removal of a Servicer and the appointment of a successor Servicer, there may be additional costs associated with the transfer of servicing to the successor Servicer, including but not limited to, an increase in the

servicing fees the successor Servicer charges. In addition, the Trust cannot predict the ability of the successor Servicer to perform the obligations and duties under any servicing agreement.

### **The Inability of the Depositor or NEF to Meet their Respective Purchase Obligations May Result in Losses on the Series 2012A Bonds**

Under some circumstances, the Trust may have the right to require the Depositor or NEF to purchase a Private Loan. This right arises generally if a Private Loan is determined to be encumbered by a lien other than the lien of the Indenture and if the same is not cured within the applicable cure period. There is no guarantee that the Depositor or NEF will have the financial resources to make a purchase or substitution. In this case, the Bondholders may bear any resulting loss.

### **Limitation on Enforceability of Remedies Against the Trust Could Result in Payment Delays or Losses**

The remedies available to the Trustee or the Bondholders upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2012A Bonds and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

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

### **Bondholders May Incur Losses or Delays in Payment on the Series 2012A Bonds if Borrowers do not Make Timely Payments or Default on their Loans**

For a variety of economic, social and other reasons all the payments that are actually due on Loans may not be made or may not be made in a timely fashion. Borrowers' failures to make timely payments of the principal and interest due on the Loans will affect the Revenues pledged under the Indenture by the Trust, which may reduce the amounts available to pay principal and interest due on the Series 2012A Bonds.

The cash flow from the Loans, and the Trust's ability to make payments of principal of and interest on the Series 2012A Bonds will be reduced to the extent interest is not currently payable on the Loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter. For such student loans, interest generally will be capitalized during such periods and added to the principal balance of the student loans. The Loans will consist of Eligible Loans for which payments are deferred as well as Eligible Loans for which the borrower is currently required to make payments of principal and interest. The proportions of the Loans for which payments are deferred and currently in repayment will vary during the period that the Series 2012A Bonds are outstanding.

### **The Trustee may be Forced to Sell the Loans at a Loss After an Event of Default**

Generally, if an Event of Default occurs under the Indenture, the Trustee may sell, and, at the direction of the 2012 Credit Provider or the Bondholders (in the percentage specified in the Indenture), will sell the Loans. However, the Trustee may not find a purchaser for the Loans or the market value of the Loans plus other assets

pledged under the Indenture might not be sufficient to pay the principal amount of outstanding Series 2012A Bonds plus accrued interest. Bondholders may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the Loans sufficient to pay the principal amount of the Series 2012A Bonds plus accrued interest.

### **The Characteristics of the Portfolio of Private Loans May Change**

The characteristics of the pool of Private Loans expected to be pledged to the Trustee are described under the caption “CHARACTERISTICS OF THE LOANS” herein and are described herein as of the statistical cut-off date. Although the Indenture permits the Trust to acquire and pledge student loans originated pursuant to the Federal Family Education Loan Program under the Higher Education Act, the Eligible Loans acquired with the proceeds of the Series 2012A Bonds and originally pledged under the Indenture are Private Loans and are not collateralized or guaranteed and are not originated under the Higher Education Act. In the event that the principal amount of Loans required to provide collateral for the Series 2012A Bonds varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the required ratings on the Series 2012A Bonds, the pricing of the interest rates on the Series 2012A Bonds, the principal amount of Series 2012A Bonds to be offered, the rate of amortization or prepayment on the portfolio of Loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of Loans to be pledged to the Trustee may consist of a subset of the pool of Loans described herein or may include additional Loans not described under the caption “CHARACTERISTICS OF THE LOANS” herein.

The characteristics of the pool of Loans expected to be pledged to the Trustee are described herein as of the statistical cut-off date. The aggregate characteristics of the entire pool of Loans, including the composition of the Loans and the related borrowers, the distribution by 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 herein, since the information presented herein is as of the statistical cut-off date, and the date that the Loans will be pledged to the Trustee under the Indenture will occur after that date. The aggregate characteristics may also vary as a result of the inclusion of Loans not described herein or the exclusion of Loans that are described herein, in each case for the reasons described in the preceding paragraph.

The Trust believes that the information set forth in this Official Statement with respect to the pool of Loans as of the statistical cut-off date is representative of the pool characteristics of the pool of Loans as they will exist on the date of issuance for the Series 2012A Bonds. The Bondholders should consider potential variances when making an investment decision concerning the Series 2012A Bonds. See the caption “CHARACTERISTICS OF THE LOANS” herein.

### **Commingling of Payments on Loans Could Prevent the Trust From Paying the Bondholders the Full Amount of the Principal and Interest Due on the Series 2012A Bonds**

Payments received on the Loans generally are deposited into an account in the name of the the Servicer each business day. Payments received on the Loans may not always be segregated from payments the Servicer receives on other student loans it services. Such amounts that relate to the Loans once identified by the Servicer as such are transferred to the Trustee for deposit into the Revenue Account within two business days of receipt. If the Servicer fails to transfer such funds to the Trustee, Bondholders may suffer a loss.

### **Incentive or Borrower Benefit Programs May Affect the Series 2012A Bonds**

Certain of the Loans are subject to NEF’s T.H.E. Bonus Program, which reduces a qualifying borrower’s interest rate by making certain interest payments on behalf of such qualifying borrowers. Any incentive program that provides payments on Loans may result in the Loans amortizing faster than anticipated. Payments pursuant to NEF’s T.H.E. Bonus Program are made by NEF from amounts released from NEF’s warehouse financings and secured bond financings. No Revenues (other than amounts released from the Indenture) will be used to make payments under NEF’s T.H.E. Bonus Program. The Trust cannot accurately predict the number of borrowers that will have the benefit of NEF’s T.H.E. Bonus Program. See “APPENDIX A—DESCRIPTION OF THE T.H.E. LOAN PROGRAM—Private Loan Term—T.H.E. Bonus” herein.

## **The Ratings of the Series 2012A Bonds are not a Recommendation to Purchase and May Change**

It is a condition to issuance of the Series 2012A Bonds that they be rated as indicated under the caption “RATINGS” herein. Ratings are based primarily on the creditworthiness of the Credit Provider. The ratings are not a recommendation for Bondholders to purchase, hold or sell the Series 2012A Bonds inasmuch as the ratings do not comment as to the market price or suitability for Bondholders as investors. An additional rating agency may rate the Series 2012A Bonds, and that rating may not be equivalent to the initial ratings described in this Official Statement. Ratings may be increased, lowered or withdrawn by any rating agency at any time if in the rating agency’s judgment circumstances so warrant. A downgrade in any rating of the Series 2012A Bonds is likely to decrease the price a subsequent purchaser will be willing to pay for the Series 2012A Bonds.

## **The Series 2012A Bonds are Expected to be Issued Only in Book-entry Form**

The Series 2012A Bonds are expected to be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in the Bondholders’ name or the name of their nominee. Unless and until definitive securities are issued, holders of the Series 2012A Bonds will not be recognized by the Trustee as Bondholders as that term is used in the Indenture. Until definitive securities are issued, holders of the Series 2012A Bonds will only be able to exercise the rights of Bondholders indirectly through DTC and its participating organizations. See the caption “DESCRIPTION OF THE SERIES 2012A BONDS—Book-Entry System” herein.

## **NORTHSTAR STUDENT LOAN TRUST II**

### **General**

NorthStar Student Loan Trust II is a Delaware statutory trust formed by NorthStar Education Funding I, L.L.C., as Depositor, pursuant to a trust agreement by and between NorthStar Education Funding I, L.L.C. and Wilmington Trust, National Association, as Delaware trustee, for the transactions described in this Official Statement. The assets of the trust will include student loans the Trust acquires, cash and investments that are pledged under the Indenture and the payments received on those student loans and investments. The Trust was created for the purpose of facilitating the refinancing of student loans and other financial assets, and to engage in activities in connection therewith. The Trust will not engage in any activity other than:

- acquiring, holding and managing the student loans and the other assets of the Trust, and the proceeds therefrom;
- issuing notes; and
- engaging in other activities related to the activities listed above.

The Depositor will hold all of the equity interests in the Trust. The mailing address for the depositor is 444 Cedar Street, Suite 800, St. Paul, Minnesota 55101-2133 and its telephone number is (888) 843-0004. The Trust’s fiscal year ends on September 30<sup>th</sup>.

The Series 2012A Bonds and any additional bonds issued pursuant to the Indenture will be secured by the Trust’s assets. The Revenue Account, the Loan Account and the Reserve Account will be maintained in the name of the Trustee for the benefit of the Bondholders, to the extent described herein. The Servicer described below will act as custodian of the promissory notes and other documents with respect to the Loans.

### **The Eligible Lender Trustee**

U.S. Bank National Association is eligible lender trustee for the Trust under an eligible lender trust agreement. U.S. Bank National Association is a national banking association with offices located at 425 Walnut Street, Box CN-OH-W6CT, Cincinnati, Ohio 45202, Attention: Corporate Trust Services. The eligible lender trustee will hold legal title on behalf of the Trust to all the Loans, if any, originated pursuant to the Higher Education

Act in the trust estate. The eligible lender trustee qualifies as an eligible lender to hold such Loans for all purposes under the Higher Education Act and any related guarantee agreements. If any Loans originated pursuant to the Higher Education Act were not owned by an eligible lender, our rights to receive guarantee agency and Department of Education payments on such Loans would be lost.

*The eligible lender trustee is acting as “eligible lender” as an accommodation to the Trust and not for the benefit of any other party. Notwithstanding any responsibility that the eligible lender trustee may have to the Secretary of Education or any guarantee agency under the Higher Education Act, the eligible lender trustee will not have any responsibility for the Trust’s action or inaction, or any action or inaction of the Trustee or any other party in connection with the student loans originated pursuant to the Higher Education Act and the documents, agreements, understandings and arrangements relating to such student loans.*

## **Delaware Trustee**

Wilmington Trust, National Association (formerly called M&T Bank, National Association) (“Wilmington Trust”) will act as Delaware trustee under the trust agreement of the Trust. Wilmington Trust is a national banking association with trust powers incorporated in 1995. The Delaware trustee’s principal place of business is located at 1100 North Market Street, Wilmington, Delaware 19890. Wilmington Trust is an affiliate of Wilmington Trust Company and both Wilmington Trust and Wilmington Trust Company are subsidiaries of Wilmington Trust Corporation. Since 1998, Wilmington Trust Company has served as Delaware trustee in numerous asset-backed securities transactions involving student loan receivables.

On May 16, 2011, after receiving all required shareholder and regulatory approvals, Wilmington Trust Corporation, the parent of Wilmington Trust, through a merger, became a wholly-owned subsidiary of M&T Bank Corporation (“M&T”), a New York corporation.

Wilmington Trust is subject to various legal proceedings that arise from time to time in the ordinary course of business. Wilmington Trust does not believe that the ultimate resolution of any of these proceedings will have a materially adverse effect on its services as Delaware trustee.

Other than the information in the above three paragraphs, Wilmington Trust has not participated in the preparation of, and is not responsible for, any other information contained in this Official Statement.

Wilmington Trust’s role is limited to performing various ministerial and other express duties set forth in the trust agreement of the Trust, fulfilling the provisions of the Delaware Statutory Trust Act that require a Delaware statutory trust at all times to have at least one trustee that, in the case of a natural person, is a Delaware resident, or in all other cases, has its principal place of business in Delaware, and accepting service of process in Delaware on behalf of the Trust.

## **THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER**

The following summary provides a general description of NEF, as the sponsor of the Trust, the Master Servicer, the Servicer and the Administrator to be involved in the establishment of the Trust, the servicing and administration of the trust estate and the issuance of the Series 2012A Bonds.

### **The Sponsor**

**General.** NorthStar Education Finance, Inc. (“NEF”) is a Delaware non-stock nonprofit corporation that was incorporated in January of 2000. NEF is a membership organization, and its current members are its board of directors. NEF was formed to carry on the student loan programs started by NorthStar Guarantee, Inc. as described below.

NorthStar Guarantee, Inc., a Minnesota nonprofit corporation recognized as exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, began its operations in 1991 as the State of Minnesota’s designated federal loan guarantor for education loans made under the Higher Education Act. NorthStar

Guarantee, Inc. also provided loan origination and loan disbursement services for lenders and educational institutions.

NorthStar Guarantee, Inc. changed its business focus in 1997 from that of a guarantee agency and disbursement agent for other lenders to that of a direct lender of education loans. The change in business activities coincided with NorthStar Guarantee, Inc. affiliating with the Great Lakes Higher Education Corporation (“Great Lakes Corp.”) based in Madison, Wisconsin. NorthStar Guarantee, Inc. and Great Lakes Corp. each agreed that the activities and assets of the student loan business would be contributed to a new nonprofit entity, when the business could sustain itself, and NEF was formed for that purpose.

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. As of August 31, 2012, NEF owned (directly and through wholly owned subsidiaries) approximately \$4.34 billion of student loans. NEF is no longer affiliated with NorthStar Guarantee, Inc.

NEF formed NorthStar Capital Markets Services, Inc., a Delaware for-profit business corporation (“NCMS”), in January of 2000, and sold all of its interests in NCMS in August of 2010. See the caption “The Administrator and Master Servicer” below.

NEF has only a minimal number of employees, and has entered into the Master Servicing Agreement, dated as of August 27, 2010, with NCMS to manage its business, which Master Servicing Agreement will be supplemented pursuant to a Supplemental Servicing Agreement with NCMS to apply to the Trust (as amended and supplemented, the “Master Servicing Agreement”). See the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST II—Description of the Master Servicing Agreement” herein.

**Permissible Activities; Limitations.** NEF was not formed as a “special purpose” entity and can generally take all actions permitted under Delaware and other applicable law. NEF does not generally have any restrictions on its activities in its certificate of incorporation and bylaws, including with respect to issuing or investing in additional securities, borrowing money or making loans to other persons. As a non-moneyed corporation, NEF is not subject to involuntary action for relief under bankruptcy or insolvency laws but it does have the right to file a voluntary bankruptcy petition. NEF’s certificate of incorporation may be amended in whole or in part by a majority vote of its directors (who are also its members) and upon the adoption of a resolution relating thereto, each in accordance with Delaware law. NEF’s bylaws may also be amended in whole or in part by a majority vote of its directors.

**Directors and Officers.** NEF’s current officers and directors are as follows:

<b>Name</b>	<b>Position</b>	<b>Principal Occupation</b>
Anita Pampusch	Chairman of the Board	Retired President of the Bush Foundation
Richard Nigon	President and Director	Senior Vice President of Cedar Point Capital, Inc.
Clyde Nelson	Treasurer and Director	Retired Mortgage Banker
Jayne B. Khalifa	Director	Retired Deputy City Coordinator, City of Minneapolis
The Honorable Timothy Penny	Director	President, The Southern Minnesota Initiative Foundation and former Congressman
Judith Mares	Director	Chief Investment Officer, Alliant Techsystems, Inc.

In addition, the board of directors includes four Directors Emeritus. Each of NEF's directors and officers holds his or her position until death, resignation, removal or until his or her successor is elected and qualified.

NEF has several board committees, including an audit committee. The audit committee is chaired by Judith Mares, and Clyde Nelson and Timothy Penny are members. The audit committee operates pursuant to a charter that sets forth its responsibilities.

**Affiliates.** NorthStar Education Funding I, L.L.C., a Delaware limited liability company, is the depositor of the Trust and the depositor of NorthStar Student Loan Trust I, a trust which will securitize certain student loans originated pursuant to the Higher Education Act. NEF is the sole member of the depositor. The limited liability company agreement of the depositor restricts its activities.

NorthStar Student Loan Trust I (the "FFELP Loan Trust"), a Delaware statutory trust, was established to securitize certain student loans originated pursuant to the Higher Education Act. The depositor is the sole certificateholder of the FFELP Loan Trust.

NorthStar T.H.E. Funding III, L.L.C. is a Delaware limited liability company, of which NEF is the sole member. The managers of this entity are members of NEF management and one other independent manager with no affiliation with NEF, its affiliates, management or board members. NorthStar T.H.E. Funding III, L.L.C. previously originated and currently holds student loans. Those loans will subsequently be refinanced by the Trust and the FFELP Loan Trust upon the issuance of the Series 2012A Bonds, and NorthStar T.H.E. Funding III, L.L.C. will be dissolved. Its limited liability company agreement restricts its activities to originating and holding student loans and selling such loans into other financings.

NEF, NorthStar Education Funding I, L.L.C., the Trust, the FFELP Loan Trust and NorthStar T.H.E. Funding III, L.L.C., all of which are affiliates, are collectively referred to herein as the "NorthStar Companies."

**Capitalization of NorthStar Education Finance, Inc.** Generally accepted accounting principles requires that our financial statements are consolidated with the NorthStar Companies. In its audited statements as of September 30, 2011, NEF had total assets of \$5.1 billion, total liabilities of \$5.0 billion, and net assets as of such date of \$161.2 million. On an unaudited basis, as of June 30, 2012, NEF had total assets of \$4.8 billion, total liabilities of \$4.6 billion, and net assets as of such date of \$189.4 million. Except for the limited assets pledged under the Indenture and the repurchase obligation of NEF and the Depositor with respect to certain student loans as described under the caption "THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST II—Student Loan Sale Agreement" herein, none of the assets of the NorthStar Companies are available to pay principal of or interest on the the Series 2012A Bonds and any additional bonds issued pursuant to the Indenture.

**NorthStar Loan Programs.** NEF's loan program was known as the Total Higher Education (T.H.E.) Loan Program (the "T.H.E. Loan Program"). The T.H.E. Loan Program was marketed to graduate and professional schools and four year undergraduate institutions from 1997 until 2009, when NEF ceased making new loans. NEF's mission and business strategy was to create innovative financing programs that allowed for no up-front fees on federally insured loans and a borrower benefit program funded from residual payments.

The T.H.E. Loan Program consisted of two major components:

- (a) Federal Family Education loans (FFELP or Higher Education Act loans):
  - (i) Subsidized FFELP loans;
  - (ii) Unsubsidized FFELP loans;
  - (iii) Parent Loan For Undergraduate Student (PLUS);
  - (iv) PLUS Loan for Professional and Graduate Students; and
  - (v) Consolidation Loans.

(b) Private or non-FFELP and non-Higher Education Act loans:

- (i) Medical loans;
- (ii) Allied Health/Health Professionals;
- (iii) Law/MBA loans; and
- (iv) Other undergraduate and graduate loans

The private loan component is designed to provide an additional loan to a student to cover the difference between the cost of attending the higher education institution and the federal and institutional grants and loans already provided. Higher Education Act loans and private loans were offered separately or as a comprehensive financing package. The T.H.E. Loan Program's availability was as follows: (a) the federally guaranteed loan was available to any student attending an eligible four year institution and (b) the private loan is available to students that meet NEF's credit underwriting requirements and are attending eligible institutions.

NEF originated \$6.3 billion of FFELP and private loans under the T.H.E. Loan Program, and as of August 31, 2012 had \$4.3 billion of T.H.E. loans (\$3.8 billion of FFELP and \$541 million of private loans). In 2007, NEF was the nation's 11<sup>th</sup> largest lender and 14<sup>th</sup> largest holder of FFELP loans. Additional information on the sponsor's loan pools and financings can be found on the sponsor's website <http://www.northstar.org/Investors/>. Any information contained on such website is not incorporated into this Official Statement.

**Loan Origination.** NEF, or its predecessors, began originating student loans, including private loans, in 1991. When NorthStar Guarantee, Inc. and Great Lakes Corp. affiliated in 1997, NorthStar Guarantee, Inc.'s origination processing personnel became employees of Great Lakes Corp. Until April 2000, all loans originated by or on behalf of NorthStar Guarantee, Inc. were processed and serviced by Great Lakes Corp. under contract with NorthStar Guarantee, Inc.

Beginning in April 2000 and ending in 2009, NCMS processed substantially all originations and GLELSI performed substantially all servicing functions. GLELSI also originated a small number of loans for NEF. The vast majority of private loans were originated by University National Bank and purchased by NEF shortly after origination.

NEF's program guidelines (the "program guidelines") set forth the terms under which loans were made and defined borrower and school eligibility. The T.H.E. Loan Program included discipline-specific programs for law, MBA and medical students. The T.H.E. Loan Program also included a national program generally available to other graduate students and undergraduate students who, alone or with a cosigner, met certain credit underwriting criteria. All students attending a four-year institution and eligible for federal government guaranteed loans were eligible for T.H.E. Loan Program federal government guaranteed loans.

Private Loans were made only to eligible borrowers at eligible schools. Borrower eligibility was determined through a proprietary credit underwriting process utilizing credit scoring models. School eligibility was determined, in part, on the school's historical default experience. When applications were received, the applications were reviewed to determine that the application was complete, that the student was an eligible borrower and the school an eligible institution. Each application also included a certification from the submitting school that the student was eligible for the particular loan program and that the amount of the loan did not exceed the student's cost of education less other financial aid. If the application was complete and consistent with the program guidelines, the loan would be approved. If a student applicant did not meet the credit requirements or an application was otherwise determined not to comply with the program guidelines, the applicant would be sent an adverse determination letter, which would have included instructions on the steps to be taken to appeal the denial if the denial was based on an adverse credit determination.

**Audits.** Annual audits and agreed upon procedures are periodically prepared with respect to NEF to assess its compliance with certain U.S. Department of Education requirements. In addition, NEF performs annual voluntary audits on its internal controls pursuant to the Statement on Standards for Attestation Engagements No. 16, or "SSAE 16." Such annual financial audits are performed in compliance with generally accepted accounting principles (GAAP). No material findings were noted in any of the recent audits.

## **The Administrator and Master Servicer**

NorthStar Capital Markets Services, Inc. (“NCMS”) is a Delaware for-profit business corporation and is a subsidiary of Alliance Holdings, Inc., an Employee Stock Option holding company.

Pursuant to the terms of the master servicing agreement, NCMS has responsibility for administration of NEF and the Trust, and will act as the Master Servicer of the Loans and oversee the servicing of the Loans. For a description of the Master Servicing Agreement, see the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST II—Master Servicing Agreement” herein.

NCMS will maintain the Master Servicing Agreement with NEF and the Trust and remain responsible for its obligations thereunder, but will subcontract all of its duties and obligations under the Master Servicing Agreement to NorthStar Education Services LLC (“NES”). NES is a newly formed Wisconsin limited liability company, and is a wholly-owned subsidiary of GLELSI, the servicer of the financed student loans. On October 1, 2012, NCMS sold a majority of its intellectual property, existing customer contacts, furniture and equipment to NES. Substantially all of the employees of NCMS are now employees of NES. Pursuant to an Amended and Restated Subservicing Agreement, dated as of October 1, 2012 (the “NES Subservicing Agreement”), between NCMS and NES, NES is responsible for performing all of the obligations of NCMS under the Master Servicing Agreement. GLELSI will guarantee the performance by NES of its obligations under the NES Subservicing Agreement. For a description of the NES Subservicing Agreement, see the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST I—NES Subservicing Agreement” herein.

**Key Personnel of NES.** The key personnel of NES are listed below. Each of the below personnel held the equivalent position at NCMS prior to October 1, 2012.

*Taige P. Thornton*, 60, is President of NES. Mr. Thornton started NorthStar Guarantee, Inc. in 1991 and grew it into the sixth largest education loan insurer in the country. Mr. Thornton has been engaged in the financial services industry for the past 30 years. Prior to NCMS, his previous executive positions were: President of the Consumer Finance Group, First Bank System, Vice President of Operations at Balcor/American Express, and an Officer at the Harris Trust and Savings Bank. Mr. Thornton received his BA degree in Political Science from the University of Iowa in 1975.

*Thomas Dixon*, 53, is the Chief Information Officer of NES. Mr. Dixon began with NCMS in 1991, joined Great Lakes Corp. in 1997 and rejoined NCMS in 2000. He is responsible for strategic, design and operational decisions regarding the information technology utilized by NES. Mr. Dixon has 19 years of experience in analysis, design, development, and management of computer software with 14 years of experience in the student loan industry. Mr. Dixon has held positions with Higher Education Assistance Foundation, NorthStar Guarantee, Inc., and Great Lakes Corp. Mr. Dixon received a BS in Computer Science from the University of Minnesota in 1996.

*Bruce Atkinson*, 48, is the Chief Technology Officer for NES, joining NCMS in March 2011. Mr. Atkinson is responsible for creating and delivering new technology strategies. Mr. Atkinson has a broad technology and business focused background from serving various leadership roles at ThomsonReuters and more recently at UnitedHealth Group.

*Kate Seifert*, 50, is the Vice President of Finance and Controller for NES, joining NCMS in May 2011. Prior to NCMS, Ms. Seifert served in various finance and accounting roles, including Manager of Financial Reporting, Virtual Radiologic and Manager of Financial Reporting and Internal Audit, FICO. Ms. Seifert is an active CPA and began her career with Coopers & Lybrand in San Francisco after receiving a BS degree in Business Administration from the University of California, Chico in 1985.

*Brian Parker*, 35, is Senior Vice President of Business Development for NES. Mr. Parker’s primary responsibilities include supporting existing products as well as expanding and creating new business lines. Brian also plays key roles in structured finance, portfolio management, and setting and negotiating product pricing. Mr. Parker has been in the student loan industry since 2000. Prior to his business development responsibilities, Mr. Parker performed key finance, accounting and IT roles. Mr. Parker received an MBA from the University of St.

Thomas in 2006 and a BA in Management Information Systems from the University of Wisconsin – Eau Claire in 1999.

*Robert C. Forbrook*, 49, is the Vice President – NorthStar Default Collections of NES. Mr. Forbrook is responsible for the Debt Management and Default Aversion aspects of the business, including proactive outreach to students prior to entering repayment, during early stages of delinquency and into delinquency for the Private Loan Portfolio for NorthStar Education Finance Inc. Mr. Forbrook has been in the student loan industry since 1986 and was with NCMS beginning March 2003. Mr. Forbrook received a BS degree in Business Administration and Management in 1985 from Southwest State University in Marshall, Minnesota.

*Lisa R. Parker*, 50, is the Assistant Vice President – NorthStar Customer Service of NES. Ms. Parker leads the Operations and Outreach group as it finds profitable growth by managing existing operations, developing cohort management solutions for external clients, and evaluating new technology for the operations team. She is also responsible for implementing outreach activities for new contracts. Ms. Parker has an extensive background in higher education services and has served for more than 25 years in various capacities as student loan lender, guarantor and servicer with emphasis in loan origination, servicing and repayment planning. She received her BS degree in Management, Economics and Industry Relations from Minnesota State University in Mankato, MN.

***Products and Services of NES.*** In addition to administering NEF’s loan programs under the NES Subservicing Agreement, NES offers a variety of products and services through its loan management system, a combination of web-based technologies, proven processes and experienced loan professionals working to support the needs of each student-borrower. NES’s loan management system provides end-to-end solutions that improve lender profitability and performance by offering students the tools and support to successfully finance and repay their education debt. In addition to loan origination services, NES offers proprietary web based financial literacy programs, including:

- AccessReady – Pre-enrollment instruction on how to fund an education. Includes tutorials and resources on federal and private loans creating a funding plan and long term impact of loan debt.
- GradReady – Customized student portal equipped with a wide range of personal finance topics, budgeting tools, lender contact page, and a page for tracking education debt and its long-term impact.
- RepayReady – Resource designed to prevent delinquency and default for borrowers repaying student loans. RepayReady provides students with tools to organize student debt, learn about repayment options, and develop/implement a successful repayment strategy.

NES’s products and services dramatically improve the loan experience for students. The primary goals are to help students and graduates manage their student loan debt obligations, and to help lenders increase their efficiency and effectiveness throughout the loan life-cycle. NES uses proprietary software and services to improve originations and modify borrower behavior through active portfolio management, high borrower contact, and financial literacy training. In addition to NEF, NCMS products and services are provided to major national and regional banks and financial service providers and to various post-secondary institutions.

NES currently has approximately 38 employees. Its offices are located at 444 Cedar Street, Suite 800, St. Paul, Minnesota 55101.

## **The Servicer**

*The following three paragraphs have been furnished by GLELSI for use in this Official Statement. The Trust 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 GLELSI subsequent to the date hereof.*

***Great Lakes Education Loan Services, Inc.*** GLELSI acts as a loan servicing agent for the Trust. GLELSI is a wholly-owned subsidiary of Great Lakes Higher Education Corporation (“GLHEC”), a Wisconsin nonstock, nonprofit corporation. The primary operations center for GLHEC and its affiliates (including GLELSI) is in

Madison, Wisconsin, which includes the data processing center and operational staff offices for both guaranty support services provided by GLELSI to GLHEC and third party guaranty agencies and lender servicing functions. GLHEC and affiliates also maintain offices in St. Paul, Minnesota, Aberdeen, South Dakota and Boscobel and Eau Claire, Wisconsin and customer support staff located nationally.

GLELSI began servicing loans for commercial lenders in 1977, first as a division of the Wisconsin Higher Education Corporation, subsequently renamed the Great Lakes Higher Education Corporation, then as GLELSI. In September, 2009, GLELSI began servicing loans for the U.S. Department of Education. GLELSI is presently one of four servicers who service loans issued to new student and parent borrowers under the Federal Direct Student Loan Program.

As of December 31, 2011, GLELSI serviced 8,058,232 student and parental accounts with an outstanding balance of \$90.8 billion for over 1,180 lenders nationwide, including the U.S. Department of Education. As of December 31, 2011, 51.7% of the portfolio serviced by GLELSI was in repayment status, 6.8% was in grace status and the remaining 41.6% was in interim status. GLELSI will provide a copy of GLHEC's most recent consolidated financial statements on receipt of a written request directed to 2401 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

## **THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST II**

The Trust will make a deposit to the Reserve Account from proceeds of the Series 2012A Bonds. The Eligible Loans acquired by the Trust under the Student Loan Sale Agreement with the Depositor will be deposited to the Loan Account.

### **Administration**

The Master Servicing Agreement provides that NCMS will provide administrative and personnel services to NEF and certain of its affiliates, including the Trust. Pursuant to the Master Servicing Agreement, for acting as Master Servicer of the Trust, which includes providing administrative and personnel services, NCMS is paid a monthly fee equal to the greater of (a) one-twelfth of 0.50% of the ending principal balance of the Loans, plus accrued interest, during the preceding month, less the servicing fees paid to the Servicer and (b) \$1.40 per borrower account. Pursuant to the NES Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES. GLELSI will guarantee the performance by NES of its obligations under the NES Subservicing Agreement. See the caption "THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER—The Administrator and Master Servicer" herein and the captions "Description of the Master Servicing Agreement" and "Description of the NES Subservicing Agreement" below.

### **Servicing**

NCMS will, under the Master Servicing Agreement, act as a Master Servicer of the Loans and oversee the servicing of the Loans. The Master Servicing Agreement provides that NCMS will be paid for the performance of its functions under the Master Servicing Agreement, from funds available for such purpose under the Indenture, a monthly fee described under the caption "Administration" above. Pursuant to the NES Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES. The Trust has entered into the GLELSI Servicing Agreement with GLELSI providing for GLELSI to perform all of the obligations of the servicer in servicing the Private Loans. If the Trust acquires Eligible Loans originated pursuant to the Higher Education Act, the Trust will need to enter into a servicing agreement for such Eligible Loans with GLELSI or another servicer to service such Eligible Loans. Under the GLELSI Servicing Agreement, GLELSI agrees to service, and perform all other related tasks with respect to, the Private Loans in compliance with applicable standards and procedures. In addition, pursuant to the NES Subservicing Agreement, NES agrees to provide the services currently being performed by the Master Servicer upon a termination of the Master Servicing Agreement. See the captions "THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER—The Administrator and Master Servicer" and "—The Servicer" herein and the captions "Description of the Master Servicing Agreement," "Description of the GLELSI Servicing Agreement" and the "Description of the NES Subservicing Agreement" below.

## **Description of the Master Servicing Agreement**

Pursuant to the Master Servicing Agreement, NCMS is required to collect delinquent and defaulted Private Loan accounts in compliance with all applicable law, including commencement and prosecution of litigation, which may include the use of third party agencies or outside counsel (all applicable expenses of which shall be the responsibility of the Trust). NCMS is required to provide staffing to counsel borrowers about managing their student loan debt and assisting borrowers of private loans that become delinquent in bringing their loans current. NCMS will provide comprehensive default aversion and collection services for the Trust's Private Loans. See the caption "Default Management Program" in Appendix A hereto. NCMS is also required to oversee and manage the Trust's servicing relationship and contract with GLELSI. Pursuant to the NES Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES. See the caption "Description of the NES Subservicing Agreement" below.

**Administration.** Pursuant to the Master Servicing Agreement, NCMS is required to perform all of the Trust's administrative obligations, including, but not limited to, the following:

- (a) Collection, deposit, investment, disbursement and reporting of cash generated or used in the operation of the Trust's student loan programs and the investment and management of all funds;
- (b) Processing, storing and safekeeping of student loan documents and electronic data related thereto, maintenance of a disaster recovery plan with remote storage of computer software, data and student loan documents, and provision for offsite computer services;
- (c) Developing and maintaining advanced information technology platforms to comprehensively administer the Trust's student loans, protect the confidentiality of customer information and facilitate student borrower repayment and other interactions with the Trust;
- (d) Performing all of the Trust's obligations under its agreements related to its student loan program; provided, however, that NCMS will perform such obligations solely from the Trust's funds and that NCMS is not obligated to use its own funds or credit to perform such obligations;
- (e) Immediately upon becoming aware of the existence of any Event of Default or potential Event of Default, NCMS is required to furnish to the Trust a written statement of the Chief Executive Officer or Chief Financial Officer of NCMS setting forth details of such event and the action that NCMS recommends the Trust take with respect thereto; and immediately upon becoming aware of any default by the Servicer, NCMS is required to likewise immediately furnish the Trust written notice thereof.

**Not a Fiduciary.** Notwithstanding anything to the contrary in the Master Servicing Agreement, none of NCMS, its affiliates or their respective officers and directors shall be deemed a fiduciary of the Trust.

**Limitation on NCMS Authority.** Notwithstanding any other provision in the Master Servicing Agreement, NCMS does not have the authority to take any of the following actions on behalf of the Trust without the approval of NEF, as the sponsor of the Trust:

- (a) incur expenses outside of the budget approved by the Trust;
- (b) materially modify the terms of any financing arrangement or material contract;
- (c) enter into new financing arrangements or material contracts;
- (d) make new or additional investor disclosures;
- (e) institute or defend litigation (other than student loan collection matters in the ordinary course of business); or

- (f) acquire or dispose of assets

**Actions Concerning the Private Loans.** The Trust covenants and agrees that it shall, at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the agreements to which the Trust is a party related to the Loans. The Trust also covenants and agrees that it will take no actions without the prior consent of NCMS (such consent to be not unreasonably withheld), that would cause or would be reasonably likely to cause a breach by the Trust of its obligations under the Master Servicing Agreement.

**NCMS's Indemnification.** NCMS is required to indemnify the Trust against and hold the Trust harmless from any and all loss, damage, liability, fines, penalties, cost or expense, including reasonable attorneys' fees, arising out of or resulting from: (a) NCMS's breach of any representation, warranty or covenant contained in the Master Servicing Agreement (including, without limitation, any such breach which results in any dispute, claim, offset or defense (other than discharge in bankruptcy) of an obligor to the payment of any student loan or guarantee agreement (including, without limitation, a defense based on such student loan or guarantee agreement not being a legal, valid and binding obligation of such obligor enforceable against it in accordance with its terms)); (b) NCMS's violation, breach or non-compliance with the provisions of any federal, state or local law; or (c) any and all actions, suits, proceedings, demands, assessments or judgments incident to any of the foregoing, except any such actions, suits, proceedings, demands, assessments or judgments arising out of or resulting from the willful misconduct or negligence of the Trust. NCMS's indemnification obligations under the Master Servicing Agreement will survive the expiration or termination of the Master Servicing Agreement.

**Term and Termination.** Unless earlier terminated as described below, the Master Servicing Agreement will terminate in August of 2017. Upon the occurrence of an event of default under the Master Servicing Agreement, in addition to any other remedies, a party may, at its option, terminate the Master Servicing Agreement by giving written notice thereof to the other party. An "event of default" under the Master Servicing Agreement includes:

- (a) the breach by either party of any material term, condition or covenant contained in the Master Servicing Agreement which is not cured within ninety (90) days after written notice by the other party;
- (b) NCMS makes an assignment for the benefit of creditors, or the commencement of any proceeding under the United States Federal Bankruptcy Code by or against NCMS or of any proceeding alleging that NCMS is insolvent or unable to pay its debts as they mature;
- (c) The entry of any judgment against NCMS in the amount of \$250,000 or more which remains unpaid or unstayed for more than thirty (30) days; or
- (d) The dissolution, merger, consolidation, winding up or liquidation or transfer, (other than a transfer for security purposes) of a substantial part of the property of NCMS or any affiliated entity or person to whom the obligation of NCMS under the Master Servicing Agreement have been assigned or subcontracted.

In addition, the Master Servicing Agreement may be terminated solely with respect to the Trust if:

- (i) NCMS has notified the Trust that it will no longer perform its obligations under the Master Servicing Agreement;
- (ii) NCMS fails to pay certain fees due to NES as provided in a supplement to the Master Servicing Agreement; or
- (iii) certain bankruptcy, insolvency or dissolution proceedings or events described in a supplement to the Master Servicing Agreement are commenced by or against NCMS (subject to certain cure periods).

Until the earlier of (i) the termination date or (ii) sixty (60) days following the expiration date (or such other period as agreed to by the parties), NCMS shall continue to perform the services under the Master Servicing Agreement and the Trust shall continue to pay the management fee, and the parties shall cooperate in transitioning the services, including but not limited to servicing of the Private Loans.

**Assignment.** NCMS may not assign the Master Servicing Agreement in whole or in part or subcontract with others for the performance of any of the services provided for under the Master Servicing Agreement without the prior written consent of the Trust; provided, however, that NCMS may assign the Master Servicing Agreement to an entity wholly-owned by NCMS or owned by a party that owns NCMS upon written notice to the Trust.

### **Description of the NES Subservicing Agreement**

**General.** Pursuant to the NES Subservicing Agreement, NES agrees to perform NCMS's duties and responsibilities under the Master Servicing Agreement for and on behalf of NCMS and under NCMS's supervision and direction. NES covenants and agrees to fully and faithfully perform and complete the services required under the Master Servicing Agreement in a manner that is consistent with the terms of the Master Servicing Agreement and will fully and completely fulfill all obligations of NCMS under the Master Servicing Agreement. NES will maintain in effect all qualifications required in order to perform its obligations under the NES Subservicing Agreement. NES possesses all requisite authority, permits and powers to conduct its business.

**Compensation.** NES is paid an annual management fee by NCMS that is fixed for each year of the agreement as compensation for the services rendered by NES pursuant to the NES Subservicing Agreement.

**Term and Termination.** The term of the NES Subservicing Agreement is coterminous with the term of the Master Servicing Agreement, see the caption "Description of the Master Servicing Agreement—*Term and Termination*" above, unless earlier terminated. The NES Subservicing Agreement may be terminated by mutual consent of NES and NCMS, or for cause upon (a) a breach by either party of a material term, condition or covenant (subject to cure rights), (b) certain insolvency or bankruptcy proceedings, (c) the loss of its eligibility as a third-party servicer under the Higher Education Act, (d) the entry of any judgment against NES of \$250,000 or more which remains unpaid or unstayed for more than 30 days or (e) the dissolution, merger, consolidation, winding up or liquidation of NES or the sale of substantially all the assets of NES, without the consent of NCMS. If the Master Servicing Agreement is terminated, NES agrees to provide such services directly to the Trust as described under the caption "Backup Servicing" below.

**Indemnification.** NES agrees to indemnify NCMS against and hold NCMS harmless from any and all loss, damage, liability, fines, penalties, costs or expense, arising out of or resulting from: (a) NES's breach of any representation, warranty or covenant contained in the NES Subservicing Agreement, (b) NES's violation, breach or non-compliance with the provisions of any federal, state or local law or (c) any and all actions, suits, proceedings, demand, assessments or judgments incidental to any of the forgoing, except any such action, suits, proceedings, demands, assessments or judgments arising out of or resulting from the willful misconduct or negligence of NCMS.

**Assignment.** NES may not assign the NES Subservicing Agreement in whole or in part or subcontract with others for the performance of any of the services thereunder without the prior consent of NCMS.

**Backup Servicing.** Pursuant to the NES Subservicing Agreement, NES agrees to perform the services provided by NCMS to the Trust if the Master Servicing Agreement is terminated. To facilitate such a transfer:

(a) NES shall establish a conversion plan to enable it to perform such services on behalf of the Trust upon the termination of the Master Servicing Agreement. See the caption "Description of the Master Servicing Agreement—*Term and Termination*" above;

(b) Following the termination of the Master Servicing Agreement, NES shall perform such services on behalf of the Trust in substantial and material compliance with any applicable state and federal laws, and the terms and conditions of the Master Servicing Agreement;

(c) NCMS and NES will undertake the necessary actions to enable NES to perform such services on behalf of the Trust upon the termination of the Master Servicing Agreement;

(d) Following the termination of the Master Servicing Agreement and the performance of such services on behalf of the Trust by NES, NES shall be entitled to receive the Master Servicing Fee; and

(e) The Trustee is an intended third party beneficiary of the backup servicing provisions of NES Subservicing Agreement, which may not be amended or modified without its consent.

### **Description of the GLELSI Servicing Agreement**

Pursuant to the GLELSI Servicing Agreement, GLELSI generally agrees to provide all customary post origination student loan servicing activities with respect to Private Loans made under the T.H.E. Loan Programs in accordance with the T.H.E. Loan Program guidelines. Such services generally include maintaining custody of copies of promissory notes and related documentation, billing for and processing payments from borrowers, undertaking certain required collection activities with respect to delinquent loans, establishing and maintaining records with respect to its servicing activities, and providing certain reports of its activities and the student loan portfolios serviced by GLELSI. GLELSI agrees to service the Private Loans in compliance with all applicable federal and state laws and regulations.

**General Terms.** Pursuant to the GLELSI Servicing Agreement, GLELSI will service and perform other related tasks with respect to the Private Loans which are submitted to GLELSI and accepted by GLELSI for servicing with customary diligence and care. The following summary describes certain terms of the GLELSI Servicing Agreement. The summary is not complete, and is subject to and qualified in its entirety, by reference to all of the provisions of the GLELSI Servicing Agreement. GLELSI's administrative obligations generally include, but are not limited to, the following:

(a) Upon receipt of information regarding a Private Loan acquired by the Trust, GLELSI is required to establish a loan record on its computer system. GLELSI will capture and retain a copy of each Private Loan application promissory note and disclosure statement on its imaging system and will store a backup image copy at a remote facility. GLELSI will hold the original Private Loan application promissory note for safekeeping. GLELSI is under no duty or obligation to inquire into the authenticity of the Private Loan.

(b) GLELSI is required to provide Private Loan servicing services as described in the the T.H.E. Loan Program rules and as set forth in the GLELSI Servicing Agreement.

(c) GLELSI is required to respond to all borrower inquiries in a prompt, courteous and thorough manner.

(d) When a Private Loan first becomes due for repayment, GLELSI is required to prepare and mail, email or otherwise transmit a repayment schedule to the borrower in accordance with the Trust's instructions. Prior to the first payment due date, repayment coupons or alternative repayment instructions will be prepared and provided to the borrower.

(e) GLELSI is required to post to the borrower's account all payments of principal and interest. All collections are required to be remitted to an account designated by the Trust within two business days.

(f) GLELSI is required to provide reports to the Trust of all monetary transactions as well as periodic summary and account information, including such items as:

(1) Detailed reports to support all cash transactions processed;

(2) Monthly portfolio summary reports and supporting detail;

(3) Monthly listing of delinquent accounts.

(g) GLELSI will remit overpayments of more than \$5.00 directly to the borrower and write off balances of less than \$10.00.

(h) GLELSI is required to handle all borrower contact functions and meet all servicing due diligence requirements described in the T.H.E. Loan Program rules. GLELSI will prepare and submit all papers and documentation necessary to file a claim as described in the T.H.E. Loan Program rules.

***Term and Termination.*** The GLELSI Servicing Agreement may be terminated by the Trust or GLELSI upon 120 days written notice to the other party. In the event that the GLELSI Servicing Agreement is so terminated, GLELSI shall continue its full servicing (and shall be entitled to its fees) until the date a successor servicer has been appointed and has been provided complete conversion files so as to enable the successor servicer to begin servicing the loans. In the event of termination, the Trust agrees to pay GLELSI a servicing removal fee identified in the GLELSI Servicing Agreement as to each active account removed by such termination.

***Compensation.*** The Trust agrees to pay GLELSI a monthly fee for the servicing of Private Loans based on certain per account calculations which generally range from \$1.19 to \$3.39 per account. The servicing fee will be paid from amounts held in the Revenue Account, as described under “APPENDIX B—SUMMARY OF THE INDENTURE—Creation and Operation of Accounts—Revenue Account; Payment Account” in Appendix B hereto. Increases or decreases in such schedule may be made from time to time; provided however, that the Trust will be given 60 days written notice prior to the effective date of any change in the fee schedule. Such effective date shall be the beginning of a calendar quarter (January 1, April 1, July 1 and October 1). Statements for services rendered will be provided on a monthly basis and are payable upon receipt.

***Indemnification and Liability.*** GLELSI is required to exercise care and due diligence in performing the services required by the GLELSI Servicing Agreement. To the extent that GLELSI is required to appear in, or is made a defendant in any legal action or other proceeding commenced by a party other than the Trust with respect to any matter arising under the GLELSI Servicing Agreement including specifically, but without limitation, consumer law claims, the Trust is required to indemnify and hold GLELSI harmless from all loss, liability and expense (including reasonable attorney's fees) except for any loss, liability or expense arising out of or relating to GLELSI's negligent acts or omissions or misconduct with regard to the performance of services under the GLELSI Servicing Agreement. Subject to the following paragraph, GLELSI is required to indemnify and hold the Trust harmless from all loss, liability and expense (including reasonable attorney's fees) arising out of or relating to GLELSI's negligent acts or omissions with regard to the performance of services under the GLELSI Servicing Agreement; provided, however, that in no event shall GLELSI be responsible or liable for the failure of a borrower to repay a Loan or any consequential damages with respect to any matter whatsoever arising out of the GLELSI Servicing Agreement. Either party shall have the right to mitigate its liability under the GLELSI Servicing Agreement by taking such actions as may be appropriate, including but not limited to re-performance.

GLELSI and the Trust recognize that GLELSI's lender servicing programs are separate and distinct from GLHEGC's guarantee program and Great Lakes Higher Education Corporation's (GLHEC) outreach and access mission. The Trust specifically agrees to look only to GLELSI, in its capacity as a servicing agent, to satisfy any claims under the GLELSI Servicing Agreement relating to its functions as servicing agent. The Trust specifically waives any claim under the GLELSI Servicing Agreement against GLHEGC's Guarantee Fund (as defined in 34 CFR § 682.410(a)(1)) and GLHEGC's Federal Reserve Fund and Administrative Operating Fund and all other escrows required under the Higher Education Act and any claim under the GLELSI Servicing Agreement against GLHEC.

GLELSI will continue to be liable for all acts or failures to act which occur prior to a termination of the GLELSI Servicing Agreement (or the following loan transactions: sale or transfer to another lender, servicing transfer to the Trust or another servicer or payment in full), but will not be liable for post-termination activities except that GLELSI will be obligated to remit to the Trust any collections received by GLELSI subsequent to such termination and to provide the reports and records required by the GLELSI Servicing Agreement.

**Amendments.** Except as adjustments of fees described under the caption “*Compensation*” above, the GLELSI Servicing Agreement may be amended by GLELSI at any time upon 30 days written notice to the Trust, provided that the provisions of the GLELSI Servicing Agreement shall at all times be consistent with the T.H.E. Loan Program rules and lenders forms and procedures for consumer law protection compliance. In the event of any such modification by GLELSI, the Trust has 30 days in which to accept or reject the modification by notice in writing. In the event of rejection of proposed modification, either party may exercise its right to terminate as described under the caption “*Term and Termination*” above. In the event of termination for this reason, such modification shall not apply to the Trust.

### **Description of the Student Loan Sale Agreement**

**General.** The Trust will acquire the Private Loans, which were originated under the T.H.E. Loan Program, from the Depositor, pursuant to the terms of a Private Student Loan Sale Agreement (the “Student Loan Sale Agreement”) between the Trust and the Depositor. The Private Student Loan Sale Agreement will identify the portfolio of Private Loans to be acquired.

**Representations, Warranties and Covenants.** Pursuant to the Student Loan Sale Agreement, the Depositor makes the following representations, warranties and covenants with respect to the Private Loans sold thereunder:

(a) Any information furnished by the Depositor to the Trust, or the Trust’s agents with respect to a Private Loan, including the Loan Transfer Schedule attached to the Loan Transfer Addendum, is true, complete and correct in all material respects.

(b) The amount of the unpaid principal balance of each Private Loan is due and owing, and no counterclaim, offset, defense or right to rescission exists with respect to any Private Loan which can be asserted and maintained or which, with notice or lapse of time could be asserted and maintained by the borrower against the Trust. The Depositor has taken all reasonable actions to assure that no maker of a Private Loan has a defense to the payment thereof.

(c) Each Private Loan has been duly executed and delivered and constitutes the legal, valid and binding obligation of the maker (and the endorser, if any) thereof, enforceable in accordance with its terms.

(d) The Depositor is the sole owner and holder of each Private Loan and has full right and authority to sell and assign the same free and clear of all liens, claims or encumbrances; and each Private Loan is free of any and all liens, claims, encumbrances and security interests of any description. Upon the sale of each Private Loan under the Student Loan Sale Agreement, the Trust acquires full right and interest in the Private Loans free and clear of all liens, claims or encumbrances.

(e) Each Private Loan was made in compliance with all applicable local, state and federal laws, rules and regulations, including, without limitation, all applicable nondiscrimination, truth in lending, consumer credit and usury laws.

(f) The Depositor has, and its officers acting on its behalf have, full legal authority to engage in the transactions contemplated by the Student Loan Sale Agreement; the execution and delivery of the Student Loan Sale Agreement, the consummation of the transactions therein contemplated and compliance with the terms, conditions and provisions of the Student Loan Sale Agreement do not conflict with or result in a breach of any of the terms, conditions or provisions of the organizational documents of the Depositor, or any agreement or instrument to which the Depositor is a party or by which it is bound or constitute a default thereunder; the Depositor is not a party to or bound by any agreement or instrument or subject to any charter or other corporation restriction or judgment, order, writ, injunction, decree, law, rule or regulation which materially and adversely affects the ability of the Depositor to perform its obligations under the Student Loan Sale Agreement and the Student Loan Sale Agreement constitutes a valid and binding obligation of the Depositor enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws

relating to or affecting creditors' rights generally and court decisions with respect thereto, and no consent, approval or authorization is required in connection with the consummation of the transactions therein contemplated, except for those that have been obtained.

(g) The Depositor is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has the power and authority to own its assets and carry on its business as now being conducted.

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

(i) Each Private Loan is accruing interest (whether or not such interest is being paid currently or is being capitalized).

(j) Other than pursuant to the Student Loan Sale Agreement, the Depositor has not pledged, assigned, sold, granted a security interest in (which has not been released with respect to the Private Loans), or otherwise conveyed any of the Private Loans. The Depositor has not authorized the filing of and is not aware of any financing statements against the Depositor that include a description of collateral covering the Private Loans (and which has not been released with respect to the Private Loan) other than any financing statement relating to transfer of the Private Loans pursuant to the Student Loan Sale Agreement. The Depositor is not aware of any judgment or tax lien filings against the Depositor.

(k) Except for marks or notations that are no longer applicable on or before the related purchase date, none of the Private Loans has any marks or notations indicating that it has been pledged, assigned or otherwise conveyed to any person other than the Trust.

(l) The Private Loans sold by the Depositor were not selected from student loans owned by the Depositor in a manner so as to materially adversely affect the interests of the Trust.

**Repurchase Obligation.** If any representation or warranty set forth in the Student Loan Sale Agreement made or furnished by the Depositor with respect to a Private Loan acquired thereunder proves to have been materially incorrect as of the date made, then the Depositor is required to, upon obtaining knowledge thereof, notify the Trust, the Credit Provider and the Trustee thereof, and shall immediately but in any event within thirty (30) days of a request by the Trust or the Trustee repurchase such Private Loan by paying to the Trust for deposit with the Trustee pursuant to the Indenture 100% of the then outstanding principal balance of such Private Loan, plus 100% of all interest accrued and unpaid on such Private Loan and any attorneys' fees, legal expenses, court costs, servicing fees or other expenses incurred by the Trust, the Credit Provider, the Trustee or the appropriate successors or assigns in connection with such Private Loan.

**Assignment of Rights.** In addition, the Depositor will assign its rights in the Private Student Loan Purchase Agreement with the Sponsor pursuant to which it acquired the Private Loans being transferred to the Trust. Such Private Student Loan Purchase Agreement with the Sponsor contains similar repurchase obligations with respect to the representations and warranties made by the Sponsor.

## UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

### Federal Tax Disclaimer

To the extent that this Official Statement is construed to provide federal income tax advice, this Official Statement is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This Official Statement has been written to support the promotion or marketing of the securities offered hereby. A taxpayer considering an investment in such securities should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Chapman and Cutler LLP does not and will not impose any limitation on disclosure of the tax treatment or tax structure of the matter that is the subject of its opinion.

### **Certain Federal Income Tax Consequences**

The following is a summary of the principal federal income tax consequences resulting from the ownership of a Series 2012A Bond by certain persons. This summary does not consider all the possible Federal tax consequences of the purchase, ownership or disposition of a Series 2012A Bond and is not intended to reflect the individual tax position of any owner. Moreover, except as expressly indicated, it addresses Underwriters of a Series 2012A Bond that (a) purchase at a price equal to the first price to the public at which a substantial amount of the Series 2012A Bonds are sold; and (b) who hold a Series 2012A Bond as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Series 2012A Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprised of a Series 2012A Bond and one or more other investments, or purchasers that have a “functional currency” other than the U.S. dollar. Except to the extent discussed under the caption “Non-United States Holders” below this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary is based upon the United States federal tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or its interpretations, any of which may be applied retroactively. It does not discuss the tax laws of any state, local or foreign governments.

Persons considering the purchase of a Series 2012A Bond should consult their own tax advisors concerning the Federal income tax consequences to them in light of their particular situations as well as any consequences to them under the laws of any other taxing jurisdiction.

### **United States Holders**

***Characterization of the Series 2012A Bonds as Indebtedness.*** In the opinion of Chapman and Cutler LLP, based upon certain assumptions and certain representations made by the trust, the Series 2012A Bonds will be treated as debt for federal income tax purposes. However, the trust does not intend to obtain a ruling from the Internal Revenue Service in this regard and unlike a ruling from the Internal Revenue Service, the opinion of Chapman and Cutler LLP is not binding on the courts or the Internal Revenue Service. Thus, it is possible that the Internal Revenue Service could successfully assert, on audit or in court, that, for purposes of the Internal Revenue Code, the transaction contemplated by this Official Statement constitutes a sale of the assets comprising the trust estate (or an equity interest therein) to the Series 2012A Bonds noteholders and that the resulting relationship is that of a partnership, or an association taxable as a corporation.

If, instead of treating the Series 2012A Bonds as debt, the transaction were treated as creating a partnership among the holders of the Series 2012A Bonds and the other interest holders in the trust, which partnership has purchased the underlying trust estate assets, that partnership would not be subject to federal income tax, unless such partnership were treated as a publicly traded partnership taxable as a corporation. Rather, each interest holder in the trust and each holder of a Series 2012A Bond would be taxed individually on their respective distributive shares of the partnership’s income, gain, loss, deductions and credits. The amount and timing of items of income and deduction of the holder of a Series 2012A Bond may differ if the Series 2012A Bonds were held to constitute partnership interests, rather than indebtedness.

If, alternatively, it were determined that this transaction created a publicly traded partnership taxable as a corporation, such entity would be subject to federal income tax at corporate income tax rates on the income it derives from any collections on or sale of the financed eligible loans and other assets, which would reduce the amounts available for payment to the holders of the Series 2012A Bonds. And if the Series 2012A Bonds were characterized as stock or equity in such entity, cash payments to the holders of the Series 2012A Bonds generally would be treated as dividends for tax purposes to the extent of such corporation’s earnings and profits.

In general, the characterization of a transaction as a sale of property, for federal income tax purposes, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized. While the Internal Revenue Service and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or an issuance of debt secured by the property in question, the primary factors in making this determination are whether there is a reasonable expectation of a payment of the advance and whether the party making the advance has assumed the risk of loss or other economic burdens relating to the property from which payment is expected and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form.

The Trust believes that it has a reasonable expectation that the Series 2012A Bonds will be repaid in accordance with their terms and that it has retained the preponderance of the primary benefits and burdens associated with the Loans and other assets comprising the trust estate and should therefore be treated as the owner of such assets for federal income tax purposes. If, however, the Internal Revenue Service were to successfully assert that this transaction should be treated as a sale of the trust estate assets, rather than a financing, the Internal Revenue Service could further assert that the entity created pursuant to the Indenture, as the owner of the trust estate for federal income tax purposes, should be deemed engaged in a business and, therefore, characterized as an association taxable as a corporation or a publicly traded partnership taxable as a corporation.

***Payments of Interest.*** In general, interest on a Series 2012A Bond will be taxable to an owner who or which is (a) a citizen or resident of the United States; (b) a corporation created or organized under the laws of the United States or any State (including the District of Columbia); or (c) a person otherwise subject to federal income taxation on its worldwide income (a “United States holder”) as ordinary income at the time it is received or accrued, depending on the holder’s method of accounting for tax purposes. If a partnership holds Series 2012A Bonds, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Series 2012A Bonds should consult their tax advisors.

As noted above, the trust has been advised that the Series 2012A Bonds will be treated as debt for federal income tax purposes and not as an equity interest in the trust or the trust estate. The trust also expresses in the indenture its intent that, for applicable tax purposes, the Series 2012A Bonds be treated as indebtedness of the trust secured by the trust estate. The trust and the holders of the Series 2012A Bonds, by accepting the such Series 2012A Bonds, have agreed to treat their Series 2012A Bonds as indebtedness of the trust for all income tax purposes. As a result, the trust intends to treat itself as an entity that is not subject to entity to level tax and this transaction as a financing with the Series 2012A Bonds constituting its indebtedness for tax and financial accounting purposes rather than a sale of the trust estate for such purposes.

It is expected that all or a substantial portion of the Series 2012A Bonds will be sold to the public at an initial price that is within the de minimis rule for original issue discount. In addition, although the matter is not entirely free from doubt, it is anticipated that the Series 2012A Bonds will be treated as bearing stated interest at a “qualified floating rate,” as this term is defined by applicable Treasury regulations. Accordingly, the Series 2012A Bonds should be treated as having been issued without original issue discount. The trust intends to report interest income in respect of the Series 2012A Bonds in a manner consistent with this treatment. If it were to be determined that the Series 2012A Bonds were issued at price constituting more than a de minimis discount or that they do not provide for stated interest at a qualified floating rate, the Series 2012A Bonds would be treated as having been issued with original issue discount. In that event, the holder of a Series 2012A Bond would be required to include original issue discount in gross income as it accrues on a constant yield to maturity basis in advance of the receipt of any cash attributable to the income, regardless of whether the holder is a cash or accrual basis taxpayer. The trust anticipates, however, that even if the Series 2012A Bonds were treated as issued with original issue discount under these circumstances, the amount which a holder of Series 2012A Bond would be required to include in income currently under this method would not differ materially from the amount of interest on the Series 2012A Bonds otherwise includable in income.

***Series 2012A Bond Purchased at a Market Discount.*** A Series 2012A Bond, whether or not issued with original issue discount, will be subject to the “market discount rules.” In general, market discount is the excess of the stated redemption price at maturity of a Series 2012A Bond less the holder’s basis in a Series 2012A Bond.

Thus, market discount generally will occur where a holder acquires a Series 2012A Bond for an amount that is less than the Series 2012A Bond's issue price (or revised issue price if a Series 2012A Bond is treated as being issued with an original issue discount), unless such difference is less than a specified *de minimis* amount.

In general, any partial payment of principal or any gain recognized on the maturity or disposition of a market discount note will be treated as ordinary income to the extent that such gain or payments of principal do not exceed the accrued market discount on such note. Alternatively, a United States holder of a market discount note may elect to include market discount in income currently over the life of the market discount note. That election applies to all debt instruments with market discount acquired by the electing United States holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

Market discount accrues on a straight-line basis unless the United States holder elects to accrue such discount on a constant yield to maturity basis. That election is applicable only to the market discount note with respect to which it is made and is irrevocable. A United States holder of a market discount note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the note in an amount not exceeding the accrued market discount on such note until the maturity or disposition of the note.

***Purchase, Sale, Exchange and Retirement of the Series 2012A Bonds.*** A United States holder's tax basis in a Series 2012A Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States holder's income with respect to the Series 2012A Bond. A United States holder generally will recognize gain or loss on the sale, exchange or retirement of a Series 2012A Bond equal to the difference between the amount realized on the sale or retirement and the United States holder's tax basis in the Series 2012A Bond. Except to the extent described under the caption "Series 2012A Bond purchased at a Market Discount" above, as described below in regard to contingent payment debt instruments denominated in non-U.S. currency, and except to the extent attributable to accrued but unpaid interest, gain or loss recognized on the sale, exchange or retirement of a Series 2012A Bond will be capital gain or loss (based upon the assumption of this discussion that such Series 2012A Bonds are held as capital assets) and will be long-term capital gain or loss if the Series 2012A Bond was held for more than one year. In the event that the Series 2012A Bond were treated as issued with original issue discount as a result of the carry-over amounts, as discussed under the caption "Payments of Interest" above, a portion of this gain attributable to interest accrued under the original issue discount rules may be recharacterized as ordinary gain or if instead of a gain a loss occurred, a portion of the loss attributable to interest accrued under the original issue discount rules may be recharacterized as ordinary loss.

## **Non-United States Holders**

The following is a general discussion of certain United States federal income and estate tax consequences resulting from the beneficial ownership of Series 2012A Bonds by a person other than a United States holder or a former United States citizen or resident (a "non-United States holder").

Subject to the discussions of carry-over amounts and backup withholding below, payments of principal and interest by the Trust or any of its agents (acting in its capacity as agent) to any non-United States holder will not be subject to United States Federal withholding tax, provided, in the case of interest, that (a) the non-United States holder is not, among other things, a controlled foreign corporation for United States tax purposes that is related to the Trust (directly or indirectly) through stock ownership and (b) in general, either (i) the non-United States holder certifies to the Trust or its agent under penalties of perjury that it is not a United States person and provides, among other things, its name and address or (ii) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and holds the Series 2012A Bonds certifies to the Trust or its agent under penalties of perjury that such statement has been received from the non-United States holder by it or by another financial institution and furnishes the payor with a copy.

It is possible that any payments of carry-over amounts may be treated as contingent interest and that the Internal Revenue Service may accordingly take the position that such payments do not qualify for the exemption from withholding described above.

A non-United States holder that does not qualify for exemption from withholding as described above generally will be subject to United States Federal withholding tax at the rate of 30% (or lower applicable treaty rate) with respect to payments of interest on the Series 2012A Bonds. To qualify for a lower treaty rate, a non-United States holder must provide us with a properly executed U.S. Form W-8BEN, including such holder's U.S. taxpayer identification number.

If a non-United States holder is engaged in a trade or business in the United States and interest on the Series 2012A Bonds is effectively connected with the conduct of such trade or business, the non-United States holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States Federal income tax on such interest in the same manner as if it were a United States holder. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States Federal withholding tax. In addition, if the non-United States holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Series 2012A Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States.

Any capital gain or market discount realized on the sale, exchange, retirement or other disposition of a Series 2012A Bond by a non-United States holder will not be subject to United States Federal income or withholding taxes if (a) the gain is not effectively connected with a United States trade or business of the non-United States holder and (b) in the case of an individual, the non-United States holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

Series 2012A Bonds held by an individual who is neither a citizen nor a resident of the United States for United States Federal tax purposes at the time of the individual's death will not be subject to United States Federal estate tax, provided that the income from the Series 2012A Bond was not or would not have been effectively connected with a United States trade or business of the individual and that the individual qualified for the exemption from United States Federal withholding tax (without regard to the certification requirements) described above.

Treasury regulations also provide alternative procedures to be followed by a non-United States holder in establishing eligibility for a withholding tax reduction or exemption.

Purchasers of Series 2012A Bonds that are non-United States holders should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes upon income realized in respect of the Series 2012A Bonds.

### **Information Reporting and Back-up Withholding**

For each calendar year in which the Series 2012A Bonds are outstanding, the Trust is required to provide the Internal Revenue Service with certain information, including the holder's name, address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain United States holders, including corporations, tax-exempt organizations and individual retirement accounts.

If a United States holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under reports its tax liability, the Trust, its agents or paying agents or a broker may be required to "backup" withhold a tax currently equal to 28% of each payment of interest and any premium on the Series 2012A Bonds. This backup withholding is not an additional tax and may be credited against the United States holder's Federal income tax liability, provided that the holder furnishes the required information to the Internal Revenue Service.

Under current Treasury regulations, backup withholding and information reporting will not apply to payments of interest made by the Trust or any of its agents (in their capacity as such) to a non-United States holder of a Series 2012A Bond if the holder has provided the required certification that it is not a United States person as set forth in clause (b) in the second paragraph under the caption “Non-United States Holders” above, or has otherwise established an exemption (provided that neither the Trust nor its agent has actual knowledge that the holder is a United States person or that the conditions of an exemption are not in fact satisfied).

In general, payments of the proceeds from the sale of a Series 2012A Bond to or through a foreign office of a broker will not be subject to information reporting or backup withholding. However, information reporting may apply to those payments if the broker is one of the following:

- (a) a United States person;
- (b) a controlled foreign corporation for United States tax purposes;
- (c) a foreign person 50% or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or
- (d) a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Series 2012A Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner otherwise establishes an exemption from information reporting and backup withholding.

Treasury regulations also provide presumptions under which a non-United States holder is subject to information reporting and backup withholding unless the Trust or its agent receives certification from the holder regarding non-United States status.

The Federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a holder’s particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Series 2012A Bonds, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in Federal or other tax laws.

### **Foreign Account Compliance**

In addition to the rules described above regarding the potential imposition of U.S. withholding taxes on payments to non-U.S. persons, withholding taxes could also be imposed under the new FATCA (“Foreign Account Tax Compliance Act” or “FATCA”) regime. FATCA was enacted in the United States in 2010 as part of the “Hiring Incentives to Restore Employment (HIRE) Act” as a way to encourage tax reporting and compliance with respect to ownership by U.S. persons of assets through foreign accounts. Under FATCA, foreign financial institutions (defined broadly to include hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles) must comply with new information gathering and reporting rules with respect to their U.S. account holders and investors and may be required to enter into agreements with the IRS pursuant to which such foreign financial institutions must gather and report certain information to the IRS and withhold U.S. tax from certain payments made by it. The FATCA provisions apply generally to debt instruments issued after March 18, 2012; however, the IRS has issued proposed regulations that, if finalized, would “grandfather” any debt instrument that is outstanding on January 1, 2013. Foreign financial institutions that fail to comply with the FATCA requirements will be subject to a new 30% withholding tax on U.S. source payments made to them after December 31, 2013, including interest, OID and (for payments after December 31, 2014) gross proceeds from the sale of any equity or debt instruments of U.S. issuers. Payments of interest to foreign non-financial entities after December 31, 2013 will also be subject to a withholding tax of 30% if the entity does not certify that it does not have any substantial U.S. owner or provide the name, address and TIN of each substantial U.S. owner. The new FATCA withholding tax will apply regardless of whether the payment would otherwise be exempt from U.S.

nonresident withholding tax (e.g., under the portfolio interest exemption or as capital gain) and regardless of whether the foreign financial institution is the beneficial owner of such payment.

### **STATE TAX CONSIDERATIONS**

In addition to the federal income tax consequences described in “UNITED STATES FEDERAL INCOME TAX CONSEQUENCES,” potential investors should consider the state income tax consequences of the acquisition, ownership and disposition of the Series 2012A Bonds. State income tax law may differ substantially from the corresponding federal law, and this discussion does not purport to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to the various state tax consequences of an investment in the Series 2012A Bonds.

### **ERISA CONSIDERATIONS**

To the extent that this Official Statement provides federal income tax advice, this Official Statement is not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding tax penalties that may be imposed on the taxpayer. This Official Statement is being used to support the promotion or marketing of the transaction described herein. The taxpayer should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

Chapman and Cutler LLP does not and will not impose any limitation on disclosure of the tax treatment or tax structure of the matter that is the subject of its opinion.

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain fiduciary and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”). Section 4975 of the Internal Revenue Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) of the Internal Revenue Code (“Qualified Retirement Plans”) and on Individual Retirement Accounts (“IRAs”) described in Section 408(b) of the Internal Revenue Code (collectively, “Tax-Favored Plans”). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Internal Revenue Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA’s fiduciary and prohibited transaction standards. Accordingly, assets of such plans may be invested in Series 2012A Bonds without regard to the ERISA considerations described below, subject to the provisions of applicable federal and state law. Any such plan which is a Qualified Retirement Plan and exempt from taxation under Sections 401(a) and 501(a) of the Internal Revenue Code, however, is subject to the prohibited transaction rules set forth in the applicable provisions of the Internal Revenue Code. In addition, benefit plans which are established and administered outside the U.S. may be subject to legal restrictions which may affect those plans’ ability to acquire notes or the appropriateness of such an acquisition.

In addition to the imposition of general fiduciary requirements, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and persons who have certain specified relationships to the Benefit Plans (“Parties in Interest” as defined in ERISA § 3(14) or “Disqualified Persons” as defined in Code § 4975(e)(2)), unless a statutory or administrative exemption is available. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Internal Revenue Code) unless a statutory or administrative exemption is available.

Certain transactions involving the purchase, holding or transfer of Series 2012A Bonds might be deemed to constitute prohibited transactions under ERISA and the Internal Revenue Code if assets of the Trust were deemed to be assets of a Benefit Plan. Under a regulation issued by the United States Department of Labor (the “Plan Assets Regulation”), as modified by Section 3(42) of ERISA, the assets of the Trust would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Internal Revenue Code only if the Benefit Plan acquires an “equity interest” in the Trust and none of the exceptions contained in the Plan Assets Regulation or statute is applicable. An equity interest is defined under the Plan Assets Regulation or statute as an interest in an entity other than an

instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Series 2012A Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

However, without regard to whether the Series 2012A Bonds are treated as an equity interest for such purposes, the acquisition or holding of Series 2012A Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Trust or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. In such case, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2012A Bond. Included among these exemptions are: Prohibited Transaction Class Exemption (“PTCE”) 96-23, regarding transactions effected by “in-house asset managers;” PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by “insurance company general accounts;” PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding transactions effected by “qualified professional assets managers;” and Section 408(b)(17) of ERISA regarding transactions involving certain services providers. Each purchaser and each transferee of a Series 2012A Bond shall be deemed to represent and warrant that either (a) it is not a Benefit Plan or (b) its purchase and holding of the Series 2012A Bonds will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a government plan or non-U.S. plan, any substantially similar applicable law).

Any plan fiduciary considering whether to purchase Series 2012A Bonds of a series on behalf of a plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA, the Internal Revenue Code and any other applicable laws to such investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Internal Revenue Code and the fiduciary standards and other legal standards mandated by applicable law.

## **RELATIONSHIP OF PARTIES**

Royal Bank is the parent company of RBC Capital Markets, LLC, the Underwriter and the Remarketing Agent for the Series 2012A Bonds. In addition, an affiliate of RBC Capital Markets, LLC is a warehouse lender to an affiliate of the sponsor which will be selling a substantial amount of the student loans being acquired by the trust with proceeds of the Series 2012A Bonds. As a result, affiliates of RBC Capital Markets, LLC have material economic interests in the outcome of the issuance of the Series 2012A Bonds.

## **PLAN OF DISTRIBUTION**

The Series 2012A Bonds are to be purchased by RBC Capital Markets, LLC (the “Underwriter”) pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”), among the Trust, NEF and the Underwriter. The Underwriter will purchase the Series 2012A Bonds at a price equal to the par amount thereof. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2012A Bonds if any are purchased.

The obligation of the Underwriter to purchase the Series 2012A Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement. In connection with the issuance of the Series 2012A Bonds, the Underwriter will be paid a fee in an aggregate amount equal to 0.475% of the principal balance of the Series 2012A Bonds. The Bond Purchase Agreement provides that NEF will indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, and that NEF has agreed to reimburse the Underwriter for the fees and expenses of its counsel.

The Underwriter may offer and sell the Series 2012A Bonds to certain dealers (including dealers depositing the Series 2012A Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial offering prices may be changed from time-to-time by the Underwriter.

## **LEGAL PROCEEDINGS**

There is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2012A Bonds, or in any way contesting or affecting the validity of the Series 2012A Bonds, any proceedings of the Trust or NEF taken with respect to the issuance or sale, thereof, the pledge or application of any moneys or security provided for the payment of the Series 2012A Bonds, or the existence or powers of the Trust or NEF.

## **LEGAL MATTERS**

Certain legal matters will be passed on for the Trust by its counsel, Chapman and Cutler LLP, and its Delaware counsel, Richards, Layton and Finger, P.A., and for the Underwriter by its counsel, Kutak Rock LLP.

## **RATINGS**

The Series 2012A Bonds are expected to be given the long-term ratings of “AA” by Fitch Ratings (“Fitch”) and “AA-” by Standard & Poor’s Ratings Services (“S&P”) and the short-term ratings of “F1+” by Fitch and “A-1+” by S&P, with the understanding that the 2012 Credit Provider will deliver the Letter of Credit simultaneously with the issuance of the Series 2012A Bonds. No application was made to any other rating agency for the purpose of obtaining additional ratings of the Series 2012A Bonds.

A securities rating addresses the likelihood of the receipt by Bondholders of the Series 2012A Bonds of payments of principal and interest with respect to their bonds from assets in the trust estate under the Indenture. The rating takes into consideration the characteristics of the Loans, and the structural, legal and tax aspects associated with the rated 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 organization. None of the Trust, NEF or the Underwriter has undertaken any responsibility either to bring to the attention of the holders of the affected bonds any proposed change in or withdrawal of such ratings or to oppose any such proposed revision. Any such change in or withdrawal of the ratings could have an adverse effect on the market price of the affected bonds.

## **MISCELLANEOUS**

All quotations from, and summaries and explanations of the Indenture and other documents contained herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The information contained in this Official Statement is subject to change without notice, and no implication should be derived therefrom or from the sale of the Series 2012A Bonds that there has been no change in the affairs of the Trust, or others, from the date hereof. 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 Trust and the purchasers or Bondholders of any of the Series 2012A Bonds. The statements of the Trust and NEF herein are not to be construed as statements by any member of the Trust or NEF or any employee of the Trust or NEF.

The Trustee did not participate in the preparation of this Official Statement and makes no representations concerning the Series 2012A Bonds, the collateral or any other matter stated in this Official Statement. The Trustee has no duty or obligation to pay the Series 2012A Bonds from its own funds, assets or corporate capital or to make inquiry regarding, or investigate the use of, amounts disbursed from the accounts held under the Indenture.

## APPENDIX A

### DESCRIPTION OF THE T.H.E. LOAN PROGRAM

#### NorthStar Loan Programs

The loan program operated by NorthStar Education Finance, Inc. (“NEF”) is known as the Total Higher Education (T.H.E.) Loan Program (the “T.H.E. Loan Program”). The T.H.E. Loan Program is marketed to graduate and professional schools and four year undergraduate institutions. NEF’s mission and business strategy is to create innovative financing programs that allow for no up-front fees on federal insured loans and a borrower benefit program funded from residual payments received after the loans are financed.

The T.H.E. Loan Program consisted of two major components:

- (a) Federal Family Education loans (FFELP or Higher Education Act loans):
  - (i) Subsidized FFELP loans;
  - (ii) Unsubsidized FFELP loans;
  - (iii) Parent Loan For Undergraduate Student (PLUS);
  - (iv) PLUS Loan for Professional and Graduate Students; and
  - (v) Consolidation Loans.
- (b) non-FFELP loans:
  - (i) Medical Loans;
  - (ii) Allied Health/Health Professionals;
  - (iii) Law/MBA Loans; and
  - (iv) Other Undergraduate & Graduate Loans.

The private loan component is designed to provide an additional loan to a student to cover the difference between the cost of attending the higher education institution and the federal and institutional grants and loans already provided. Higher Education Act loans and private loans were offered separately or as a comprehensive financing package. The T.H.E. Loan Program’s availability was as follows: (a) the federally guaranteed loan was available to any student attending an eligible four year institution and (b) the private loan is available to students that meet NEF’s credit underwriting requirements and are attending eligible institutions.

#### Loan Origination

NEF, or its predecessors, has been originating student loans, including private loans, since 1991. When NorthStar Guarantee, Inc. and Great Lakes Higher Education Corporation affiliated in 1997, NorthStar Guarantee, Inc.’s origination processing personnel became employees of Great Lakes Higher Education Corporation. Until April 2000, all loans originated by or on behalf of NorthStar Guarantee, Inc. were processed and serviced by Great Lakes Higher Education Corporation under contract with NorthStar Guarantee, Inc. After April 2000, NorthStar Capital Markets Services, Inc. (“NCMS”) processed substantially all originations. All servicing functions have been performed by Great Lakes Educational Loan Services, Inc. (“GLELSI”) GLELSI also originated a small number of loans for NEF, and a small number of loans were originated by others. The vast majority of private loans were originated by University National Bank and purchased by NEF or its affiliates shortly after origination pursuant to

the terms of a purchase and sale agreement under which University National Bank offered to sell private loans to NEF or its affiliates.

NEF's program guidelines (the "program guidelines") set forth the terms under which loans were made and define borrower and school eligibility. The T.H.E. Loan Program included discipline specific programs for law, MBA, health professionals and medical students. The T.H.E. Loan Program also included a national program generally available to other graduate students and undergraduate students who, alone or with a cosigner, met certain credit underwriting criteria. The T.H.E. Loan Program included federal guaranteed loans as well as private loans. All students attending a four year institution and eligible for federal guaranteed loans are eligible for T.H.E. Loan Program federal guaranteed loans.

Private loans were made only to eligible borrowers at eligible schools. Borrower eligibility was determined through a proprietary credit underwriting process utilizing credit scoring models. School eligibility was determined by NEF based, in part, on the school's historical default experience.

When applications were received, the applications were reviewed to determine that the application was complete, that the student was an eligible borrower and the school an eligible institution. Each application also included a certification from the submitting school that the student was eligible for the particular loan program and that the amount of the loan did not exceed the student's cost of education less other financial aid. If the application was complete and consistent with the program guidelines, the loan was approved. If a borrower did not meet the credit requirements or an application was otherwise determined not to comply with the program guidelines, the applicant was sent an adverse determination letter, which included instructions on the steps to be taken to appeal the denial if the denial was based on an adverse credit determination. Detailed appeal procedures were contained in the program guidelines.

#### **T.H.E. Loan Program Credit Criteria.**

**General.** The following is a general description of some of the material terms of the program guidelines and the credit requirements that a student was required to meet in order to be considered an eligible borrower under the T.H.E. Loan Program.

***Credit Requirements.*** Each applicant was reviewed using data provided by one of the three major credit bureaus. If the applicant's credit score met certain criteria, the applicant's credit was generally approved. The applicant's credit could have been approved if the credit score was in a lower specified range in certain instances if the applicant obtained a creditworthy cosigner meeting the requirements described under the caption "Cosigner Credit Requirements" below. Review in certain circumstances could have involved utilizing the criteria described in the caption "*Derogatory Review Criteria*" below. The applicant may have been required to obtain a creditworthy cosigner in certain other circumstances.

***Derogatory Review Criteria.*** The following additional requirements applied before an applicant's credit would have been approved. The applicant's credit history would be reviewed for bankruptcies, foreclosures, repossessions, wage garnishments, skips, open charge-offs, open collection accounts, unpaid tax liens, unpaid judgments, or court proceedings alleging failure to make payment on an obligation. The occurrence of any of the above events generally would have resulted in a denial of credit. If the applicant's credit history showed more than two paid charge-offs, tax liens and/or collection accounts within the immediately preceding two years, credit would have generally been denied. If NCMS received written documentation that any of the credit information on the applicant's credit report was erroneous and that the error had been corrected, the erroneous credit information would not have been grounds for the denial of credit.

***Cosigner Credit Requirements.*** Cosigners for a loan under the T.H.E. Loan Program were credit scored and required to meet certain minimum criteria. Since the analysis underlying the credit scores is proprietary to the credit bureaus, the only way to override a denial was to have the cosigner correct or address any derogatory issues at the credit bureau and request a re-scoring of their application. If a student borrower was denied credit due to a credit score below certain levels, the loan would have been denied regardless of the outcome of the cosigner's credit. If the student was accepted but the cosigner was denied, the student may have accepted the loan if a cosigner was not required, resubmitted the application with an alternate cosigner or, to the extent that information on the cosigner's

credit report was erroneous, had the cosigner correct the information at the credit bureau and resubmit the application.

**Appeals.** Students that failed to meet the credit requirements were able to appeal by providing documentation of extenuating circumstances. The documentation was reviewed and a final decision was made by the originator.

### **Default Management Program**

Additional collection activities are undertaken by NCMS and third-party collection agencies. NCMS began in-house collection activities on private loans in July of 2003 to supplement the efforts of GLELSI with the creation of the Debt Management Group. Pursuant to the NES Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES, including the additional collection activities. See the caption "THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST II" in this Official Statement. NES has 12 employees in the Debt Management Group. The following description of the collection activities of NCMS and third-party collection agencies is NEF's policy as of the date of this Official Statement and is subject to change over time.

**Collections Technology.** NCMS's collection activities are generally divided into three phases, generally based on the payment status of the student loan. The phases include (a) student loans that have not entered into repayment; (b) student loans that are delinquent, but have not reached 180 days delinquency, and (c) defaulted student loans.

**Student Loans Prior to Repayment.** NCMS has created a web-based debt management tool, RepayReady, which borrowers use to organize their debt and adopt repayment strategies. Borrowers are contacted 60 days prior to the beginning of repayment and encouraged to use RepayReady. NCMS personnel take a financial counseling approach to assist borrowers by helping them to use all the tools available to be able to consistently make monthly payments on their student loans.

**Student Loans Between One and 180 Days Delinquent.** Delinquent student loan accounts are referred to the Debt Management Group beginning on the first day of delinquency. Attempts to contact these borrowers are generally made before the 16th day through a series of letters, email and telephone calling campaigns. The telephone calls are placed during normal business hours, evening hours, and on Saturdays. The letters are all personalized with hand addressed envelopes and specific information about the borrower's loan. If the Debt Management Group does not have good address or telephone information for the borrower, NCMS utilizes a subscription skip-tracing service to attempt to find the borrower. GLELSI reports a loan as delinquent to all three credit bureaus when it becomes 60 days delinquent.

**Student Loans that become 180 Days Delinquent.** Student loans are declared defaulted once they reach 180 days of delinquency. Defaulted student loans are placed with the litigation department of a collection agency, and if the borrower's location is known, a collection lawsuit is commenced as soon as possible. Any subsequent collections or recoveries are delivered to the Trustee for deposit in the collection fund under the Loan Documents.

All requests from borrowers for compromise where NEF is asked to accept less than the full amount owing as payment in full must be submitted to NCMS for consideration. All such requests are reviewed by the head of the Debt Management Group. New credit reports are pulled for review. As a matter of general policy, requests for compromise at less than 80% of the full amount owing are rejected. If the borrower has seriously derogatory credit such that recovery of 80% is unlikely, efforts will be made to recover at least the amount advanced on the loan and the situation will be reviewed on a case-by-case basis.

**Diligence Schedule.** As part of the procedures described above, the following default management operations are conducted by GLELSI and NCMS.

Once a loan becomes delinquent, GLELSI performs the following due diligence procedures on Private Loans:

<b>Days Delinquent</b>	<b>Borrower Letters/Phone Schedule</b>	<b>Co-Signer Letter Schedule</b>
Day 1-15	1 letter	
Day 16-60	1 letter and 2 phone contacts or 4 attempts	1 attempt
Day 61-90	1 letter	
Day 91-120	1 letter	1 letter
Day 121-150	1 letter	1 letter
Day 151	Final Demand	Final Demand

Simultaneously, NCMS performs the following minimum due diligence procedures:

<b>Days Delinquent</b>	<b>Borrower Letters/Phone Schedule</b>	<b>Co-Signer Letter/Phone Schedule</b>
Day 1-15	1 letter	
Day 16-29	2 letters and 2 phone attempts	2 letters and 2 phone attempts
Day 30-59	2 letters and 2 phone attempts	2 letters and 2 phone attempts
Day 60-89	2 letters, 2 phone attempts and one e-mail	2 letters and 2 phone attempts
Day 90-119	2 letters, 2 phone attempts and one e-mail	2 letters and 2 phone attempts
Day 120-149	2 letters, 2 phone attempts and one e-mail	2 letters and 2 phone attempts
Day 150 + (Default Deadline)	2 letters, 2 phone attempts and one e-mail	2 letters and 2 phone attempts

NCMS utilizes Accruint skip-tracing technology, credit bureau reports and real time access to GLELSI's system as its primary tools in conducting its collection activities.

**Deferment, Forbearance and Payment Plan Policies on Student Loans.** The only deferment available for a student loan is an in-school deferment, which is available if an eligible school certifies that a borrower has returned to school at least half-time. In-school deferments are now limited to a total of 3 years and the in-school period is limited to 7 years.

Forbearance is generally available on private loans for no more than 6 months during the first 24 months of repayment. Longer forbearance is granted only in the case of extreme hardship such as under doctor-certified care. NCMS also offers an interest only payment plan that is granted in 6 month increments. Beginning in December of 2008, repayment counselors were given discretion to extend the interest only payment plan term in 3 to 6 month increments to a total of 42 months. Repayment counselors were also given discretion to extend additional forbearance when needed due to unemployment and underemployment for up to 12 months. NCMS's objective with these policies is to get borrowers in the habit of making monthly payments on the private loans, especially when their FFELP loans are in forbearance and or deferment.

We also make available a graduated repayment plan, and approximately 17% in principal amount of the Private Loans as September 30, 2012 had elected this repayment plan. Our graduated repayment plan, available upon request, provides for an interest only period for up to 24 months (but at an interest rate which is 2% per annum above then current interest rate otherwise applicable to the Private Loan), followed by amortization of principal and interest based upon the amortization terms described under the caption "Private Loan Terms—*Loan Limits*;

*Repayment*” below and ending on the date which was to be the original final payment date determined as described under such caption.

### **Description of the Private Loans**

The student loans held under the Indenture will initially consist entirely of Private Loans. Each Private Loan is unsecured and is not guaranteed by any third party, other than, in certain instances, co-signers on the Private Loan. Each Private Loan is required to meet the conditions of an Eligible Loan under the Indenture.

Each of the Private Loans provides for the amortization of its outstanding principal balance over a series of periodic payments. Each periodic payment consists of an installment of interest which is calculated on the basis of the outstanding principal balance of the Private Loan multiplied by the applicable interest rate and further multiplied by the period elapsed (as a fraction of a calendar year) since the preceding payment of interest was made. As payments are received in respect of a Private Loan, the amount received is applied first to outstanding late fees, if collected, then to interest accrued to the date of payment and the balance is applied to reduce the unpaid principal balance. Accordingly, if a borrower pays a regular installment before its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be less than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly greater. Conversely, if a borrower pays a monthly installment after its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be greater than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly less. In either case, subject to any applicable deferment periods or forbearance periods, the borrower pays installments until the final scheduled payment date, at which time the amount of the final installment is increased or decreased as necessary to repay the then outstanding principal balance of such Private Loan.

The Private Loans were made by either PNC Bank, N.A. or University National Bank (each an “Originating Lender”) pursuant to the T.H.E. Loan Program. Less than 5% in aggregate principal amount of the Eligible Loans expected to be initially included in the trust estate are non-T.H.E. Loan Program loans. Any Private Loans not originated pursuant to the T.H.E. Loan Program were originated under a loan program with substantially the same terms as the T.H.E. Loan Program. The Private Loans include loans made to graduate, professional and undergraduate students at eligible institutions. Bar examination loans were available to law students or recent law graduates to cover the cost of preparing for the bar exam and residency loans were available to medical students to finance the costs involved with obtaining and participating in required residency or postdoctoral programs. The following describes the terms and conditions of the Private Loans to be included in the trust estate.

The Private Loans are unsecured loans. In some cases, the borrower was able to obtain a reduced interest rate if he or she provided a creditworthy co-signer for the Private Loan.

### **Private Loan Terms**

***Eligibility.*** A student was an eligible borrower under the program guidelines if the student:

- (a) was enrolled or admitted to an eligible school;
- (b) was enrolled as at least a half-time student;
- (c) was enrolled in an eligible academic discipline;
- (d) was making satisfactory progress toward completion of his or her degree according to the eligible school’s published standards;
- (e) was a United States citizen or resident alien;
- (f) had completed a loan application and promissory note form; and

(g) satisfied the applicable credit requirements or had been granted a waiver from those credit requirements.

**Eligible Schools.** A school was an eligible school under the program guidelines if it was (a) a four-year degree granting accredited educational institution in the United States or (b) a foreign school which had been approved for participation in the T.H.E. Loan Program by NEF.

**Interest.** The interest rates on Private Loans made prior to April 1, 2002 are variable rates equal to the coupon equivalent of the 91-day Treasury bill plus a spread. All other Private Loans bear interest at a variable rate equal to the coupon equivalent of Three-Month LIBOR plus a spread. The interest rates on all Private Loans are adjusted quarterly. The maximum interest rate is 18%.

No interest is due prior to the commencement of the repayment period. Interest that accrues prior to the repayment period and is not otherwise paid is added to the principal balance. Capitalization of interest occurs once at upon entering repayment.

**Origination Fees.** The origination fees on Private Loans disbursed prior to the 2003-2004 school year were equal to 4% to 6% up front and 0% to 3% at repayment. Origination fees were not charged with respect to Private Loans disbursed during and after the 2003-2004 school year. There were no other charges on origination, prepayment or at any other time for the Private Loans.

**T.H.E. Bonus.** Through application of its T.H.E. Bonus Program, NEF helped borrowers reduce the cost of financing their education by providing eligible borrowers (those in active repayment and less than 60 days delinquent) a monthly credit on their student loans which was equal to an annualized interest rate discount. The T.H.E. Bonus program was suspended temporarily in February of 2008 and a settlement was made with NEF's borrowers, resulting in mandated settlement guaranteed minimum benefit payments and the reinstatement of bonus benefits to eligible borrowers. The current funding source for bonus payments is from excess cash released from certain financings sponsored by NEF and NEF's own cash reserves. There are no other payment incentives with respect to the Loans. Any payment under the T.H.E. Bonus Program on the Loans will be deposited to a designated Settlement Bonus Trust Account.

**Loan Limits; Repayment.** The annual and total educational loan limits and length of repayment terms for various types of Private Loans in the T.H.E. Loan Program changed over time and are described in the following table. Only changes are indicated for a particular year.

<b>Program Year</b>	<b>Loan Type</b>	<b>Annual Limit</b>	<b>Aggregate Limit</b>	<b>Repayment Term (Years)</b>
1997-2000	Medical	COALA <sup>(1)</sup>	\$180,000	20
	Residency	\$8,000	\$180,000	20
	All Non-Medical	COALA	\$120,000 graduate, \$75,000 undergrad	15
2000-2001	Bar Preparation	\$7,500	\$120,000	15
	Residency	\$10,000	\$189,125	20
2002-2003	Medical	COALA	\$200,000	20
	Residency	\$10,000	\$200,000	20
	Law and other graduate	\$20,000 <sup>(2)</sup>	\$120,000	20
	Bar Preparation	\$7,500	\$120,000	15
2003-2004	National Undergraduate	\$15,000 <sup>(2)</sup>	\$75,000	15
	Medical	COALA	\$235,000	20
	Residency	\$10,000	\$235,000	20
	Premier Law and MBA	COALA	\$180,000 and up	15
	Standard Law and MBA	COALA	\$120,000 to \$180,000	15
	Bar Preparation Premier	\$8,000	\$180,000 and up	15
	Bar Preparation Standard	\$8,000	\$180,000	15
	National Graduate	COALA	\$120,000 to \$180,000	15
	National Undergraduate	\$15,000 <sup>(2)</sup>	\$75,000 and up	15
	Health Professions-Graduate	\$15,000 <sup>(2)</sup>	\$75,000 and up	15
2005-2006	Health Professions-Undergraduate	\$15,000	\$75,000	15
	Medical	COALA	\$250,000	20
	Residency	\$15,000	\$250,000	20
2006-2007	Undergraduate	\$15,000	\$75,000	15
	Medical	COALA	\$250,000	20
	Health Professions-Undergraduate	COALA	\$75,000	20
	Health Professions-Graduate	COALA	\$250,000	20
	Law	COALA	\$180,000	20
	MBA	COALA	\$180,000	20
	Bar Preparation	\$15,000	\$180,000	20
	MN Private	COALA	\$120,000	20
	Residency	\$15,000	\$250,000	20

<sup>(1)</sup> Cost of Attendance Less Aid

<sup>(2)</sup> Increased for certain schools

With respect to the length of repayment terms, medical student borrowers of Private Loans may extend their grace period up to 42 months following graduation if the student is in a residency or post-doctoral program. Most medical student borrowers take advantage of this deferral option. Equal monthly payments of principal and interest, with a minimum monthly payment of \$50, amortize the loan over the repayment period. Private Loans to graduate students disbursed after April 1, 2006 had a 20 year repayment term, and previously disbursed financed student loans made to such graduate students were eligible for extending to a to a 20 year repayment term if the borrower took out a new T.H.E. Loan after April 1, 2006.

## APPENDIX B

### SUMMARY OF THE INDENTURE

The following statements are summaries of certain provisions of the Indenture. These summaries do not purport to be complete and are subject to all of the terms and conditions of the Indenture, to which reference is hereby made, the form of which is available for examination at the office of the Trustee.

The following are definitions of certain terms used in the Official Statement and this summary of the Indenture.

#### Definitions

“*Account*” means any of the trust accounts created and established by the Indenture and, except when the context requires otherwise, the Operating Account and the Non-Pledged Account.

“*Accountant*” means Baune, Dosen & Co., any other registered or certified public accountant or firm of such accountants selected and paid by the Trust, who is Independent and not under the domination of the Trust, but who may be regularly retained to make annual or similar audits of the books or records of the Trust.

“*Additional Bonds*” means Bonds in addition to any Bonds then Outstanding issued pursuant to a Supplemental Indenture and the Indenture.

“*Administrator*” means NorthStar Capital Markets Services, Inc., in its capacity as administrator under the Master Servicing Agreement, or any successor thereto, so long as the Trust has satisfied the requirements of a Rating Agency Condition and a Credit Confirmation as to each such other administrator, and shall include any Sub-Administrator.

“*Aggregate Market Value*” means, on any calculation date, the sum of the Values of all Pledged Assets. “*Value*” means the value of the Pledged Assets calculated by the Trust as follows:

- (a) with respect to any Loan, the unpaid principal amount, accrued interest and accrued special allowance payments, or such other valuation as shall be specified by the Trust upon receipt by the Trustee of a Credit Confirmation;
- (b) with respect to any funds on deposit in any commercial bank or with respect to any banker’s acceptance or repurchase agreement or investment agreement, or investments described in clause (xi) of the definition of Permitted Investments the amount thereof plus accrued interest thereon;
- (c) with respect to any Permitted Investments of an investment company, the bid price of the shares as reported by the investment company;
- (d) with respect to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination plus accrued interest thereon; and
- (e) with respect to any investment not described in clauses (a) through (d) above, the lower of (i) the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trust in its absolute discretion) at the time making a market in such investments or (ii) the bid price published by a nationally recognized pricing service, plus in each case, accrued interest thereon.

“*Alternate Credit Facility*” means a Credit Facility that is issued in substitution for a then existing Credit Facility in accordance with, and pursuant to, the Indenture, as the same may be amended or supplemented from time to time.

“*Alternate Liquidity Facility*” means a Liquidity Facility that is issued in substitution for a then existing Liquidity Facility in accordance with, and pursuant to, the Indenture, as the same may be amended or supplemented from time to time.

“*Applicable VRDB Cost*” means, as of the applicable Rate Determination Date, the sum of: (a) the Applicable VRDB Rate and (b) the Applicable VRDB Fees.

“*Applicable VRDB Fees*” means, (a) for any VRDBs that are not Bank Bonds, the sum of (i) the Credit Enhancement Fees with respect to such VRDBs payable on each Rate Determination Date, and (ii) the Remarketing Agent Fees with respect to such VRDBs payable on each Rate Determination Date, in each case expressed as an annual percentage rate applied against the principal amount of such VRDBs, and (b) in the case of VRDBs that are Bank Bonds, zero percent per annum (0.0%).

“*Applicable VRDB Rate*” means, for any VRDBs, the rate established for such VRDBs by the Remarketing Agent on each Rate Determination Date, or in the case of VRDBs that are Bank Bonds, the Bank Interest Rate in effect for such VRDBs on each Rate Determination Date.

“*Asset Requirement*” means that the Asset Requirement Ratio is such percentage agreed to by the Trust and confirmed in a Credit Confirmation.

“*Asset Requirement Ratio*” means the ratio (expressed as a percentage) of the Aggregate Market Value to the aggregate principal amount of the respective Outstanding Bonds and accrued interest thereon, together with accrued Fees and Expenses.

“*Authorized Denomination*” shall have the meaning provided in the Supplemental Indenture.

“*Authorized Officer*” means, with respect to the Trust, any officer of the Delaware Trustee, the Administrator or any agent acting pursuant to a power of attorney of the Trust.

“*Average VRDB Cost*” means, for each VRDB Cost Calculation Period, the simple average of the Applicable VRDB Cost for the current Rate Determination Date and each Rate Determination Date occurring prior to such Rate Determination Date, rounded to the nearest one thousandth of one percent.

“*Bank Bond*” shall have the meaning assigned to such term in the Supplemental Indenture relating to a series of Bonds.

“*Bank Interest Rate*” means with respect to any amounts owing under any Bank Bond, the rate of interest which is applicable to the amounts owing under such Bank Bond as specified in and computed in accordance with the Liquidity Facility or Credit Facility.

“*Beneficial Owner*” means, with respect to any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository.

“*Bond*” means any one of the bonds authenticated and delivered pursuant to a Supplemental Indenture and the Indenture, including Senior Bonds, Senior Subordinate Bonds, Subordinate Bonds and Junior Subordinate Bonds.

“*Book-Entry Bond*” means any Bond which is then held in book-entry form as provided in the Indenture.

“*Business Day*” with respect to each Series of Bonds shall have the meaning provided in the Supplemental Indenture relating to such Bonds. For the Series 2012A Bonds, “*Business Day*” means a day other than (i) a

Saturday; (ii) a Sunday; (iii) a day on which the Federal Reserve Bank or banks located in the city in which the office of the 2012 Credit Provider where demands for payment are to be presented or the office of the Liquidity Facility Issuer where demands for payment are to be presented, as applicable, are authorized or required to remain closed; or (iv) a day on which the Federal Reserve Bank or banks located in the city in which the principal office of the Trustee is located are required or authorized by law to remain closed

“*Certificate*” means (a) 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 or (b) the report of an Accountant as to audit or other procedures called for by the Indenture.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations, rulings and court decisions promulgated thereunder and pertaining thereto. Such regulations shall also include any successor provision to any existing regulations thereafter promulgated by the Internal Revenue Service pursuant to Section 141 through 150 of the Code applicable to the Bonds.

“*Contingent Default Amount*” has the meaning assigned to such term in the applicable Credit Enhancement.

“*Costs of Issuance*” means all items of expense, directly or indirectly payable or reimbursable by or to the Trust and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees, charges and expenses of the Trustee or any Marketing Party, fees and expenses of the Credit Provider (including the legal fees and disbursements of counsel to the Credit Provider), legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, costs of mathematical verification of certain computations, fees and charges for preparation, execution, transportation and safekeeping of Bonds, expenses of the Trust and any other cost, charge or fee in connection with the issuance of any Bonds.

“*Counsel’s Opinion*” means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law to which such opinion relates, selected by the Trust.

“*Credit Confirmation*” means (a) if any Bonds with respect to which a Credit Confirmation is required are supported by Credit Enhancement, the written consent of the provider of each such Credit Enhancement, and (b) if any Bonds with respect to which a Credit Confirmation is required are rated and are not supported by Credit Enhancement, receipt of a Rating Agency Condition.

“*Credit Enhancement*” means any bond insurance, letter of credit, surety bond, line of credit, purchase agreement or other credit support or liquidity facility providing for the payment of all principal or purchase price of and interest on any series of Bonds, and any extension thereof or substitution therefor, including any combination of any of such instruments.

“*Credit Enhancement Fees*” means the ongoing commitment fees payable by the Trust to a Credit Provider in consideration for the issuance of a Credit Enhancement by such Credit Provider, the drawing fees payable by the Trust for drawings under a Credit Enhancement and waiver, transfer and amendment fees payable by the Trust to the Credit Provider.

“*Credit Facility*” means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Trust and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Bond, as the same may be amended or supplemented from time to time, including an Alternate Credit Facility. A Credit Facility and a Liquidity Facility may be the same instrument. A Credit Facility constitutes a Credit Enhancement under the Trust Indenture.

“*Credit Facility Issuer*” means the issuer of a Credit Facility.

“*Credit Provider*” means the issuer or other provider of any Credit Enhancement.

“*Delaware Trustee*” means Wilmington Trust, National Association, a national association, solely in its capacity as the trustee of the Trust under the Trust Agreement, or any successor thereto appointed pursuant to the Trust Agreement.

“*Delaware Trustee Fees*” means mean (a) the Delaware Trustee’s initial setup fee of \$3,000 plus the initial \$4,000 annual fee and (b) an annual fee equal to \$4,000, payable on each October 1, beginning in October 2013

“*Depositor*” means NorthStar Education Funding I, L.L.C.

“*Depositor Eligible Lender Trustee*” means U.S. Bank National Association, in its capacity as eligible lender trustee for the Depositor and under the terms of the Eligible Lender Trust Agreement, between the Depositor and U.S. Bank National Association, or any successor eligible lender trustee designated thereunder.

“*Designated Day*” means a day of the week designated by the Remarketing Agent (a) in connection with a change in Mode as a day on which a particular action is to occur, or (b) as the first day of an Interest Period. It is recognized that different days of the week may be “Designated Days” for different actions. The Designated Day for the Series 2012A Bonds during the Weekly Rate Period shall be Thursday of each week, commencing with the earlier of the date of issuance of the Series 2012A Bonds or the first Thursday that is at least five days after the applicable Mode Change Date, or such other day as may be established by the Remarketing Agent with the consent of the Trust and the Credit Facility Issuer (if any) in connection with the establishment of that rate period.

“*Direction*” means a written direction, order, request, requisition or similar instrument signed by an Authorized Officer of the Trust and permitted by the Indenture; and the term “direct” or any form of such verb means the giving by the Trust of a Direction.

“*Eligible Lender*” means (a) the Eligible Lender Trustee and (b) any “eligible lender,” as defined in the Higher Education Act, and which has received an eligible lender designation from the Secretary with respect to Eligible Loans made under the Higher Education Act.

“*Eligible Lender Trust Agreement*” means the Eligible Lender Trust Agreement, dated as of October 1, 2012, between the Trust and U.S. Bank National Association, as eligible lender trustee, as amended from time to time.

“*Eligible Lender Trustee*” means U.S. 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 Lender Trustee Fee*” means the fee, if any, of the Eligible Lender Trustee set forth in the Eligible Lender Trust Agreement. Such fee shall be in satisfaction of the Eligible Lender Trustee’s compensation as eligible lender trustee under the Indenture and the Eligible Lender Trust Agreement.

“*Eligible Loan*” means a Higher Education Act Eligible Loan or a Private Loan.

“*Event of Default*” means any of the events described under the caption “Events of Default” in this Appendix B.

“*Favorable Opinion*” means a Bond Counsel Opinion to the effect that the action proposed to be taken is authorized or permitted by the Indenture.

“*Fees and Expenses*” means, collectively, Trustee Fees, Trust Fees, Master Servicing Fees, Servicing Fees, Remarketing Agent Fees, Credit Enhancement Fees and Trustee Expenses.

“*Financial Product*” means any agreement with a counterparty providing for an interest rate cap, floor, swap or other similar instrument entered into pursuant to the Indenture.

“*Fitch*” means Fitch, Inc., its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trust.

“*GLELSI*” means Great Lakes Educational Loan Services, Inc., and its successors and assigns.

“*GLELSI Servicing Agreement*” means the Non-FFELP Loan Servicing Agreement, dated as of October 1, 2012, between the Trust and GLELSI, as servicer, as amended and supplemented pursuant to the terms thereof.

“*Guarantee*” or “*Guaranteed*” means, with respect to a Higher Education Act Eligible Loan, the insurance or guarantee by a Guarantor pursuant to such Guarantor’s Guarantee Agreement of the maximum percentage of the principal of and accrued interest on such Higher Education Act 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 Higher Education Act Eligible Loan by the federal reimbursement contracts, providing, among other things, for reimbursement to such Guarantor for payments made by it on defaulted Higher Education Act Eligible Loans insured or guaranteed by such Guarantor of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular Higher Education Act Eligible Loan.

“*Guarantee Agreements*” means a guaranty or lender agreement between the Trustee or the Eligible Lender Trustee and any Guarantor, and any amendments thereto.

“*Guarantor*” means 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*” means Title IV, Part B of the Higher Education Act of 1965, as amended, and the regulations thereunder.

“*Higher Education Act Eligible Loan*” means any loan authorized pursuant to the Higher Education Act made to a borrower to finance or refinance, or consolidate loans made to finance or refinance, post-secondary education, which is guaranteed by a Guarantor.

“*Indenture*” means the Trust Indenture dated as of October 1, 2012, among the Trust, the Eligible Lender Trustee and the Trustee, as trustee, and any amendments or supplements made in accordance with its terms.

“*Interest Payment Date*” means any date upon which interest on any Bonds is due and payable in accordance with their terms.

“*Interest Subaccount*” means the Interest Subaccount established pursuant to the Indenture within the Payment Account.

“*Joint Sharing Agreement*” means the Amended and Restated Joint Sharing Agreement, dated as of November 15, 2002, among U.S. Bank National Association, as indenture trustee under the NorthStar Indenture (as defined therein), as indenture trustee under the T.H.E. Indenture (as defined therein), and as indenture trustee under the T.H.E. II Indenture (as defined therein), NEF (as assignee of NorthStar Guarantee, Inc., Division B), NorthStar T.H.E. Funding LLC, NorthStar T.H.E. Funding II, L.L.C., the Eligible Lender Trustee and NCMS, as joined by (i) NorthStar T.H.E. Funding III, LLC and the T.H.E. III Trustee (as defined in the Joinder Agreement to the Joint Sharing Agreement dated as of December 19, 2002), (ii) NEF and the Edsouth Trustee (as defined in Joinder Agreement No. 2, dated as of January 1, 2008), (iii) NEF and the NEF/Citi Trustee (as defined in Joinder Agreement No. 3 to the Joint Sharing Agreement, dated as of February 26, 2008), (iv) NorthStar Student Loan Trust I and the 2012-1 Trustee (as defined in Joinder Agreement No. 4 to the Joint Sharing Agreement, dated as of October 25, 2012), (v) the Depositor and (vi) the Trust and the Trustee, as further joined, amended or supplemented.

“*Junior Subordinate Bonds*” means any Bonds which are secured by a lien on and payable from the Pledged Assets on a basis subordinate to the Senior Bonds, the Senior Subordinate Bonds and the Subordinate Bonds.

“*LIBOR*” means, as of any date of determination, a rate of interest per annum equal to the rate per annum at which United States dollar deposits having a maturity of one month are offered to prime banks in the London interbank market, which rate appears on Reuters Screen LIBOR01 Page (or such other page as may replace such page on that service, or such other service as may be nominated by the British Bankers’ Association, for the purpose of displaying London Interbank Offered Rates for United States dollar deposits) as of approximately 11:00 a.m., London time, on the related date of determination. If such rate does not appear on Reuters Screen LIBOR01 Page (or such other page or service), the Administrator will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

“*Liquidity Facility*” means a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement, or any agreement relating to the reimbursement of any payment thereunder (but excluding any Credit Facility as defined above) which is obtained by the Trust pursuant to the Indenture and that provides (to the extent, and subject to the terms and conditions, set forth therein) for the payment of the Purchase Price of Bonds of a subseries tendered or deemed tendered to the Tender Agent during the term thereof, as the same may be amended or supplemented from time to time, including any Alternate Liquidity Facility. A Liquidity Facility and a Credit Facility may be the same instrument.

“*Liquidity Facility Issuer*” means the issuer of a Liquidity Facility.

“*Loan*” means any Eligible Loan deposited in or accounted for in the Loan Account or otherwise constituting a part of the Pledged Assets under the Indenture or under the Agreement.

“*Loan Account*” means the Loan Account established pursuant to the Indenture.

“*Long-Term Rate*” means a single rate of interest on any Bond which remains in effect for more than one year.

“*Marketing Party*” means any authenticating agent, determination agent, purchase agent, remarketing agent, tender agent or other similar party relating to the marketing or remarketing of the Bonds, or the determination of the interest rate thereon.

“*Master Servicer*” means NCMS and any other successor master servicer selected by the Trust, including an affiliate of the Trust, so long as the Trust has satisfied the requirements of a Rating Notification and a Credit Confirmation as to each such other master servicer, and shall include any Sub-Master Servicer.

“*Master Servicing Agreement*” means the Master Servicing Agreement, dated as of August 27, 2010, between NEF and NCMS, as supplemented by the Supplemental Servicing Agreement, dated as of October 1, 2012, pursuant to which NCMS acts as Administrator and Master Servicer to the Trust.

“*Master Servicing Fee*” means a monthly servicing fee equal to the greater of (a)(i) one-twelfth (1/12th) of fifty (50) basis points of the principal amount of the Loans minus (ii) the Servicing Fee, or (b) \$1.40 per account, for the payment of fees and expenses due to the Master Servicer under the terms of the Master Servicing Agreement.

“*Maximum VRDB Cost*” means, for each VRDB Cost Calculation Period, the sum of: (a) the average LIBOR for the current Rate Determination Date and each Rate Determination Date occurring prior to such Rate Determination Date, rounded to the nearest one thousandth of one percent, and (b) the Maximum VRDB Spread.

“*Maximum VRDB Spread*” means, for each VRDB Cost Calculation Period, 2.00% per annum, or such other percentage if the Trustee shall have received a confirmation that such other percentage will not adversely affect the ratings assigned by such Rating Agency (other than S&P) on any Series 2012A Bonds then Outstanding.

“*Mode*” means the Daily Rate Mode, the Weekly Rate Mode, the Term Rate Mode or the Fixed Rate Mode, each as defined in the Indenture.

“*Mode Change Date*” means, with respect to Bonds of a subseries, the date one Mode terminates and another Mode begins.

“*Moody’s*” means Moody’s Investors Service, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “*Moody’s*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trust.

“*NCMS*” means NorthStar Capital Markets Services, Inc., and its successors and assigns.

“*NEF*” means NorthStar Education Finance, Inc., and its successors and assigns.

“*NEF Eligible Lender Trustee*” means U.S. Bank National Association, in its capacity as eligible lender trustee for NEF and under the terms of the Amended and Restated Eligible Lender Trust Agreement, between NEF and U.S. Bank National Association, or any successor eligible lender trustee designated thereunder.

“*NES*” means NorthStar Education Services LLC, and its successors and assigns.

“*NES Subservicing Agreement*” means the Subservicing Agreement, dated as of October 1, 2012, between NCMS and NES, as amended and supplemented pursuant to the terms thereof

“*Non-Pledged Account*” means the Non-Pledged Account established pursuant to the Indenture.

“*Operating Account*” means an operating account held by the Trustee, including the Trustee Expense Reserve Subaccount thereof. The Operating Account is not part of the Pledged Assets.

“*Outstanding*,” when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Indenture (including any Bonds paid with amounts received under a Credit Enhancement) except:

(a) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture or Bonds owned or held by or for the account of the Trust under certain circumstances described in the Indenture; and

(c) any Bond deemed to have been paid as provided and subject to the provisions of the Indenture related to defeasance.

“*Owner*” or “*owner*” or “*Holder*” or “*holder*” or “*Bondholder*” or “*Bondholder*” or words of similar import, when used with reference to a Bond, means, with respect to Book-Entry Bonds, the Beneficial Owners thereof, and with respect to Bonds that are not Book-Entry Bonds, the Registered Owners thereof.

“*Payment Account*” means the Payment Account established pursuant to the Indenture, including the Interest Subaccount, Principal Subaccount and Retirement Subaccount therein.

“*Permitted Investments*” means and includes unless otherwise specified in the Supplemental Indenture with respect to a series of Bonds, any of the following obligations:

(a) marketable direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America or any agency thereof rated in one of the two highest rating categories by each Rating Agency which rates such obligations, or book-entry interests therein;

(b) senior debt obligations rated in the highest long-term rating category by each Rating Agency issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and senior debt obligations of other federal government-sponsored agencies approved by each Rating Agency;

(c) U.S. dollar denominated deposit amounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category by each Rating Agency and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(d) commercial paper which is rated at the time of purchase in the highest short-term rating category by each Rating Agency (without regard to plus or minus or other modifiers), and which matures not more than 270 days after the date of purchase;

(e) repurchase agreements, in a standard form prescribed by The Securities Industry and Financial Markets Association or similar form, contracted with banks (which may include the Trustee) which are members of the Federal Deposit Insurance Corporation, or with government bond dealers reporting to and trading with the Federal Reserve Bank of New York, in each case rated in the highest rating category by each Rating Agency which rates such debt, which agreements are secured by obligations described in item (a) above and have been delivered to each Rating Agency for review;

(f) shares in an investment company (including any such company for which the Trustee or any affiliate receives compensation with respect to such investment) rated in the highest rating category by each Rating Agency which rates such investment company, and registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933 and whose only investments are obligations described in items (a), (b), (c) and/or (d) above;

(g) a collective investment fund of the Trustee created pursuant to Regulation 9 of the Office of the Controller of the Currency which is invested in one or more of the types of obligations described in clause (a) or (b) above;

(h) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of each Rating Agency; or (ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in item (i) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and which escrow is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) any investment agreement having a term of not more than 18 months with an entity having outstanding short-term debt rated at least A-1, P-1 or F1+, as applicable, or the equivalent;

(j) any money market fund, including a qualified regulated investment company described in I.R.S. Notice 87-22, rated by Moody's and S&P not lower than its highest applicable rating category; and

(k) any other investment and approved in writing in advance by the Credit Provider.

"*Pledged Assets*" means all moneys and securities from time to time held by the Trustee under the terms of the Indenture (excluding the Non-Pledged Account, the Operating Account and any other account specifically

excluded by the terms thereof, including the terms of any Supplemental Indenture) and any and all other real or personal property of every name and nature, from time to time conveyed, mortgaged, pledged, assigned or transferred by delivery or by writing of any kind, as and for additional security thereunder, by the Trust or by anyone on its behalf or with its written consent, in favor of the Trustee, who is authorized in the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms thereof; all Revenues; and all right, title and interest of the Trust in the Loans and notes evidencing the same and any related servicing agreements and guarantee agreements.

“*Principal Office*” means, (a) with respect to the Trustee, its office at the address set forth in the Indenture or such other office as designated in writing to the Trust and the Administrator; and (b) with respect to any Marketing Party, the office thereof designated in writing by such Marketing Party to the Trust, the Administrator and the Trustee.

“*Principal Payment Date*” means the date of maturity of any Bonds or a date of redemption of any Bonds prior to the date of maturity of such Bonds, upon election or requirement to redeem Bonds on such date prior to maturity.

“*Principal Subaccount*” means the Principal Subaccount established pursuant to the Indenture within the Payment Account.

“*Private Loan*” means a loan made to a student or parent borrower that is not a Higher Education Act Eligible Loan, including loans made pursuant to NEF’s T.H.E. Loan Program.

“*Rating Agency*” or “*Rating Agencies*” means at any time any of Fitch, Moody’s, and S&P to the extent such agency has been requested by the Trust to issue and continue a rating on any of the Bonds and such agency has issued and continues to maintain a rating on such Bonds at such time; provided that notwithstanding any outstanding rating by any such agency of any Bonds which are subject to purchase at the demand of the owners thereof if notice is given at least fifteen (15) days in advance of the modification removing such agency as a Rating Agency under the Indenture, such 15 days includes an opportunity for holders of the Bonds to demand such a purchase and if all demands for purchase of Bonds are honored, such agency will not be deemed to be a “Rating Agency” for purposes of the Indenture thereafter.

“*Rating Agency Condition*” means, as of any date, a letter addressed to the Trustee or the Trust, or public notice from each Rating Agency other than S&P, confirming that the action proposed to be taken pursuant to the Indenture as described in such letter or notice will not, in and of itself, result in a downgrade of such Rating Agency’s rating on any Bonds Outstanding or cause such Rating Agency to suspend or withdraw its rating on any Bonds Outstanding.

“*Redemption Date*” means the date fixed for redemption of Bonds of a subseries subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

“*Redemption Price*” means an amount equal to the principal amount of the Bonds of a subseries subject to redemption, plus accrued interest thereon to the Redemption Date

“*Registered Owner*” means the person in whose name each Bond is registered in the registration books as the owner of such Bond.

“*Remarketing Agent Fees*” means the fees and expenses of any remarketing agent then acting under a Supplemental Indenture, as such fees may be limited in the Supplemental Indenture or Credit Enhancement with respect to a series of Bonds.

“*Reserve Account*” means the Reserve Account established pursuant to the Indenture.

“*Reserve Account Requirement*” means, with respect to any Bonds, such amount (including any surety bond, letter of credit or other instrument) as shall be specified in the Supplemental Indenture authorizing the issuance of such Bonds.

“*Retirement Subaccount*” means the Retirement Subaccount established pursuant to the Indenture within the Payment Account.

“*Revenue Account*” means the Revenue Account established pursuant to the Indenture.

“*Revenues*” means (a) all payments, proceeds, charges and other cash income received with respect to the Loans, all interest earned or gain realized from the investment of amounts in any Account (other than amounts required to be deposited to or on deposit in the Operating Account or the Non-Pledged Account), including scheduled, delinquent and advance payments of, and any guaranty or insurance proceeds with respect to, interest on any Loan, (iii) any special allowance payment received pursuant to the Higher Education Act with respect to any Loan, payouts or prepayments, and proceeds attributable to principal from insurance or from the sale, assignment or other disposition of such Loan and (iv) all amounts received pursuant to any Financial Product.

“*S&P*” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns, and, if such limited liability company shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “*S&P*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trust.

“*Secretary*” means the Secretary of Education, the United States Department of Education, or the successor to the functions of such officer or such office under the Higher Education Act.

“*Securities Depository*” means The Depository Trust Company and its successors and assigns, or if (a) the then Securities Depository resigns from its functions as depository of the Bonds or (b) the Trust 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 Trust.

“*Senior Bonds*” means any Bonds which are secured by a lien on and payable from the Pledged Assets prior to all other Bonds except those issued on a parity as to payments therewith.

“*Senior Subordinate Bonds*” means any Bonds which are secured by a lien on and payable from the Pledged Assets on a basis subordinate to the Senior Bonds and prior to the Subordinate Bonds and the Junior Subordinate Bonds.

“*Servicer*” means GLELSI and any other servicer or successor servicer selected by the Trust, including an affiliate of the Trust, so long as the Trust has satisfied the requirements of a Rating Agency Condition and a Credit Confirmation as to each such other servicer.

“*Servicing Fee*” means a monthly servicing fee paid to the Servicer, for the payment of fees and expenses due to the Servicer under the terms of its servicing agreement.

“*Stated Maturity*” means the date specified in the Bonds as the fixed date on which principal of such Bonds is due and payable.

“*Student Loan Purchase Agreement*” means the Private Student Loan Purchase Agreement, dated as of October 1, 2012, among the NEF, the Depositor, NEF Eligible Lender Trustee and the Depositor Eligible Lender Trustee, as amended and supplemented pursuant to the terms thereof and of the Indenture.

“*Student Loan Sale Agreement*” means the Private Student Loan Sale Agreement, dated as of October 1, 2012, among the Depositor, the Trust, the Depositor Eligible Lender Trustee and the Eligible Lender Trustee as amended and supplemented pursuant to the terms thereof and of the Indenture.

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

“*Sub-Administrator*” shall mean NorthStar Education Services LLC, in its capacity as sub-administrator under the Subservicing Agreement, or any successor thereto, so long as the Issuer has satisfied the requirements of a Rating Notification and Credit Confirmation as to each such other sub-administrator.

“*Subservices Agreement*” shall mean the Amended and Restated Subservicing Agreement, dated as of October 25, 2012, between NES and NCMS, as amended and supplemented pursuant to the terms thereof.

“*Sub-Master Servicer*” shall mean NorthStar Education Services LLC, in its capacity as sub-master servicer under the Subservices Agreement, or any successor thereto, so long as the Issuer has satisfied the requirements of a Rating Notification and Credit Confirmation as to each such other sub-master servicer.

“*Subordinate Bonds*” means any Bonds which are secured by a lien on and payable from the Pledged Assets on a basis subordinate to the Senior Bonds and the Senior Subordinate Bonds and prior to the Junior Subordinate Bonds.

“*Supplemental Indenture*” means any indenture supplemental to or amendatory of the Indenture, between the Trust and the Trustee and effective in accordance with the provisions described under the caption “Supplemental Indentures” in this Appendix B, as any such supplemental indenture may itself be supplemented or amended pursuant to such provisions.

“*Trust*” means NorthStar Student Loan Trust II, a statutory trust organized and existing under the laws of the State of Delaware, and any successor thereto.

“*Trust Fees*” means (a) fees paid to the Rating Agencies, which fees shall not exceed \$16,000 in any calendar year, (b) the Delaware Trustee Fee and (c) expenses paid to the Delaware Trustee, which expenses shall not exceed \$1,250 in any calendar year.

“*Trustee*” means U.S. Bank National Association and any successor at any time substituted in its place pursuant to the Indenture.

“*Trustee Expenses*” means the costs and expenses of the Trustee and the Eligible Lender Trustee, other than the Trustee Fee, which expenses (subject to the provisions of this definition), prior to the occurrence of an Event of Default, shall not exceed in any calendar year an amount equal to \$50,000; provided, however, that to the extent that less than \$50,000 is used in any calendar year for such costs and expenses of the Trustee and the Eligible Lender Trustee, such excess shall be available for costs and expenses of the Trustee and the Eligible Lender Trustee in any future calendar year.

“*Trustee Expense Reserve Subaccount*” means the Trustee Expense Reserve Subaccount established pursuant to the Indenture.

“*Trustee Expense Reserve Account Deposit*” means a deposit equal to the lesser of (a) \$4,167 and (b) the amount necessary to bring the balance in the Trustee Expense Reserve Subaccount to \$150,000. Amounts in excess of \$150,000 in the Trustee Expense Reserve Subaccount shall be transferred to the Revenue Account for application in accordance with the provisions of the Indenture.

“*Trustee Fee*” means an initial fee of \$2,500 payable on the date of issuance of the Series 2012A Bonds, and a monthly fee equal to the greater of (a) the product of 1/12 of .0075% multiplied by the principal amount of the Bonds as of the end of the prior calendar month and (b) \$20,000 per annum. Such fee shall be in satisfaction of the Trustee’s compensation as trustee under the Indenture.

“*Variable Rate*” means a single rate of interest on any Bond which remains in effect for one year or less.

“*VRDB Cost Calculation Period*” means the period beginning on the date of issuance of the Series 2012A Bonds and ending on each subsequent Rate Determination Date.

“*VRDB Trigger Event*” means that the Average VRDB Cost is in excess of the Maximum VRDB Cost on a Rate Determination Date.

“*VRDBs*” means the Series 2012A Bonds while Outstanding under the Indenture at a Variable Rate.

“*Weekly Rate Period*” means the period when a Series 2012A Bond in the Weekly Rate Mode shall bear interest at a Weekly Rate, which shall be the period commencing on the applicable Designated Day of each week to, but not including, the applicable Designated Day of the following week, except the first Weekly Rate Period which shall be from the immediately preceding Mode Change Date or date of initial issuance of such Series 2012A Bond, as applicable, to, but not including, the applicable Designated Day of the following week and the last Weekly Rate Period which shall be from, but not including, the applicable Designated Day of the week prior to the proposed Mode Change Date to the day next succeeding the proposed Mode Change Date.

### **References to Credit Provider**

All provisions of the Indenture, including any Supplemental Indenture, regarding consents, approvals, directions, waivers, appointments, requests or other actions by any Credit Provider shall be deemed not to require or permit such consents, approvals, directions, waivers, appointments, requests or other actions and shall be read as if such Credit Provider were not mentioned therein (a) at any time when no Credit Enhancement is in effect under the Indenture; or (b) with respect to any particular Credit Provider, during any period during which such Credit Provider has failed to honor a properly presented and conforming drawing under its Credit Enhancement; provided, however, that the payment of amounts due to any Credit Provider pursuant to the terms of the Indenture shall continue in full force and effect. The foregoing shall not affect any other rights of any Credit Provider, including rights it may be entitled to as the owner of any Bonds under the Indenture.

All provisions in the Indenture relating to the rights of any Credit Provider shall be of no force and effect if its Credit Enhancement is no longer in effect and all amounts owing to such Credit Provider under its agreement to provide credit have been paid. In such event, all references to such Credit Provider shall have no force or effect.

### **Limited Obligations**

The Trust shall not be obligated to pay the Bonds or the interest thereon or any other obligation incurred by the Trust under the Indenture, except from the property and income pledged thereunder, and no recourse shall be had for the payment of the principal thereof or interest thereon against the Trust or any member thereof or against the property or funds of the Trust, except to the extent of the property and income pledged expressly thereto. The Bonds are special obligations of the Trust payable solely from and secured by a pledge of the Pledged Assets.

### **Pledge and Security Interest**

The Indenture creates a valid and binding pledge and assignment of security interest in all of the Pledged Assets pledged under the Indenture in favor of the Trustee as security for payment of the Bonds and any Credit Provider to secure the payment of any and all amounts which may from time to time become due and owing to such Credit Provider pursuant to any Credit Enhancement, enforceable by the Trustee in accordance with the terms thereof.

### **Tax Characterization of Series 2012A Bonds and Trust.**

The parties to the Indenture agree that it is their mutual intent that all Series 2012A Bonds be characterized as indebtedness for all tax purposes; provided, however, that if any tax authority ever determines that the Series 2012A Bonds do not qualify as indebtedness for tax purposes, it is further the intention of the parties hereto that the Series 2012A Bonds be classified as an equity interest in the Trust and that, from the effective date of such classification, the Trust be classified as a partnership for purposes of such tax regime. Each party to the Indenture

and each Bondholder (by accepting and holding a Series 2012A Bond) covenants to every other party to the Indenture and to every other Bondholder to treat the Series 2012A Bonds as indebtedness for all tax purposes in all tax filings, reports and returns and otherwise, and further covenants that neither it nor any of its affiliates will take, or participate in the taking of or permit to be taken, any action that is inconsistent with the treatment of the Series 2012A Bonds as indebtedness for tax purposes unless and until required otherwise by an applicable taxing authority. All successors and assignees of the parties to the Indenture are bound by this provision.

### **Creation and Operation of Accounts**

Pursuant to the Indenture there are established and created the following trust accounts:

- (i) Revenue Account;
- (ii) Payment Account, including an Interest Subaccount, Principal Subaccount and Retirement Subaccount;
- (iii) Loan Account; and
- (iv) Reserve Account.

The Trustee is hereby authorized for the purpose of facilitating administration of the Pledged Assets to create subaccounts in any of the various Accounts established under the Indenture as may be directed by the Trust or otherwise provided by Supplemental Indenture.

There is also established and created in the Indenture a special account to be held by the Trustee and to be called the Operating Account, including the Trustee Expense Reserve Subaccount thereof, which Account is not included within the Pledged Assets. There is also established and created in the Indenture a special account to be held and applied as the Trust shall direct and to be called the Non-Pledged Account, which Account is not included within the Pledged Assets.

All such Accounts shall be held and maintained by the Trustee and shall be identified by the Administrator, the Trust and the Trustee according to the designations herein provided in such manner as to distinguish such Accounts from the accounts established by the Administrator and the Trust for any of their other obligations. All moneys or securities held by the Trustee pursuant to the Indenture shall be held in trust as provided therein, and applied only in accordance with the provisions of the Indenture.

#### Revenue Account; Payment Account.

(a) There shall be deposited in the Revenue Account all Revenues derived from moneys and assets on deposit in or credited to the Loan Account, the Reserve Account and the Payment Account. There shall also be deposited in the Revenue Account any amount required to be deposited therein pursuant to the Indenture and any other amounts (including counterparty exchange payments received pursuant to subsection (d) below) available therefor and required, or determined by the Trust, to be deposited therein from time to time.

(b) The Trustee shall pay out of the Revenue Account all moneys then deposited therein (any money not so transferred or paid to remain in the Revenue Account until subsequently applied pursuant to this subsection (b)), as follows on the last Business Day of each calendar month, or more frequently or on other dates if required by a Supplemental Indenture, and in the following order of priority:

- (i) FIRST: Into the Operating Account an amount which, when added to amounts then on deposit in such Account and available for such purpose, is sufficient to provide for the reconciliation of Special Allowance Payments under the Higher Education Act among the Trust, NEF and other affiliates of NEF under any Joint Sharing Agreement and the United States Department of Education, or to make any other payments due and payable to the United States

Department of Education related to the Loans financed or refinanced with proceeds of Bonds (including, without limitation, consolidation loan rebate fees).

(ii) SECOND: Into the Operating Account an amount which, when added to amounts then on deposit in such Account and available for such purpose, is sufficient to pay Master Servicing Fees, Trustee Fees and Servicing Fees in connection with the Loans and the Bonds which are then payable to the Master Servicer, the Trustee, or any Servicer or which are estimated to become so payable during the next month, as set forth in a Certificate of an Authorized Officer of the Trust delivered to the Trustee.

(iv) THIRD: Into the Operating Account amount an amount equal to the Trustee Expense Reserve Account Deposit.

(iv) FOURTH: Into the Operating Account an amount an amount which, when added to amounts then on deposit in such Account and available for such purpose, is sufficient to pay Remarketing Agent Fees, Trust Fees, Credit Enhancement Fees and such other fees confirmed in a Credit Confirmation with respect thereto in connection with the Bonds which are then payable or which are estimated to become payable during the next month, as set forth in a Certificate of an Authorized Officer of the Trust delivered to the Trustee.

(v) FIFTH: Into the Interest Subaccount of the Payment Account the amount required by subsection (f)(ii) below, to the extent and in the manner provided therein, to provide for the payment of interest on Senior Bonds.

(vi) SIXTH: Into the Principal Subaccount of the Payment Account the amount required by subsection (f)(iii) below, to the extent and in the manner provided therein, to provide for the payment of principal of Senior Bonds at their Stated Maturity as necessary to maintain the Asset Requirement.

(vii) SEVENTH: Into the Interest Subaccount of the Payment Account the amount required by subsection (f)(ii) below, to the extent and in the manner provided therein, to provide for the payment of interest on Senior Subordinate Bonds.

(viii) EIGHTH: Into the Principal Subaccount of the Payment Account the amount required by subsection (f)(iii) below, to the extent and in the manner provided therein, to provide for the payment of principal of Senior Subordinate Bonds at their Stated Maturity or on a sinking fund payment date.

(ix) NINTH: Into the Interest Subaccount of the Payment Account the amount required by subsection (f)(ii) hereof, to the extent and in the manner provided therein, to provide for the payment of interest on Subordinate Bonds.

(x) TENTH: Into the Principal Subaccount of the Payment Account the amount required by subsection (f)(iii) below, to the extent and in the manner provided therein, to provide for the payment of principal of Subordinate Bonds at their Stated Maturity or on a sinking fund payment date.

(xi) ELEVENTH: Into the Interest Subaccount of the Payment Account the amount required by subsection (f)(ii) below, to the extent and in the manner provided therein, to provide for the payment of interest on Junior Subordinate Bonds.

(xii) TWELFTH: Into the Principal Subaccount of the Payment Account the amount required by subsection (f)(iii) below, to the extent and in the manner provided therein, to provide for the payment of principal of Junior Subordinate Bonds at their Stated Maturity or on a sinking fund payment date.

(xiii) THIRTEENTH: Into the Reserve Account the amount necessary to increase the amount on deposit therein to the Reserve Account Requirement.

(xiv) FOURTEENTH: Into the Operating Account, provided the Asset Requirement is maintained, the amount, if any, necessary to pay any other amounts due to Credit Providers; (other than Contingent Default Amount).

(xv) FIFTEENTH: Except as limited by any Supplemental Indenture, upon receipt by the Trustee of a Direction of the Trust, into the Loan Account all remaining amounts in the Revenue Account after giving effect to the above transfers, provided that no such deposit shall be made after any date specified in a Supplemental Indenture as the last date for such transfer, as such date may be extended pursuant to any subsequent Supplemental Indenture.

(xvi) SIXTEENTH: Into the Retirement Subaccount of the Payment Account the amount, if any, which when added to the amount already within such account will be sufficient to pay the redemption price of all Outstanding Bonds until all Outstanding Bonds have been redeemed.

(xvii) SEVENTEENTH: Into the Operating Account, an amount equal to any contingent amount or Contingent Default Amount due to Credit Providers.

(xviii) EIGHTEENTH: To the Trust, free and clear of the lien or the pledge of the Indenture.

(c) Notwithstanding the provisions of subsection (a) above, and upon receipt by the Trustee of a Credit Confirmation with respect thereto, no payments shall be required to be made into the Revenue Account for so long as the aggregate amount on deposit therein, together with amounts on deposit in the Loan Account (exclusive of Loans therein), shall be sufficient to pay all Outstanding Bonds in accordance with their terms (and at one or more assumed maximum possible interest rates to the maturity of any Bonds which bear interest at a Variable Rate) and all other items to be paid from the Revenue Account, and any Revenues thereafter received by the Trust shall be paid to the Trust free and clear of the lien or the pledge of the Indenture.

(d) The Trust may enter into any Financial Product, provided that prior to entering into such Financial Product (i) the Trustee shall have received a Credit Confirmation with respect to entering into such Financial Product and (ii) the Trust shall deliver to the Trustee a Direction with respect to the Account or Accounts into which amounts received pursuant to such Financial Product are to be deposited; and any other provision described in "Revenue Account; Payment Account" or "Loan Account" in this Appendix B notwithstanding, in such event the Trustee shall pay to the counterparty of any such Financial Product such amount as shall be due from the Trust or the Trustee thereunder, as specified in such Direction, in such order of priority with respect to clauses (iv) through (xviii) of subsection (b) above, as may be specified in such Direction. In addition, the obligation to pay any such counterparty may be secured by the Pledged Assets. Net payments due to the Trust under any such agreement will be considered Revenues, and net payments due from the Trust under any such agreement (other than termination payments) will, if so specified by the Trust, be payable with the same priority of claim as Senior Bonds, Senior Subordinate Bonds, Subordinate Bonds or Junior Subordinate Bonds, as applicable. Termination payments may be made from amounts which may be released from the lien of the Indenture under clause (b)(xviii) above.

(e) Credit Enhancement may be provided for any series of Bonds, in accordance with the provisions of the Supplemental Indenture providing for the issuance of such Bonds. In such event, the Trustee shall reimburse the related Credit Provider for any amounts paid pursuant to such Credit Enhancement together with interest thereon, in such order of priority with respect to clauses (v) through (xii) and (xvi) of subsection (b) above as may be specified in such Supplemental Indenture. In addition, the obligation to pay any such reimbursement amounts plus interest and to pay any fees or other amounts due with respect to such Credit Enhancement may be secured by the Pledged Assets as provided in such Supplemental Indenture.

(f) The Payment Account shall be used only for the payment of principal and interest on the Bonds (or to reimburse a Credit Provider for such payments). The Trustee shall establish separate Subaccounts within the Payment Account for each source of deposit (including any investment income thereon) made therein so that the Trustee may at all times ascertain the date of deposit, the amounts and the source of the funds therein. Moneys received pursuant to a draw on a Credit Enhancement to pay principal of or interest on any Bonds shall be deposited in a separate Subaccount (the "Direct-Pay Credit Facility Drawing Subaccount") and shall never be commingled with moneys from any other source, and moneys transferred to the Payment Account from the Revenue Account to provide for the reimbursement of a Credit Provider for draws on a Credit Enhancement for the payment of principal of or interest on any Bonds shall be deposited in a separate Subaccount and shall never be commingled with moneys from any other source. The Trustee shall hold the Direct-Pay Credit Facility Drawing Subaccount for the exclusive benefit of the Owners of the Bonds, who shall have a first and exclusive lien thereon (such that none of the Remarketing Agent, if any, the Trustee, the purchasers of any series of Bonds, the Administrator, the Sub-Administrator, the Credit Provider or any other person shall have any lien thereon).

(i) With respect to each series of Bonds on which interest is paid at least monthly, the Trustee shall deposit to the credit of the Interest Subaccount of the Payment Account on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Bonds during the following calendar month. With respect to each series of Bonds on which interest is paid at intervals less frequently than monthly, the Trustee shall make equal (or, with respect to Bonds bearing interest at a variable rate, approximately equal) monthly deposits to the credit of the Interest Subaccount of the Payment Account on the last Business Day of each calendar month preceding each Interest Payment Date for such series of Bonds, to aggregate the full amount of such interest. With respect to Bonds bearing interest at a variable rate, if any such amount, or portion thereof, cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon an assumed interest rate equal to double the interest rate most recently determined and applicable to the Bonds, but in no event more than the maximum rate with respect to such Bonds, for such amount, or portion thereof. To the extent any previous monthly deposit was less than the amount required pursuant to this paragraph, the Trustee shall also deposit an amount equal to such deficiency.

In making the deposits required to be deposited and credited to the Interest Subaccount of the Payment Account, all other deposits and credits otherwise made or required to be made to the Interest Subaccount of the Payment Account shall, to the extent available for such purpose, be taken into consideration and allowed for.

The moneys in the Interest Subaccount of the Payment Account required for the payment of interest on the Bonds of any series shall be applied by the Trustee to the payment of such interest (or to reimburse the Credit Provider for such payments) or amounts when due without further authorization or direction.

Amounts transferred to the Interest Subaccount of the Payment Account as described in clause (b)(v) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of interest on Senior Bonds). Amounts transferred to the Interest Subaccount of the Payment Account as described in clause (b)(vii) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of interest on Senior Subordinate Bonds (or to reimburse the Credit Provider for draws on Credit Enhancement for payment of such interest). Amounts transferred to the Interest Subaccount of the Payment Account as described in clause (b)(ix) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of interest on Subordinate Bonds (or to reimburse the Credit Provider for draws on Credit Enhancement for payment of such interest). Amounts transferred to the Interest Subaccount of the Payment Account as described in clause (b)(xi) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of interest on Junior Subordinate Bonds (or to reimburse the Credit Provider for draws on Credit Enhancement for payment of such interest).

(ii) The Trustee shall deposit to the credit of the Principal Subaccount of the Payment Account all amounts required to be transferred from the Accounts specified in the Indenture.

To provide for the payment of each installment of principal of the Bonds due at the Stated Maturity thereof (or to reimburse the Credit Provider for draws on Credit Enhancement for the payment of such principal), the Trustee shall make substantially equal monthly deposits to the credit of the Principal Subaccount of the Payment Account on the last Business Day of each of the 12 calendar months preceding such Stated Maturity, to aggregate the full amount of such installment (except that if there are fewer than 12 calendar months between the delivery of the Bonds of a series to the Underwriters thereof and a Stated Maturity with respect to such series of Bonds, then the Trustee shall make equal monthly deposits to the credit of the Principal Subaccount on the last Business Day of each calendar month beginning with the calendar month following the month in which such Bonds are delivered to the Underwriters to aggregate the full amount of such installment). In making the deposits required to be deposited and credited to the Principal Subaccount of the Payment Account, all other deposits and credits otherwise made or required to be made to the Principal Subaccount of the Payment Account shall, to the extent available for such purpose, be taken into consideration and allowed for.

The moneys in the Principal Subaccount of the Payment Account required for the payment of the principal of Bonds at the Stated Maturity thereof or on a sinking fund payment date therefor (or to reimburse the Credit Provider for draws on Credit Enhancement for the payment of such principal) shall be applied by the Trustee to such payment when due without further authorization or direction.

Amounts transferred to the Principal Subaccount of the Payment Account as described in clause (b)(vi) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Senior Bonds (or to reimburse the Credit Provider for draws on Credit Enhancement for the payment of such principal). Amounts transferred to the Principal Subaccount of the Payment Account as described in clause (b)(viii) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Senior Subordinate Bonds (or to reimburse the Credit Provider for draws on Credit Enhancement for the payment of such principal). Amounts transferred to the Principal Subaccount of the Payment Account as described in clause (b)(x) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Subordinate Bonds (or to reimburse the Credit Provider for draws on Credit Enhancement for the payment of such principal). Amounts transferred to the Principal Subaccount of the Payment Account as described in clause (b)(xii) under the caption "Revenue Account; Payment Account" above shall be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Junior Subordinate Bonds (or to reimburse the Credit Provider for draws on Credit Enhancement for the payment of such principal).

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

Loan Account.

(a) There shall be deposited in the Loan Account proceeds of Bonds in accordance with a Direction by the Trust, any other amounts which are required to be deposited therein pursuant to the Indenture, and any other amount, as specified in a Direction by the Trust, available therefor and determined by the Trust to be deposited therein and not inconsistent with the Indenture. The Trustee shall, as directed by the Trust, (i) pay out of the Loan Account any Costs of Issuance, and (ii) transfer from the Loan Account to the Payment Account on each Interest Payment Date or other redemption date the amounts required for the payment of the principal, if any, of or interest or premium, if any, due on the Outstanding Bonds on such date not provided for as described under the caption "Revenue Account; Payment Account" above.

(b) In addition to the uses described in clause (a) above, amounts in the Loan Account shall be expended (i) to finance the acquisition of Eligible Loans, including costs of such acquisition; (ii) to pay Costs of Issuance or other Fees and Expenses not otherwise provided for; (iii) to pay when due the principal of and interest and premium, if any, on any Bonds, whether at maturity or earlier redemption, or to reimburse any Credit Provider which has provided funds to make such payments and (iv) to refund any bonds or other obligations of the Trust. The price paid for any Eligible Loan shall include interest accrued thereon and may include any other amounts permitted by applicable laws. All Eligible Loans financed by application of amounts in the Loan Account shall be held by a Servicer, as bailee for the Trustee, and credited as an asset of the Loan Account.

(c) The Trustee shall pay out and permit the withdrawal of amounts on deposit in the Loan Account at any time for the purpose of making payments pursuant to clause (b)(i) and (ii) of the preceding paragraph, but only upon receipt of:

(i) a Direction setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include the Trust) and, in reasonable detail, the purpose or purposes of such withdrawal; and

(ii) a Certificate of an Authorized Officer identifying such Direction and stating that the amount to be withdrawn from the Loan Account pursuant to such requisition is a proper charge thereon and, if such Direction is made to finance Eligible Loans, (A) that such Eligible Loans comply with the covenants and requirements of the Agreement; (B) that the charge to the Loan Account of financing such Eligible Loans does not (x) exceed the purchase price permitted by applicable law and regulations then in effect or (y) any limitation in clause (b) above; and (C) that either (x) the Trust has received the promissory note with respect to each such Eligible Loan so financed or, (y) in the case of a master promissory note, a true and correct copy thereof or, (z) in the case of an E-loan, the Trust controls the Loan and the electronic files with respect thereto.

Reserve Account. Amounts on deposit in the Reserve Account shall be used by the Trustee to pay debt service on Bonds when due to the extent amounts available therefor as described under the caption "Revenue Account; Payment Account" above or amounts on deposit in the Loan Account are insufficient. Amounts on deposit in the Reserve Account in excess of the Reserve Account Requirement may, at the Direction of the Trust, be transferred to the applicable account of the Revenue Account or the Loan Account. The Trust may direct the Trustee to apply amounts on deposit in the applicable account of the Reserve Account to the purchase or redemption of Bonds if, upon giving effect to such purchase or redemption, the amount on deposit in the Reserve Account shall be not less than the Reserve Account Requirement. Any Supplemental Indenture providing for the issuance of Bonds may provide that the Reserve Account Requirement set forth therein may be satisfied by a surety bond, letter of credit or other instrument.

Operating Account. Amounts on deposit in the Operating Account shall be used by the Trustee, at the Trust's direction, to pay Fees and Expenses, provided that amounts withdrawn from the Revenue Account and deposited to the Operating Account shall be used for the Fees and Expenses or returned to the Revenue Account as directed by the Trust. Amounts transferred to the Operating Account from the Revenue Account shall be used solely to pay the Fees and Expenses specified in the applicable clause under the caption "Revenue Account; Payment

Account” above. Amounts on deposit in the Trustee Expense Reserve Subaccount of the Operating Account shall be used by the Trustee, as directed by the Trust, to pay Trustee Expenses.

### **Investment of Certain Funds**

Pursuant to Direction by the Trust to invest or deposit funds under the Indenture in Permitted Investments, moneys in any Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee. The Trust shall direct the Trustee by Direction (or, if time does not permit, by oral direction of an Authorized Officer, promptly confirmed in writing) to invest and reinvest the moneys in any Account in Permitted Investments so that the maturity date or date of redemption at not less than par at the option of the owner thereof shall be no later than the date as of which moneys are needed to be expended; provided that amounts held in the Non-Pledged Account shall be invested as directed by the Trust in any investments specified by such Direction, without regard to any other provision of the Indenture. In the absence of Direction from the Trust, the Trustee shall make reasonable effort to invest the otherwise uninvested moneys in available overnight investments permissible under the Indenture and previously directed in writing by an Authorized Officer of the Trust for such purposes. The Trustee shall not be responsible for determining the legality of any investment or for any loss on investments provided the Trustee shall have followed the Directions of the Trust and the provisions of the Indenture. The Permitted Investments purchased shall be held by the Trustee in trust for the benefit of the Owners and shall be deemed at all times to be part of the appropriate Account, except as provided in the following paragraph, and the Trustee shall keep the Trust advised as to the details of all such investments. The Trust acknowledges that to the extent the regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Trust the right to receive brokerage confirmations of security transactions, the Trust waives receipt of such confirmations. The Trust shall retain the authority to institute, participate and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any Permitted Investments held hereunder, and, in general, to exercise each and every other power or right with respect to such Permitted Investments as individuals generally have and enjoy with respect to their own assets and investments, including power to vote upon any matter relating to holders of such Permitted Investments.

Permitted Investments purchased as an investment of moneys in any Account held by the Trustee under the provisions of the Indenture shall be deemed at all times to be a part of such Account but the income or earnings and gains realized in excess of losses suffered by an Account due to the investment thereof shall be deposited in the applicable account of the Revenue Account or shall be credited as Revenues to the applicable account of the Revenue Account from time to time and reinvested; provided, however, that the income or earnings and gains realized in excess of losses in the Reserve Account will only be transferred to the Revenue Account if the balance in the Reserve Account is greater than or equal to the Reserve Account Requirement.

The Trustee, pursuant to a Direction of the Trust, shall sell at the best price reasonably obtainable, or present for redemption or exchange, or make a withdrawal under, any Permitted Investment purchased by it pursuant to the Indenture in accordance with its terms whenever it shall be necessary in order to provide moneys to meet any payment. Any Permitted Investment may be credited on a pro rata basis to more than one Account and need not be sold in order to provide for the transfer of amounts from one Account to another. The Trustee shall advise the Trust in writing, on or before the tenth day of each calendar month, of all investments held for the credit of each Account in its custody under the provisions of the Indenture as of the end of the preceding month.

### **Particular Covenants**

The Indenture includes the following covenants, among others, of the Trust:

Payment of Bonds. The Trust shall duly and punctually pay or cause to be paid, solely from Pledged Assets or Credit Enhancement, the principal of every Bond and the interest thereon at the dates and places and in the manner stated in the Bonds according to the true intent and meaning thereof and nothing in the Indenture or in the Bonds shall be construed as assigning or pledging any other funds of the Trust.

Issuance of Additional Obligations. After the date of execution of the Indenture, the Trust shall not create or permit the creation of or issue any other obligations or create any additional indebtedness which will be secured by a superior or equal charge and lien on the Pledged Assets, except that Additional Bonds may be issued under the Indenture. No Additional Bonds may be issued which are payable from drawings on any Credit Enhancement which

provides credit and/or liquidity support for another series of Bonds Outstanding. The Owners of a series of Bonds will not have any rights under a Credit Enhancement issued for the benefit of the Owners of any other series of Bonds. Such Additional Bonds may only be issued with the consent of the 2012 Credit Provider. Any Additional Bonds will have a series designation different from any other Bonds Outstanding.

Student Loan Program.

(a) The Trust is required to from time to time, with all practical dispatch and in a sound and economical manner, (i) use and apply proceeds of the Bonds and moneys in the Loan Account, to refinance Eligible Loans (subject to a Credit Confirmation) or to pay other obligations of the Trust required to be paid under the Indenture, (ii) do all such acts and things as shall be necessary to receive and collect Revenues (including special allowance payments) sufficient to pay the Bonds, and (iii) diligently enforce and take all steps, actions and proceedings reasonably necessary in the judgment of the Trust to protect its rights with respect to Loans, to maintain any insurance thereon and to enforce all terms, covenants and conditions of the Loans.

(b) No amount in the Loan Account will be expended or applied for the purpose of refinancing a Higher Education Act Eligible Loan, and no Higher Education Act Eligible Loan will be refinanced, unless (except to the extent that a variance from such requirements is required by an agency or instrumentality of the United States of America insuring or guaranteeing the payment of an Eligible Loan) the Trust has determined:

(i) that the payment of the principal of and interest on any Higher Education Act Eligible Loan is guaranteed by a Guarantor to the extent applicable as to such Loan as provided by federal law, and that the United States Secretary of Education is required, by the Higher Education Act at the time of the refinancing to reimburse the Guarantor to the extent permitted by federal law for any amount expended by the Guarantor in discharge of its insurance obligation on such Higher Education Act Eligible Loan;

(ii) that the stated interest rate borne by a Higher Education Act Eligible Loan and payable on such Higher Education Act Eligible Loan at the time of its refinancing will not be less than the maximum rate permitted under applicable law at the time the particular Higher Education Act Eligible Loan was made;

(iii) that as of the date of acquisition of such Higher Education Act Eligible Loan each of the representations set forth in the Indenture is true; and

(iv) (A) that the Higher Education Act Eligible Loan is subject to being repurchased by the seller if such Higher Education Act Eligible Loan does not comply with the provisions of the applicable purchase agreement or other documentation relating to such Higher Education Act Eligible Loan and (B) that the seller or other transferor of such Higher Education Act Eligible Loan represented at the time such Loan was acquired by the Trust that such Higher Education Act Eligible Loan subject to such transfer is free of any encumbrance or lien.

The foregoing clauses (i) and (ii) notwithstanding, (A) Higher Education Act Eligible Loans (I) insured by a Guarantor under the Higher Education Act to less than the percentage provided for in applicable law as of the date of the Indenture (including reductions provided for in such applicable law) of the claim relating thereto or (II) having a return thereon less than the return as may be provided for in applicable law as of the date of the Indenture shall not be refinanced unless prior thereto the Trust shall have received a Credit Confirmation with respect to the financing of any such Higher Education Act Eligible Loans; and (B) Higher Education Act Eligible Loans insured by a Guarantor which the Trust knows to be insolvent shall not be refinanced.

(c) (i) The Trust shall direct the Trustee to, at any time sell, assign, transfer or otherwise dispose of a Loan in the manner specified in such Direction, and cause the Trustee to

execute and deliver such documents as may be necessary to effect such sale, assignment, transfer or other disposition if such sale, assignment, transfer or disposition (A) is made to the entity from which the Trust obtained such Loan at a price equal to the principal amount of the Loan plus accrued interest, (B) is made for the purpose of consolidating the Loans incurred by any borrower, and if such sale assignment, transfer or disposition is made at a price at least equal to the principal amount of the Loan (plus accrued interest) (C) is made to realize on any insurance or guaranty of any Loan in default, (D) is made to another program, indenture or other obligation of the Trust at a price not less than par plus accrued interest plus unamortized premium, if any, or origination costs, if any, (E) is necessary to permit the payment of Bonds when due, or (F) under any other circumstances not set forth in clause (A) through (E) above if the Trust has received a Credit Confirmation. Dispositions described in clause (D) through (E) above are subject to a Credit Confirmation.

(ii) The Trust may cause the Trustee to transfer Loans in the Loan Account to any other account of the Trust, free and clear of the lien of the Indenture, provided that simultaneously with such transfer the Trust shall cause there to be delivered to the credit of the Loan Account free of all other liens and encumbrances other than the lien of the Indenture, either or both of (A) cash in an amount equal to the principal of and accrued borrower interest on the transferred Loans plus, if the total cash in the Loan Account on any Interest Payment Date resulting from such transfers aggregates \$100,000 or more, any additional amount which is necessary to enable the sum of such cash to produce Revenues in an amount at least equal to the Revenues that would have been produced by the transferred Loans (net of any expenses related to such transferred Loans) until such cash is applied to acquire Eligible Loans or to redeem Bonds; or (B) Eligible Loans with substantially the same principal amount and an average expected remaining term no later than the maturity of the Bonds to be paid from such Loans and which (1) in the reasonable determination of the Trust, would not have the effect of violating any of the terms of the Indenture, and (2) are accompanied by a Credit Confirmation.

(d) The Trust will use its best efforts to evaluate the reinvestment of principal and interest receipts with respect to Loans to ensure that it will continue to be able to fulfill its debt service requirements under the Indenture.

(e) The Eligible Lender Trustee is an Eligible Lender. So long as the Higher Education Act requires an Eligible Lender to be the owner or holder of Higher Education Act Eligible Loans, (i) the Trust will utilize an Eligible Lender as its trustee to acquire Higher Education Act Eligible Loans; and (ii) it will not dispose of or transfer any Higher Education Act Eligible Loans or any security interest in any such Higher Education Act Eligible Loans to any party who is not an Eligible Lender; provided, however, that nothing above will prevent the Trust from delivering the Higher Education Act Eligible Loans to a Servicer or a Guarantor for purposes of remediation, collection or similar purposes.

(f) The Trust will, from and after it shall have either entered into, or succeeded to the rights and interests of any Eligible Lender under any guarantee agreement covering any Higher Education Act Eligible Loans, maintain the same and diligently enforce its rights thereunder; and not consent to or permit any rescission of or consent to any amendment thereto or otherwise take any action under or in connection therewith which in any manner would adversely affect the rights of the Owners or of any Credit Provider. The Trust will enforce its rights under the agreements with the Secretary and each Guarantor pertaining to the Higher Education Act Eligible Loans and will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection therewith which in any manner will adversely affect the rights of the Owners or any Credit Provider.

(g) The Trust, through the Servicer, is required to diligently collect all principal and interest payments on all Loans, and all interest benefit payments, insurance and default claims and special allowance payments which relate to such Loans. The Trust is required to cause the Servicer to assign and file all claims for payment on defaulted Higher Education Act Eligible Loans prior to the filing deadline for such claims under the Higher Education Act. The Trust will comply with the Higher Education Act and regulations thereunder which apply to its student loan program and to all Higher Education Act Eligible

Loans. Notwithstanding the foregoing, the Trust may forgive a Loan and cease collection and servicing efforts if the Trust determines that the probable costs of collection and servicing approximate or exceed the expected proceeds of collection. The Trust may also offer such borrower benefits as are in place at the time of execution of the Indenture or approved by a Credit Confirmation.

## **Supplemental Indentures**

Supplemental Indentures Effective Without Consent of Owners. The Trust and the Trustee, without the consent of or notice to any of the Owners, may enter into a Supplemental Indenture, for any one or more of the following purposes:

(a) to provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness, or to add other limitations and restrictions to be observed by the Trust which are not contrary to or inconsistent with the Indenture as then in effect;

(b) to add to the covenants and agreements of the Trust in the Indenture other covenants and agreements to be observed by the Trust which are not contrary to or inconsistent with the Indenture as then in effect;

(c) to make such amendments to the Indenture as are required to permit the Trustee or the Trust fully to comply with the Higher Education Act or as required in order for the Indenture, as amended by such Supplemental Indenture, not to be contrary to the terms of the Higher Education Act.

(d) to surrender any right, power or privilege reserved to or conferred upon the Trust by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Trust contained in the Indenture;

(e) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, the pledge of the Pledged Assets, including Revenues or of any other revenues or assets;

(f) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture;

(g) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as then in effect;

(h) to provide for additional duties of the Trustee in connection with the Loans or for the appointment of a successor Trustee;

(i) to provide for the issuance of any series of Additional Bonds, and in connection therewith to provide for rights, preferences, privileges, terms and conditions applicable only to such series of Bonds, including without limitation any amendments desirable to provide for the issuance of such series of Bonds as commercial paper or in some other form;

(j) to modify, alter, amend or supplement the Indenture, including any Supplemental Indenture, in any manner which does not alter the interest rate, maturity, or security for any Bonds;

(k) to modify, alter, amend or supplement the Indenture, including any Supplemental Indenture, in any other manner determined by the Trustee not to be materially adverse to the interests of the owners of any Bonds who have not consented thereto, provided that in making any such determination the Trustee shall be entitled to conclusively rely on a Counsel's Opinion;

(l) to satisfy the requirements of a Rating Agency in order to obtain, maintain or improve the rating on any Bonds;

(m) to provide for the orderly sale or remarketing of Bonds;

(n) to modify, alter, amend or supplement the Indenture, including any Supplemental Indenture, in any other respect, including amendments which would otherwise be described under the caption “Supplemental Indentures Effective Only Upon Consent of Owners” below, (i) as of any date required for mandatory tender of Bonds for purchase, to the extent such change affects only Bonds which are subject to such mandatory tender on such date; or (ii) if notice of the proposed Supplemental Indenture is given to Owners (in the same manner as notices of redemption are given) at least fifteen (15) days before the effective date thereof, and the owners have the right to demand purchase of their Bonds on or before such effective date; and any such owners of Bonds being required to tender such Bonds for purchase or having the right to demand purchase thereof shall, as of such effective date, be deemed to have consented to such Supplemental Indenture for purposes of determining the percentage of Owners who have consented to any Supplemental Indenture and for all other purposes of the Indenture if all such tenders or demands for purchase are timely honored; and if less than all of the Owners are required to tender their Bonds for purchase or have such right to demand purchase, any such Supplemental Indenture may be made applicable only to such owners and their successors; or

(o) to modify the maximum rate with respect to any series of Bonds in the manner to the extent permitted in the Supplemental Indenture with respect to such Bonds.

In addition, any and all provisions of the Indenture, including any Supplemental Indenture, relating to procedures for determining any other Variable Rate, may be amended by Supplemental Indenture from time to time to conform to market or industry practice solely upon the written consent of the Trust and the Trustee and upon written notice of such proposed Supplemental Indenture to the applicable Marketing Parties and to the affected Bondholders, and no prior written consent of any such Bondholder shall be required in connection with the execution of such Supplemental Indenture. In determining whether any supplement or amendment relating to procedures for determining any Variable Rate conforms to market or industry practice, the Trustee may conclusively rely upon a Counsel’s Opinion, Certificate of the Trust delivered to the Trustee or Certificate of the applicable Marketing Parties as to the effect of any such Supplemental Indenture.

Supplemental Indentures Effective Only Upon Consent of Owners. At any time or from time to time, a supplemental indenture may be entered into by the Trust and the Trustee subject to consent by Owners which would be affected by the action proposed to be taken as described under the caption “Powers of Amendment” below. Nothing in the Indenture shall be construed to limit any requirement in any other document to which the Trust is a party which requires the consent of any other party to any Supplemental Indenture.

Powers of Amendment. Any modification of or amendment to the Indenture and the rights and obligations of the Trust and of the Owners of the Bonds under the Indenture, in any particular, may be made by a Supplemental Indenture, but only, in the event such Supplemental Indenture shall be entered into as described under the caption “Supplemental Indentures Effective Only Upon Consent of Owners” above, with the written consent of the owners of at least a majority in principal amount of the Bonds Outstanding which would be affected by the action proposed to be taken (including at least a majority in principal amount of the Owners which would be affected by the action proposed to be taken (a) of all Outstanding Senior Bonds, or (b) of all Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (c) of all Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding or (d) of all Outstanding Junior Subordinate Bonds if no Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds are then Outstanding at the time such consent is given). If any such modification or amendment will not take effect so long as any particular Bonds remain Outstanding, however, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the owner of such Bond (the consent of the Owner of which is required to effect any such modification or amendment). So long as Credit Enhancement is in effect and the Credit Provider has not failed to honor a properly presented and conforming

drawing thereunder, the Credit Provider shall be deemed the sole owner of the Bonds supported by such Credit Enhancement for purposes of this caption “Supplemental Indentures”; provided, however no modification or amendment to the Indenture shall permit a change in the terms of maturity of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the owner of such Bond. Nothing in the Indenture shall be construed to limit any requirement in any other document to which the Trust is a party which requires the consent of any other party to any modification to or amendment of the Indenture.

Any Supplemental Indenture permitted or authorized by the Indenture shall become effective only (a) on the conditions, to the extent and at the time provided in the Indenture; and (b) upon receipt by the Trustee of (i) a Counsel’s Opinion to the effect that such Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and is valid and binding upon the Trust; and (ii) a Credit Confirmation. No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. Any Supplemental Indenture which affects the rights, duties, liabilities or immunities of the Delaware Trustee shall require the Delaware Trustee’s written consent.

## **Defaults, Acceleration and Remedies**

### Events of Default.

(a) Each of the following events is an “Event of Default” under the Indenture:

(i) the failure by the Trust to pay the principal of or any installment of interest on any Bond or the redemption price or purchase price thereof when and as the same shall become due, whether at maturity or otherwise;

(ii) the Trust shall fail or refuse to comply with the provisions of the Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in any Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by the Trustee, by any Credit Provider or by the owners of not less than 25% in principal amount of the Outstanding Bonds to the Trust (provided that such owners shall include the owners of at least 25% in principal amount of (A) Outstanding Senior Bonds, or (B) Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (C) Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding or (D) Outstanding Junior Subordinate Bonds if no Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds are then Outstanding); provided that if such failure is such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action reasonably acceptable to each Credit Provider is instituted within such period and diligently pursued until the failure is corrected; provided further, however that it shall not be an Event of Default under this clause (ii) unless the Credit Provider has provided its prior written consent; and

(iii) upon receipt of written notice by the Trustee from any Credit Provider that an event of default has occurred under the related Credit Enhancement or agreement relating thereto.

(b) The foregoing notwithstanding, for so long as there shall be Senior Bonds Outstanding failure to pay the principal of or any installment of interest on any Senior Subordinate Bond, Subordinate Bond or Junior Subordinate Bond shall not constitute an Event of Default unless there is a corresponding failure to make timely payment on a Senior Bond; for so long as there shall be Senior Subordinate Bonds Outstanding failure to pay the principal of or any installment of interest on any Subordinate Bond or Junior Subordinate Bond shall not constitute an Event of Default unless there is a corresponding failure to make timely payment on a Senior Subordinate Bond; and for so long as there shall be Subordinate Bonds Outstanding failure to pay the principal of or any installment of interest on any Junior Subordinate Bond shall not constitute an Event of Default unless there is a corresponding failure to make timely payment on a Subordinate Bond.

Acceleration. Upon the happening of any Event of Default, (a) the Trustee may (with the consent of the Credit Provider), and shall at the written direction of the owners of not less than a majority of the principal amount of the Outstanding Bonds in the case of an Event of Default described in clause (a)(i) under the caption “Events of Default” above (including a majority in principal amount of (i) Outstanding Senior Bonds, or (ii) Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding or (iii) Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding or (iv) Outstanding Junior Subordinate Bonds if no Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds are then Outstanding), or (b) the Trustee shall, in the case of an Event of Default described in clauses (a)(ii) and (a)(iii) under the caption “Events of Default” above if directed by the Credit Provider, by notice in writing delivered to the Trust, declare the entire principal amount of the Bonds secured by the related Credit Facility then outstanding and the interest accrued thereon due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything to the contrary in the Indenture or the Bonds notwithstanding, and the Trustee shall immediately draw on the related Credit Facility, if a Credit Facility is then in effect, and interest thereon shall cease to accrue provided moneys are available for the payment of the accelerated amounts on the date for payment (which shall be within 2 Business Days of the date of declaration).

Other Remedies. Subject to the provisions described under the caption “Limited Obligations” above, if any Event of Default described in clause (a)(i) or (iii) under the caption “Events of Default” above shall have occurred, the Trustee shall proceed, or if any Event of Default described in clause (a)(ii) under the caption “Events of Default” above shall have occurred, the Trustee may proceed, and, upon the written request of the owners of not less than twenty five percent (25%) in principal amount of the Outstanding Bonds, including the owners of at least 25% in principal amount of (a) Outstanding Senior Bonds, or (b) Outstanding Senior Subordinate Bonds, if no Senior Bonds are then Outstanding, or (c) Outstanding Subordinate Bonds, if no Senior Bonds or Senior Subordinate Bonds are then Outstanding, or (d) Outstanding Junior Subordinate Bonds, if no Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds are then Outstanding, shall proceed, in its own name, subject, in either case, to the indemnification and other provisions of the Indenture, to protect and enforce the rights of the Owners by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners;
- (b) by bringing suit upon the Bonds;
- (c) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds;
- (d) by selling or otherwise disposing of Loans and Permitted Investments; or
- (e) by any other remedy deemed by the Trustee to be legal and appropriate.

Subject to the provisions of the Indenture, in the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to and shall sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Trust for principal, interest or otherwise, under any provisions of the Indenture, including any Supplemental Indenture, or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder, without prejudice to any other right or remedy of the Trustee or of the Owners, and to recover and enforce a judgment or decree against the Trust for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable; provided, however, that any recovery against the Trust is limited to the Pledged Assets.

Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee are insufficient for the payment of principal and interest then due on the Bonds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or prior

redemption), any other amounts received or collected by the Trustee acting as described under this caption “Defaults, Acceleration and Remedies,” other than the proceeds of any Credit Enhancement or the proceeds of the remarketing of any Bonds (which shall, in each case, be held for the payment of the particular Bonds with respect to which such proceeds were received), after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds (including, without limitation, Trustee Fees, Credit Enhancement Fees, Servicing Fees and Trust Fees in the order of priority set forth under the caption “Creation and Operation of Accounts—Revenue Account; Payment Account” above) and for the payment of the charges, expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Indenture, shall be applied as follows:

- (a) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due (which for purposes of clarification does not include any Contingent Default Amount), in the order of Senior Bonds first and thereafter Senior Subordinate Bonds, then Subordinate Bonds and finally Junior Subordinate Bonds (or, in each case, to any Credit Provider as reimbursement for amounts paid with respect to such Bonds, in the applicable order of priority), and in order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference (other than Senior Bonds prior to Senior Subordinate Bonds, Senior Subordinate Bonds prior to Subordinate Bonds and Subordinate Bonds prior to Junior Subordinate Bonds); and

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due, then to the payment thereof for Senior Bonds first and thereafter Senior Subordinate Bonds, then Subordinate Bonds and finally Junior Subordinate Bonds (or, in each case, to any Credit Provider as reimbursement for amounts paid with respect to such Bonds or otherwise due and owing to the Credit Provider, as set forth in a certificate of the Credit Provider, in the applicable order of priority), and ratably to the extent necessary, according to the amounts of principal due on such date, to the persons entitled thereto, without any discrimination or preference (other than Senior Bonds prior to Senior Subordinate Bonds, Senior Subordinate Bonds prior to Subordinate Bonds and Subordinate Bonds prior to Junior Subordinate Bonds).

- (b) If the principal of all of the Bonds shall have become or have been declared immediately due and payable, then to the payment of the principal and interest then due and unpaid (which for purposes of clarification does not include any Contingent Default Amount) upon the Bonds for Senior Bonds first and thereafter Senior Subordinate Bonds, then Subordinate Bonds and finally Junior Subordinate Bonds (or, in each case, to any Credit Provider as reimbursement for amounts paid with respect to such Bonds or otherwise due and owing to the Credit Provider, as set forth in a certificate of the Credit Provider, in the applicable order of priority), and otherwise without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bond, or of any Senior Subordinate Bond over any other Senior Subordinate Bond, or of any Subordinate Bond over any other Subordinate Bond, or of any Junior Subordinate Bond over any other Junior Subordinate Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any other discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Notwithstanding the forgoing, with respect to an Event of Default under clause (ii) under the caption “Events of Default” above, the Trustee shall seek consent from the Credit Provider and direction from Owners of the majority in principal amount of the Bonds then Outstanding with respect to any action that would incur expenses in excess of the amount then on deposit in the Trustee Expense Reserve Subaccount; provided, however, that nothing described in this paragraph shall require the Trustee to act or to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or

powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Whenever moneys are to be applied by the Trustee as described above, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application. The deposit and setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Trust, the Administrator, any Owner or any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable and, if applicable, as otherwise provided as described under the caption "Acceleration" above) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date, and for which funds are available for such payment, shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the owner of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the owners of the majority in principal amount of the Bonds then Outstanding (including a majority of (a) all Outstanding Senior Bonds, or (b) all Outstanding Senior Subordinate Bonds if no Senior Bonds are then Outstanding, or (c) all Outstanding Subordinate Bonds if no Senior Bonds or Senior Subordinate Bonds are then Outstanding or (d) all Outstanding Junior Subordinate Bonds if no Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds are then Outstanding) shall have the right, by a written instrument or concurrent written instruments executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that (i) such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, (ii) there shall have been offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred, and (iii) the Trustee shall have the right to decline to follow any direction which, in the opinion of the Trustee, would be unjustly prejudicial to Owners not parties to such direction or would subject the Trustee to liability.

Limitation on Rights of Owners. No Owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture unless (a) such Owner shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and (b) the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee, after the right to exercise such powers or rights of action shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or granted under the law or to institute such action, suit or proceeding in its name and there shall have been offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution by the Trustee of its powers under the Indenture or for any other remedy under the Indenture or by law. It is understood and intended that no one or more owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under law with respect to the Bonds or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all owners of the Outstanding Bonds. Nothing contained in the Indenture shall affect or impair the right of any owner of Bonds to enforce the payment of the principal of and interest on such Bonds, or the obligation of the Trust (subject to the provisions described under the caption "Limited Obligations" above) to pay the principal of and interest on each Bond issued under the Indenture to the owner thereof at the time and place in said Bond expressed.

Anything to the contrary notwithstanding contained in the Indenture, each Owner of any Bond by such Owner's acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture or any Supplemental Indenture or in any suit against

the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs of such suit, including reasonable pre-trial, trial and appellate attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Owner or group of Owners holding at least twenty-five percent (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Owner for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Consent or Direction of Credit Provider. Nothing in the Indenture shall be construed to limit any requirement therein or in any other document to which the Trust is a party which requires the consent or permits the direction of any Credit Provider to any action taken as described under this caption "Defaults, Acceleration and Remedies." Payment by any Credit Provider pursuant to its Credit Enhancement shall not be deemed to cure any event of default under the agreement with the Credit Provider.

Each Credit Provider who has not failed to honor a properly presented and conforming drawing on its Credit Enhancement shall be deemed to be the Owner of the Bonds related to such Credit Enhancement for all purposes of directing the remedies to be exercised as described under this caption "Defaults, Acceleration and Remedies."

## **The Trustee**

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than sixty (60) days written notice to the Trust, the Credit Provider and the Owners, specifying the date when such resignation shall take effect, and such resignation shall take effect upon any day specified in such notice unless (a) a successor shall have been appointed previously, as provided in the Indenture, in which event such resignation shall take effect immediately on the acceptance of such successor, or (b) no such successor shall have been appointed, in which event such resignation shall take effect immediately upon, but not until, the acceptance of a successor.

Removal of Trustee. The Trust may remove the Trustee at any time except during the existence of an Event of Default, upon giving written notice to the Trustee of at least sixty (60) days (or such lesser period provided in a Supplemental Indenture) and filing with the Trustee an instrument of appointment signed by an Authorized Officer and accepted by such successor Trustee.

## **Defeasance**

(a) If the Trust shall pay, cause to be paid or otherwise make adequate provision for payment to the owners of the Bonds the principal and interest, including deferred interest whether or not then due, to become due thereon at the times and in the manner stipulated therein and in the Indenture, and shall have paid all other amounts due under the Indenture to the Trustee and to each Credit Provider, the pledge of the Pledged Assets, including any Revenues and other moneys, securities, funds and property pledged by the Indenture and all other rights granted by the Indenture in favor of the Owners shall be discharged and satisfied. In such event, upon making the provision for payment to the Owners, the Trustee and to each Credit Provider referred to in the prior sentence, the Trustee, upon the Direction of the Trust, shall execute and deliver to the Trust all such instruments as may be desirable to evidence the discharge and satisfaction described above, and the Trustee shall pay over or deliver to the Trust all moneys or securities held by it pursuant to the Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment and shall return any Credit Enhancement to the Credit Provider for cancellation, if applicable. If the Trust shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture and all covenants, agreements and obligations of the Trust to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(b) Bonds for the payment of which funds are held in trust by the Trustee (through deposit by the Trust of funds for such payment or otherwise) shall, at the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. All Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (i) there shall have been deposited with the Trustee funds consisting of moneys or non-callable, fixed rate, direct obligations of or guaranteed by the United States of America the principal of and the interest on which when due will provide moneys sufficient to pay the principal of and interest due and to become due on said Bonds on or prior to the maturity date or the prior redemption date thereof, and (ii) the Trust shall have given the Trustee, in form satisfactory to it, (A) a Certificate of the Trust to the effect that all conditions necessary to deem said Bonds paid within the meaning and effect described in paragraph (a) above have been met and (B) irrevocable written instructions to give notice by mail as soon as practicable to the Owners of such Bonds that the deposit required by clause (i) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating the date upon which moneys are to be available for the payment of the principal of and interest on said Bonds, such instructions to be accompanied by a certificate of an independent certified public accountant confirming the sufficiency of the deposit as described in clause (i) above. Neither (x) non-callable direct obligations of the United States of America or moneys deposited with the Trustee as described under this caption "Defeasance" nor (y) principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than the payment of the principal of and interest on said Bonds; but any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable and permitted by the Indenture, be reinvested in such direct non-callable United States obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to the maturity date or redemption date thereof, and interest earned from such reinvestments, not needed to redeem Bonds, shall be paid over to the Trust, as received by the Trustee, free and clear of any trust, lien or pledge.

(c) The deposit described in paragraph (b) above may be made with respect to Bonds within any particular series and maturity, in which case such maturity of Bonds of such series shall no longer be deemed to be Outstanding under the terms of the Indenture, and the Owners of such defeased Bonds shall be secured only by such trust funds and not by any other part of the Pledged Assets, and the Indenture shall remain in full force and effect to protect the interests of the Owners of Bonds remaining Outstanding thereafter.

(d) Any deposit of moneys made as described in paragraph (b) above shall be sufficient for the purposes of the Indenture only if in the case of any Bonds bearing interest at a rate which may change before the date the Bonds are to be paid at maturity or upon redemption, (i) the amount of interest required to be deposited shall be computed assuming the maximum rate permitted for such Bonds, and (ii) the Trustee and all Marketing Parties required for such Bonds shall remain in office until such Bonds are paid at maturity or upon redemption.

(e) Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for four years after the date when all of the Bonds have become due and payable, if such moneys were held by the Trustee at such date, or for four years after the date of deposit of such moneys if deposited with the Trustee after the said date when all of the Bonds became due and payable, shall, at the written request of an Authorized Officer of the Trust, be repaid by the Trustee to the Trust, as its absolute property free from trust, and the Trustee shall thereupon be released and discharged, and any Owner may only look to the Trust for payment with respect to any payment thereon.

(f) Notwithstanding anything in the Indenture to the contrary, so long as the Series 2012A Bonds are rated by Standard & Poor's Ratings Services, Series 2012A Bonds in the Weekly Rate Mode may not be defeased as described in paragraph (b) above.

**Limited Liability; No Recourse**

The obligations of the Trust under the Indenture shall be limited as described under the caption “Limited Obligations” above, and notwithstanding any other provision of the Indenture, any liability incurred by the Trust as a result of the failure to perform any covenant, undertaking or obligation under the Indenture, the Bonds or any other document, or as a result of the incorrectness of any representation made by the Trust in the Indenture or any other document, or for any other reason, shall be limited to the Pledged Assets. All covenants, stipulations, promises, agreements and obligations of the Trust contained in the Indenture and in any Certificate or Direction of the Trust shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Trust and not of any member, officer, director or employee of the Trust in its, his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Indenture against any member, officer, director or employee of the Trust or against any natural person executing the Bonds.

**Date for Action or Payment**

In instances where the Trust or the Trustee is required to cause any act to be performed on a date certain (including the transfer of moneys), except as otherwise specifically provided in the Indenture, if the date so specified is not a Business Day such action shall be taken on the next succeeding Business Day. Except as otherwise provided in the Indenture, payments required under the Indenture to be made or actions required under the Indenture to be taken on any day which is not a Business Day may be made or taken, as the case may be, instead on the next succeeding Business Day, and no interest shall accrue on such payments in the interim.