

In the opinion of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, as Bond Counsel, and subject to the qualifications described herein, interest on the Series 2023A Senior Tax-Exempt Bonds is excluded from gross income for federal tax purposes. Bond Counsel is also of the opinion that (a) interest on the Series 2023A Senior Tax-Exempt Bonds will be treated as a preference item for purposes of the federal alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”), and (b) for tax years after December 31, 2022, interest on the Series 2023A Senior Tax-Exempt Bonds held by certain corporations is included in the corporation’s “adjusted financial statement of income” for purposes of computing the federal alternative minimum tax on such corporations. The Series 2023A Tax-Exempt Bonds are exempt from all income taxes of the State of North Carolina. For a more detailed description, see the caption “TAX MATTERS” herein.



\$76,975,000
STATE OF NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
(a Political Subdivision of the State of North Carolina)
Tax-Exempt Student Loan Revenue Bonds, Senior Series 2023A

Dated: December 5, 2023 (Interest accrues from the date of delivery)

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

The \$76,975,000 Tax-Exempt Student Loan Revenue Bonds, Senior Series 2023A (the “Series 2023A Senior Tax-Exempt Bonds”) will bear interest from their date of delivery and mature on June 1 in the years and in the principal amounts set forth on the inside front cover hereof. The Series 2023A Senior Tax-Exempt Bonds will bear interest at the rates per annum set forth on the inside front cover, payable semiannually on each June 1 and December 1, commencing June 1, 2024.

The Series 2023A Senior Tax-Exempt Bonds are the second issuance of bonds pursuant to the Indenture of Trust (as previously amended and supplemented, the “Master Indenture”) between the State Education Assistance Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), dated as of July 1, 2020, as further amended and supplemented by a Series 2023 Supplemental Indenture of Trust, between the Authority and the Trustee, dated as of December 1, 2023 (the “Series 2023 Supplemental Indenture” and, together with Master Indenture, the “Indenture”). The Authority has previously issued its Tax-Exempt Student Loan Revenue Bonds, Senior Series 2020A (the “Series 2020A Bonds”) under the Indenture. The Series 2023A Senior Tax-Exempt Bonds are secured under the Indenture on a parity basis with the Series 2020A Bonds and any future senior series bonds that may be issued under the Indenture (collectively with the Series 2020A Bonds and the Series 2023 Senior Tax-Exempt Bonds, the “Senior Bonds”). The proceeds of the Series 2023A Senior Tax-Exempt Bonds will be used, together with available moneys of the Authority, for the purposes of (a) financing Eligible Loans currently held on the Authority’s balance sheet, (b) financing additional Eligible Loans during the Acquisition Period, (c) financing a deposit to the Debt Service Reserve Fund, (d) financing a deposit to the Capitalized Interest Fund, and (e) paying the costs of issuance of the Series 2023A Senior Tax-Exempt Bonds.

Pursuant to the Indenture, the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, are secured by a pledge of and security interest in the student loans financed or otherwise deposited with the Trustee under the Indenture, all revenues derived from such student loans, the moneys and securities held in certain pledged funds established under the Indenture and certain other assets constituting the trust estate under the Indenture, in each case subject to the provisions of the Indenture. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS” herein. Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, including the Series 2023A Senior Tax-Exempt Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein.

The Series 2023A Senior Tax-Exempt Bonds are subject to redemption prior to maturity. See the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions” herein.

The Series 2023A Senior Tax-Exempt Bonds, when issued, will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2023A Senior Tax-Exempt Bonds. Individual purchases may be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. See the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Book-Entry-Only System” herein.

Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Series 2023A Senior Tax-Exempt Bonds. Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay the principal of and interest on the Series 2023A Senior Tax-Exempt Bonds, and which could have an effect on the market price of the Series 2023A Senior Tax-Exempt Bonds to an extent that cannot be determined. See the caption “CERTAIN RISK FACTORS” herein.

By the purchase of the Series 2023A Senior Tax-Exempt Bonds, on the date of issuance, the purchasers and beneficial owners, on behalf of themselves and all subsequent holders of the Series 2023A Senior Tax-Exempt Bonds, irrevocably consent and will be deemed to have irrevocably consented to certain amendments to the Master Indenture described herein. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Amendments to the Master Indenture.”

THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF NORTH CAROLINA OR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY SUCH POLITICAL SUBDIVISION, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS PROVIDED THEREFOR AS DESCRIBED HEREIN. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, NOR THE INTEREST THEREON EXCEPT FROM THE REVENUES, PROCEEDS AND OTHER FUNDS PLEDGED THEREFOR. THE AUTHORITY DOES NOT HAVE TAXING POWER.

The Series 2023A Senior Tax-Exempt Bonds will be offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, and are subject to the approving opinion of Womble Bond Dickinson (US) LLP, Bond Counsel, and certain other conditions described herein. Certain additional legal matters will be passed upon for the Underwriter by Kutak Rock LLP, counsel to the Underwriter. It is expected that the Series 2023A Senior Tax-Exempt Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December 5, 2023.

BofA Securities

\$76,975,000
STATE EDUCATION ASSISTANCE AUTHORITY
TAX-EXEMPT STUDENT LOAN REVENUE BONDS
SENIOR SERIES 2023A

MATURITY SCHEDULE

Serial Bonds

Maturity Date (June 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[^]
2028	\$1,300,000	5.500%	104.643%	4.350%	658262GQ7
2029	2,300,000	5.500	105.311	4.400	658262GR5
2030	8,400,000	5.500	105.745	4.470	658262GS3
2031	8,950,000	5.500	106.101	4.530	658262GT1
2032	9,000,000	5.500	106.337	4.590	658262GU8
2033	9,000,000	5.500	106.382	4.660	658262GV6

\$38,025,000 5.000% Series 2023A Senior Tax-Exempt Term Bonds maturing June 1, 2043

Price: 98.167%; Yield: 5.150%; CUSIP[^]: 658262GW4

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

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations with respect to the Series 2023A Senior Tax-Exempt Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2023A Senior Tax-Exempt Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

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

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2023A SENIOR TAX-EXEMPT BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

Upon issuance, the Series 2023A Senior Tax-Exempt Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2023A Senior Tax-Exempt Bonds and the security therefor, including an analysis of the risks involved. The Series 2023A Senior Tax-Exempt Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2023A Senior Tax-Exempt Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2023A Senior Tax-Exempt Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2023A Senior Tax-Exempt Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement or approved the Series 2023A Senior Tax-Exempt Bonds for sale.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the Indenture, the Series 2023A Senior Tax-Exempt Bonds, the Administration Agreement, the Servicing Agreement, certain other documents related to the security for the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the Series 2023A Senior Tax-Exempt Bonds, and all references to the Series 2023A Senior Tax-Exempt Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the Indenture. This Official Statement is submitted in connection with the sale of the Series 2023A Senior Tax-Exempt Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

FORWARD-LOOKING STATEMENTS

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

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

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and no conclusion should be drawn from the order of material or information presented in this Official Statement. The offering of State Education Assistance Authority’s Tax-Exempt Student Loan Revenue Bonds, Senior Series 2023A (the “Series 2023A Senior Tax-Exempt Bonds”) to potential investors is made only by means of the entire Official Statement. The Series 2023A Senior Tax-Exempt Bonds are the second issuance of bonds under the Indenture (as hereinafter defined). The Authority has previously issued its Tax-Exempt Student Loan Revenue Bonds, Senior Series 2020A (the “Series 2020A Bonds”) under the Indenture. As of June 30, 2023, the Series 2020A Bonds were Outstanding in the aggregate principal amount of \$15,220,000. The Series 2020A Bonds, the Series 2023A Senior Tax-Exempt Bonds and any other bonds that may hereafter be issued by the Authority under the Indenture are herein referred to as the “Bonds.” Additional Bonds may be issued under the Indenture that are secured on a parity with the Series 2020A Bonds and the Series 2023A Senior Tax-Exempt Bonds (“Senior Bonds”), that are subordinate to the Senior Bonds (“Senior-Subordinate Bonds”) or that are subordinate to the Senior-Subordinate Bonds (“Subordinate Bonds”) as more fully described herein. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All terms capitalized, but not defined, in this Summary Statement shall have the meaning set forth elsewhere in this Official Statement. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE— SUMMARY OF MASTER INDENTURE—Definitions” and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE— SUMMARY OF SERIES 2023 SUPPLEMENTAL INDENTURE—Definitions” attached hereto.

- The Authority** State Education Assistance Authority (the “Authority”) is a political subdivision of the State of North Carolina, created and existing pursuant to Part 1 of Article 23 of Chapter 116 of the North Carolina General Statutes, as amended (the “Act”). See the caption “THE AUTHORITY” herein. The Authority has no power to tax and does not have the power of eminent domain.
- The Trustee**..... The Bank of New York Mellon Trust Company, N.A., a national banking association, will act as trustee (the “Trustee”), paying agent (the “Paying Agent”) and registrar (the “Registrar”) pursuant to the Indenture. See the caption “THE TRUSTEE” herein.
- The Administrator** Initially, the Authority will act as administrator (the “Administrator”) under the Indenture pursuant to an Administration Agreement, dated as of July 1, 2020 (as amended, the “Administration Agreement”), among the Authority, the Trustee and the Administrator. Under certain conditions, another party may become the Administrator. See the captions “THE AUTHORITY—The Administrator” and “—The Administration Agreement” herein.
- The Servicer**..... College Foundation, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina for the purpose of assisting students in defraying their education expenses in attending eligible educational institutions (the “Foundation”) will be the Servicer of the Eligible Loans. See the captions “THE FOUNDATION” and “THE PROGRAM” herein. Under certain conditions, another party may become the Servicer.

Series 2023A Senior

Tax-Exempt Bonds.....

The Series 2023A Senior Tax-Exempt Bonds will be issued under the Indenture of Trust (as previously amended and supplemented, the “Master Indenture”) between the Authority and the Trustee, dated as of July 1, 2020, as further amended and supplemented by a Series 2023 Supplemental Indenture, between the Authority and the Trustee, dated as of December 1, 2023 (the “Series 2023 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”). The Series 2023A Senior Tax-Exempt Bonds will constitute Senior Bonds under the Indenture and will be on a parity with the Series 2020A Bonds and any future Senior Bonds that may be issued by the Authority under the Indenture. The Series 2023A Senior Tax-Exempt Bonds will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover hereof.

The proceeds of the Series 2023A Senior Tax-Exempt Bonds will be used for the purposes of, together with available moneys of the Authority, (a) financing Eligible Loans currently held on the Authority’s balance sheet, (b) financing additional Eligible Loans during the Acquisition Period (hereinafter defined), (c) financing a deposit to the Debt Service Reserve Fund, (d) financing a deposit to the Capitalized Interest Fund, and (e) paying the costs of issuance of the Series 2023A Senior Tax-Exempt Bonds.

The Authority may hereafter issue Senior Bonds under the Indenture on parity with the Series 2020A Bonds and the Series 2023A Senior Tax-Exempt Bonds and may issue Bonds under the Indenture that are subordinate to the Senior Bonds. The Indenture also permits the issuance of Senior-Subordinate Bonds, which are secured on a basis subordinate to the Senior Bonds, but senior to other Subordinate Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

The Program.....

Under the NC Assist Loan Program (the “Program”), the Authority provides credit based fixed interest rate loans to residents of the State of North Carolina or non-residents with a benefitting student attending an eligible educational institution located in the State of North Carolina. At present, the Program offers loans to qualifying students (an “Eligible Student Loan”) and to qualifying parents of students (an “Eligible Parent Loan”). Both types of these loans may be Eligible Loans under the Program. The Authority reserves the right to alter the terms and conditions of the Program and to apply the Indenture funds to finance loans under the Program that are subject to such altered terms and conditions upon the satisfaction of the Rating Agency Notification. See the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

Financing of Eligible Loans..

Under the Indenture, an “Eligible Loan” is any loan made to finance or refinance post-secondary education that is (a) authorized to be made under the Act and made or financed by the Authority pursuant to the Program

Manual and any Supplemental Indenture, or (b) if the Authority shall have satisfied the Rating Agency Notification, otherwise permitted to be financed by the Authority pursuant to its Program as authorized under the Act. Initially, Eligible Loans will be loans made by the Authority to qualifying students and to qualifying parents under the loan program described under the caption “THE PROGRAM.” The Foundation will act as originator of the Eligible Loans.

The Indenture permits the financing of Eligible Loans from moneys in the Student Loan Fund established pursuant to the Indenture. Proceeds of the Series 2020A Bonds, together with other available funds of the Authority, have been used to finance student loans originated pursuant to the Program. The Authority expects to use the majority of the proceeds of the Series 2023A Senior Tax-Exempt Bonds, together with other available funds of the Authority, to finance additional Eligible Loans originated pursuant to the Program on the delivery date of the Series 2023A Senior Tax-Exempt Bonds (the “Closing Date”) and during the acquisition period (the “Acquisition Period”) relating to the Series 2023A Senior Tax-Exempt Bonds beginning on the Closing Date and ending on April 1, 2025, which date may be extended upon the satisfaction of the Rating Agency Notification. See the caption “THE PROGRAM” herein for a further description of the Program. See, also, the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “THE FINANCED ELIGIBLE LOANS” herein.

In addition to the Eligible Loans financed with proceeds of the Bonds, the Authority will contribute approximately \$20.26 million in principal amount of additional Eligible Loans now held by the Authority (and funded by the Authority from available sources other than the proceeds of Bonds) to the Student Loan Fund. Such contributed Eligible Loans, the Eligible Loans financed with the proceeds of the Series 2023A Senior Tax-Exempt Bonds deposited to the Student Loan Fund and any other Eligible Loans financed with proceeds of the Series 2020A Bonds and other Bonds issued under the Indenture or certain other available moneys under the Indenture are referred to herein, collectively, as the “Financed Eligible Loans.”

Existing Eligible Loans This Official Statement includes statistical information relating to Financed Eligible Loans already held under the Indenture, the Eligible Loans expected to be financed and pledged under the Indenture on the Closing Date and the Eligible Loans to be contributed to the Student Loan Fund on the Closing Date, which are referred to herein collectively as the “Existing Eligible Loans.” The Existing Eligible Loans had a combined aggregate outstanding balance as of August 31, 2023 (the “Statistical Cut-Off Date”) of approximately \$75.44 million. See the caption “THE FINANCED ELIGIBLE LOANS” herein. As of the Statistical Cut-Off Date, the Existing Eligible Loans had a weighted average annual borrower interest rate of 6.02% (before adjusting for any borrower benefits), a weighted average remaining term to scheduled maturity of approximately 113.8 months and a weighted average FICO Credit Score at origination of 752.

After the Closing Date, the Authority also intends to finance and pledge under the Indenture additional Eligible Loans during the Acquisition Period relating to the Series 2023A Senior Tax-Exempt Bonds. In addition, the Authority may issue additional Bonds under the Indenture in the future to finance and pledge additional Eligible Loans under the Indenture. Following any of these actions, the aggregate characteristics of the entire pool of Financed Eligible Loans will vary from those of the Existing Eligible Loans described in this Official Statement. The financing of Eligible Loans during the Acquisition Period (other than the Existing Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE” attached hereto.

Sources of Payment and

Security for the Bonds

The Bonds, including the Series 2023A Senior Tax-Exempt Bonds, are limited obligations of the Authority, secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Authority in and to the Administration Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the “Trust Estate”). See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” attached hereto and the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF NORTH CAROLINA NOR OF ANY POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR OF ANY SUCH POLITICAL SUBDIVISION, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS PROVIDED

THEREFOR AS DESCRIBED HEREIN. THE AUTHORITY SHALL NOT BE OBLIGATED TO PAY THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, NOR THE INTEREST THEREON EXCEPT FROM THE REVENUES, PROCEEDS AND OTHER FUNDS PLEDGED THEREFOR. THE AUTHORITY DOES NOT HAVE TAXING POWER.

Upon the satisfaction of certain conditions, additional Bonds may be issued under the Indenture from time to time on a parity basis with, or subordinate to, the Senior Bonds, including the Series 2023A Senior Tax-Exempt Bonds. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein.

Redemption..... The Series 2023A Senior Tax-Exempt Bonds shall be subject to redemption as described in “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions” herein.

Overcollateralization and Initial Parity Percentages..... Upon the issuance of the Series 2023A Senior Tax-Exempt Bonds, the Overall Parity Percentage will be at least 141%. The Indenture does not permit the release of moneys in the Revenue Fund, as described in level 13th under the caption “Flow of Funds” below, free and clear of the lien of the Indenture unless the Overall Parity Percentage after such transfer is at least equal to 145% (the “Required Overall Parity Percentage”). The Required Overall Parity Percentage may be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate original principal amount of all Bonds issued under the Indenture then, notwithstanding the foregoing, the Authority is required to use all Excess Tax-Exempt Revenue and Excess Taxable Revenue (if any) to mandatorily redeem Bonds subject to such redemption. See the captions “ESTIMATED SOURCES AND USES OF PROCEEDS” and “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Overcollateralization and Initial Parity Percentage” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Revenue Fund” attached hereto.

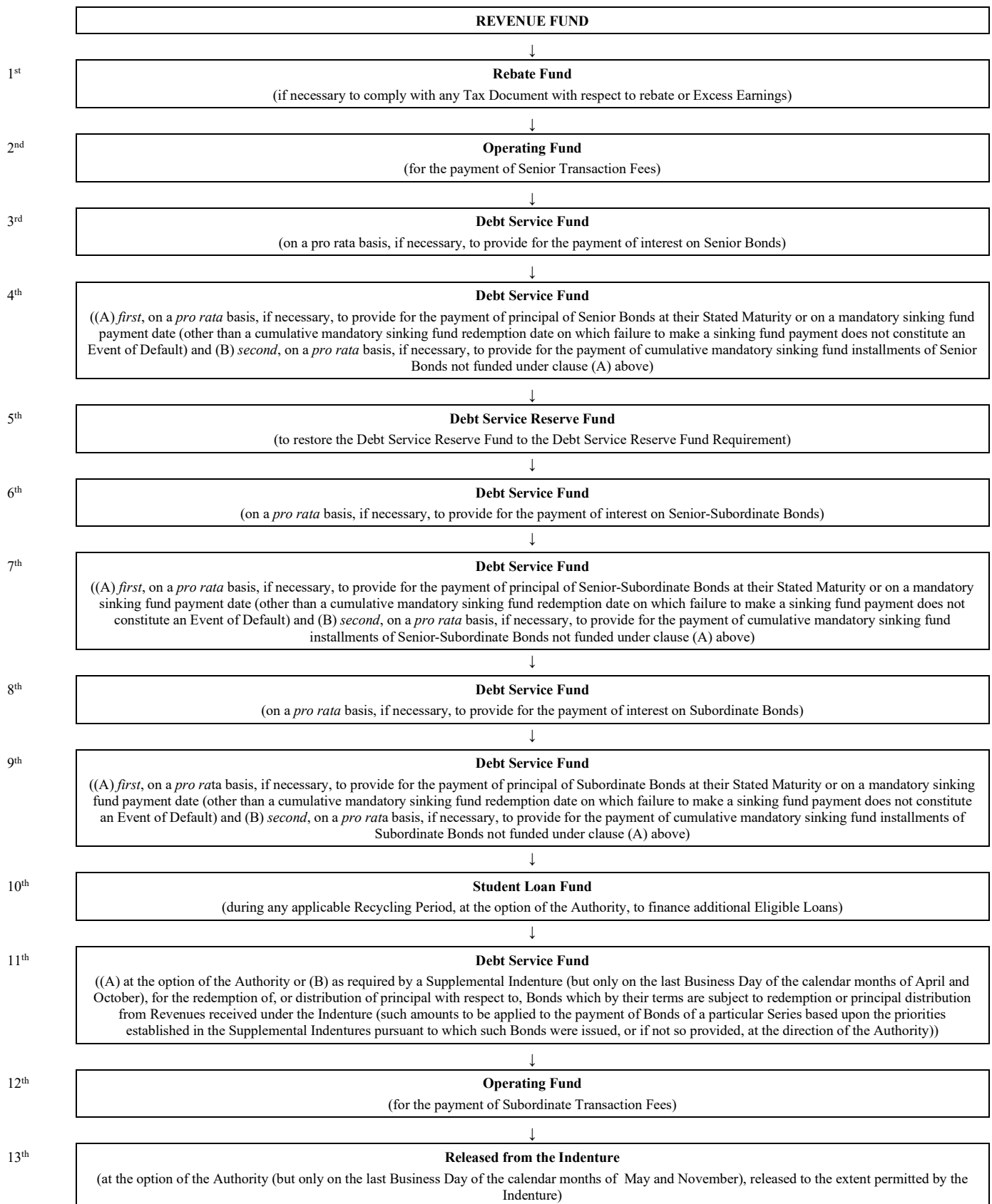
Debt Service Reserve Fund .. A Debt Service Reserve Fund for the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, has been established under the Indenture to secure payment of scheduled debt service on the Bonds. Amounts on deposit in the Debt Service Reserve Fund will be available to transfer to the Revenue Fund, to the extent the funds on deposit in the Revenue Fund, after taking into account any transfers from the Capitalized Interest Fund, if any, and the Student Loan Fund, are insufficient to make the required transfers to the Debt Service Fund. Upon the issuance of the Series 2023A Senior Tax-Exempt Bonds, the Tax-Exempt Debt Service Reserve Fund will have a balance of \$1,922,800, and the Debt Service Reserve Fund Requirement will be the greater of: (a) 2.0% of the aggregate principal amount of the then Outstanding Bonds; and (b) \$921,950. The Debt Service Reserve Fund Requirement may be reduced if the Authority has

satisfied the Rating Agency Notification. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Debt Service Reserve Fund” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Debt Service Reserve Fund” hereto.

Capitalized Interest Fund..... A Capitalized Interest Fund has been established under the Indenture which provides for the amounts therein to secure payment of debt service on the Bonds. Proceeds of the Series 2023A Senior Tax-Exempt Bonds in the amount of \$4,200,000 will be deposited in the Capitalized Interest Fund on the date of issuance thereof. Any moneys remaining therein on December 1, 2026 are required to be applied to redeem Series 2023A Senior Tax-Exempt Bonds maturing on June 1, 2043. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Capitalized Interest Fund” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Capitalized Interest Fund” hereto.

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

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Rating..... Prior to the issuance and delivery of the Series 2023A Senior Tax-Exempt Bonds, S&P Global Ratings (“S&P”) is expected to assign its bond rating of “A (sf)” to the Series 2023A Senior Tax-Exempt Bonds. See the caption “RATING” herein.

Rating Agency Confirmation and Rating Agency

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

Weighted Average Life

Analysis..... The estimated weighted average life and average maturity date of the Series 2023A Senior Tax-Exempt Term Bonds under various assumed prepayment scenarios may be found in “APPENDIX E—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2023A SENIOR TAX-EXEMPT TERM BONDS” attached hereto.

Certain Risk Factors..... Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay debt service on the Series 2023A Senior Tax-Exempt Bonds and which could have an effect on the market price of the Series 2023A Senior Tax-Exempt Bonds to an extent that cannot be determined. See the caption “CERTAIN RISK FACTORS” herein. An investment in the Series 2023A Senior Tax-Exempt Bonds involves an element of risk. Each prospective purchaser of Series 2023A Senior Tax-Exempt Bonds should read this entire Official Statement, including the front cover page and Appendices attached hereto, in order to make a judgment as to whether

the Series 2023A Senior Tax-Exempt Bonds are an appropriate investment.

Amendments to the Master

Indenture By their purchase of the Series 2023A Senior Tax-Exempt Bonds, each original purchaser (collectively, representing owners of not less than a majority of the collective aggregate principal amount of the Outstanding Bonds issued under the Master Indenture) and each subsequent holder thereof consent, and shall be deemed to have consented, to certain amendments to the definition of “Investment Securities” in the Master Indenture as described herein. Such consent will be effective on the date of issuance of the Series 2023A Senior Tax-Exempt Bonds, will be binding on any subsequent purchaser of the Series 2023A Senior Tax-Exempt Bonds, and may not be revoked after the issuance of the Series 2023A Senior Tax-Exempt Bonds. See “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Amendments to the Master Indenture.”

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OFFICIAL STATEMENT

\$76,975,000

**State of North Carolina
State Education Assistance Authority
(a Political Subdivision of the State of North Carolina)
Tax-Exempt Student Loan Revenue Bonds, Senior Series 2023A**

INTRODUCTION

This Official Statement, including the front cover page and inside front cover page hereof, the Summary Statement and the Appendices attached hereto, sets forth information regarding the issuance by the State Education Assistance Authority, a political subdivision of the State of North Carolina (the “Authority”), of its Tax-Exempt Student Loan Revenue Bonds, Senior Series 2023A (the “Series 2023A Senior Tax-Exempt Bonds”).

The Series 2023A Senior Tax-Exempt Bonds are being issued under an Indenture of Trust (as previously amended and supplemented, the “Master Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), dated as of July 1, 2020, as further amended and supplemented by a Series 2023 Supplemental Indenture, between the Authority and the Trustee, dated as of December 1, 2023 (the “Series 2023 Supplemental Indenture” and, together with the Master Indenture, the “Indenture”). The Series 2023A Senior Tax-Exempt Bonds constitute the second issuance of Bonds under the Indenture. The Authority has previously issued its Tax-Exempt Student Loan Revenue Bonds, Senior Series 2020A (the “Series 2020A Bonds”) under the Indenture. The Series 2023A Senior Tax-Exempt Bonds will constitute Senior Bonds under the Indenture and will be on a parity with the Series 2020A Bonds and any future Senior Bonds that may be issued by the Authority under the Indenture. The Series 2023A Senior Tax-Exempt Bonds are being issued as fixed rate bonds and will bear interest at the rates shown on the inside front cover page hereof.

The Series 2020A Bonds, the Series 2023A Senior Tax-Exempt Bonds and any other senior bonds that may hereafter be issued by the Authority under the Indenture (collectively, the “Senior Bonds”), together with any senior-subordinate bonds and any subordinate bonds that may be issued in the future by the Authority under the Indenture, are herein referred to as the “Bonds.” Terms capitalized in the body of this Official Statement and not otherwise defined therein shall have the meaning set forth in “APPENDIX A— SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—Definitions” and “—SUMMARY OF SERIES 2023 SUPPLEMENTAL INDENTURE—Definitions” attached hereto.

The Authority, a political subdivision of the State of North Carolina, was created in 1965 and is authorized to develop and administer programs and perform all functions necessary or convenient to promote and facilitate the making and insuring of student and parental loans and providing such other student and parental loan assistance and services as the Authority deems necessary or desirable for carrying out education assistance and for qualifying for loans, grants, insurance and other benefits and assistance under any program of the United States fostering student and parental loans; to finance student and parental loan obligations; and to issue revenue bonds and notes for such purposes. The Authority’s program for financing Eligible Loans under the Indenture is herein referred to as the “Program.” See the caption “THE PROGRAM” herein.

The proceeds of the Series 2023A Senior Tax-Exempt Bonds are to be issued for the purposes of, together with available moneys of the Authority, (a) financing Eligible Loans currently held on the Authority’s balance sheet, (b) financing additional Eligible Loans during the Acquisition Period,

(c) financing a deposit to the Debt Service Reserve Fund, (d) financing a deposit to the Capitalized Interest Fund, and (e) paying the costs of issuance of the Series 2023A Senior Tax-Exempt Bonds. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

College Foundation, Inc., a nonprofit corporation organized and existing under the laws of the State of North Carolina for the purpose of assisting students in defraying their education expenses in attending eligible educational institutions (the “Foundation”) will be the Servicer of the Eligible Loans. The Foundation will also originate the Eligible Loans. See the captions “THE PROGRAM” and “THE FOUNDATION” herein.

The Indenture permits the financing of Eligible Loans from moneys in the Student Loan Fund established pursuant to the Indenture. Proceeds of the Series 2020A Bonds deposited to the Student Loan Fund, together with other available funds of the Authority, were used to finance Eligible Loans. The Authority expects to use a portion of the amounts deposited to the Student Loan Fund from the proceeds of the Series 2023A Senior Tax-Exempt Bonds on the date of delivery of the Series 2023A Senior Tax-Exempt Bonds (the “Closing Date”) to finance approximately \$29.11 million in principal amount of Eligible Loans that have previously been originated by the Foundation as agent of the Authority. On the Closing Date, the Authority will also contribute approximately \$20.26 million in principal amount of additional Eligible Loans to the Trust Estate, which loans were funded by the Authority from available sources other than the proceeds of Bonds. The Financed Eligible Loans already held under the Indenture, the Eligible Loans expected to be financed and pledged under the Indenture on the Closing Date and the Eligible Loans to be contributed to the Student Loan Fund on the Closing Date are referred to herein collectively as the “Existing Eligible Loans.” As of August 31, 2023 (the “Statistical Cut-Off Date”), the Existing Eligible Loans had an aggregate outstanding balance of approximately \$75.44 million. For a description of the composition of the Existing Eligible Loans as of the Statistical Cut-Off Date, see the caption “THE FINANCED ELIGIBLE LOANS” herein.

The Authority expects to use the balance of amounts deposited into the Student Loan Fund to finance additional Eligible Loans during the Acquisition Period relating to the Series 2023A Senior Tax-Exempt Bonds, which is the period beginning on the Closing Date and ending on April 1, 2025, subject to extension as described below. The financing of Eligible Loans during the Acquisition Period (other than the Existing Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto. See the caption “THE PROGRAM” herein for a further description of the Program.

All Eligible Loans financed with proceeds of Bonds, including the Series 2020A Bonds and the Series 2023A Senior Tax-Exempt Bonds, all Eligible Loans financed during any Recycling Periods and any Eligible Loans otherwise deposited to or accounted for in the Student Loan Fund, including the Eligible Loans contributed to the Student Loan Fund on the Closing Date, are referred to herein, collectively, as the “Financed Eligible Loans.”

The Bonds, including the Series 2023A Senior Tax-Exempt Bonds, issued pursuant to the Indenture are secured by and payable solely from: (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans and any notes and documents evidencing the same and all extensions and renewals thereof; (d) the rights of the Authority in and to the Administration Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans; and (e) any and all other

property, rights and interests of every kind or description from time to time granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture (collectively, the “Trust Estate”). See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” attached hereto. Such Revenues include, without limitation, payments of interest on such Financed Eligible Loans (whether regularly scheduled, delinquent or paid in advance) and income on investments and principal payments on such Financed Eligible Loans (whether regularly scheduled, delinquent or advance). Bonds other than the Series 2020A Bonds and the Series 2023A Senior Tax-Exempt Bonds (“Additional Bonds”) may be issued under the Indenture upon satisfaction of certain conditions specified in the Indenture. Additional Bonds may be payable and secured on a parity with the Senior Bonds, including the Series 2023A Senior Tax-Exempt Bonds, or as Subordinate Bonds or Senior-Subordinate Bonds. Additional Bonds may be issued as obligations the interest on which is intended to be excluded from the gross income of the owners thereof for federal income tax purposes, or may be issued as obligations the interest on which is intended to be subject to federal income taxation. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds; Priority” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate” and “—FUNDS” attached hereto.

THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, AND ANY AGREEMENT OF THE AUTHORITY MENTIONED HEREIN ARE LIMITED OBLIGATIONS OF THE AUTHORITY, SECURED SOLELY BY AND PAYABLE SOLELY FROM THE TRUST ESTATE. THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, DO NOT CONSTITUTE A RECOURSE DEBT OR GENERAL OBLIGATION OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF, BUT ARE PAYABLE SOLELY FROM THE PLEDGED FUNDS ESTABLISHED UNDER THE INDENTURE AND CERTAIN OTHER ASSETS CONSTITUTING THE TRUST ESTATE UNDER THE INDENTURE, IN EACH CASE SUBJECT TO THE PROVISIONS OF THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS. THE AUTHORITY HAS NO TAXING POWER

THE BONDS, INCLUDING THE SERIES 2023A SENIOR TAX-EXEMPT BONDS, ARE NOT GENERAL OBLIGATIONS OF THE AUTHORITY. THE BONDS DO NOT REPRESENT AN OBLIGATION OF OR INTEREST IN THE AUTHORITY, THE ADMINISTRATOR, THE TRUSTEE, ANY SERVICER OR THE UNDERWRITER OR ANY OF THEIR RESPECTIVE AFFILIATES.

There can be no assurances that any future law will not prospectively or retroactively affect the terms and conditions under which Eligible Loans are made in a manner that might adversely affect the ability of the Authority to pay the principal of and interest on the Series 2023A Senior Tax-Exempt Bonds when due. See the caption “CERTAIN RISK FACTORS” herein.

The descriptions of the Series 2023A Senior Tax-Exempt Bonds and the documents authorizing and securing the Series 2023A Senior Tax-Exempt Bonds contained herein do not purport to be comprehensive or definitive. All references herein to such documents and rules are qualified in their entirety by reference to such documents. Copies of certain of such documents may be inspected at an office of the Trustee at a predetermined and agreed upon time as the Trustee can accommodate.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

The Bonds, including the Series 2023A Senior Tax-Exempt Bonds, are limited obligations of the Authority, payable solely from the Trust Estate pledged pursuant to the Indenture as described herein. The Bonds, including the Series 2023A Senior Tax-Exempt Bonds, are not general obligations of the Authority. None of the Authority's other assets or funds pledged and held under its other financings are pledged as security for the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, under the Indenture. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto and the caption "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. The Authority will finance only Eligible Loans through application of the proceeds of the Bonds. For a discussion of certain of the terms applicable to the Eligible Loans, see the caption "THE PROGRAM" herein. For a more detailed description of the Funds established under the Indenture, certain Accounts established therein under the Indenture, and the purposes to which moneys in such Funds and Accounts may be applied, see "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS" attached hereto.

Debt Service Reserve Fund

The Indenture creates a Debt Service Reserve Fund that will secure all Bonds issued under the Indenture. The Indenture provides that in connection with the issuance of a Series of Bonds, the Authority will designate in the Supplemental Indenture for such Bonds the amount required to be on deposit in the Debt Service Reserve Fund on account of such Bonds, and the Debt Service Reserve Requirement will be the sum of the amounts designated under all of the Supplemental Indentures. The Debt Service Reserve Requirement may be reduced by the Authority if it complies with the Indenture requirements of filing a Rating Agency Notification.

The Series 2023 Supplemental Indenture provides that the Debt Service Reserve Fund Requirement is an amount, calculated semi-annually on each June 1 and December 1, equal to the greater of: (a) 2.0% of the aggregate principal amount of the then Outstanding Bonds and (b) \$921,950. On the Closing Date, proceeds of the Series 2023A Senior Tax-Exempt Bonds in the amount of \$1,539,500 will be deposited to the Debt Service Reserve Fund under the Indenture and the Debt Service Reserve Fund will have a total balance of \$1,922,800.

Amounts on deposit in the Debt Service Reserve Fund shall be transferred to the Revenue Fund to the extent the funds on deposit in the Revenue Fund, after taking into account any transfers from the Capitalized Interest Fund, if any, and the Student Loan Fund, are insufficient to make the required transfers to the Debt Service Fund. The Indenture provides that upon the issuance of any Additional Bonds, there will be deposited into the Debt Service Reserve Fund, if necessary, an amount sufficient to increase the amount therein to be equal to the Debt Service Reserve Fund Requirement, calculated after such issuance. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Debt Service Reserve Fund" attached hereto.

Additional Bonds; Priority

Pursuant to the provisions of the Indenture, Additional Bonds may be issued on a parity basis with the Series 2020A Bonds and the Series 2023A Senior Tax-Exempt Bonds or as Subordinate Bonds, which are subordinate to the Senior Bonds. The Indenture also permits the issuance of Senior-Subordinate Bonds,

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

The Senior Bonds, including the Series 2023A Senior Tax-Exempt Bonds, are entitled to payment and certain other priorities over any Senior-Subordinate Bonds and Subordinate Bonds. Current payments of interest and principal due on Senior-Subordinate Bonds or Subordinate Bonds on any Bond Payment Date will be made only to the extent there are sufficient moneys available for such payment after making all payments due on such date with respect to Senior Bonds. So long as any Senior Bonds remain Outstanding under the Indenture, the failure to make interest or principal payments with respect to Senior-Subordinate Bonds or Subordinate Bonds will not constitute an Event of Default under the Indenture. In the event of an acceleration of the Bonds following the occurrence and continuation of an Event of Default, the principal of and accrued interest on the Senior-Subordinate Bonds and the Subordinate Bonds will be paid only to the extent there are moneys available under the Indenture after payment of the principal of, and accrued interest on, all Senior Bonds. In addition, Registered Owners of Senior Bonds are entitled to direct certain actions to be taken by the Trustee prior to and upon the occurrence of an Event of Default, including election of remedies. Only after there are no Senior Bonds Outstanding will Registered Owners of Senior-Subordinate Bonds or Subordinate Bonds have such rights. See the definition of “Highest Priority Bonds” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—Definitions” and the provisions described in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—DEFAULTS AND REMEDIES” attached hereto.

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

Overcollateralization and Initial Parity Percentage

Upon the issuance of the Series 2023A Senior Tax-Exempt Bonds, the initial Overall Parity Percentage will be at least 141%.

The Indenture does not permit the release of moneys in the Revenue Fund, as described in paragraph (m) in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Revenue Fund—*Tax-Exempt Account*” attached hereto, free and clear of the lien of the Indenture unless the Overall Parity Percentage after such transfer is at least equal to 145% (the “Required Overall Parity Percentage”). The Required Overall Parity Percentage may be reduced upon satisfaction of the Rating Agency Notification. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate original principal amount of all Bonds issued under the Indenture then, notwithstanding the foregoing, the Authority is required to use all Excess Tax-Exempt Revenue and Excess Taxable Revenue (if any) to mandatorily redeem Bonds subject to such redemption. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Revenue Fund” attached hereto.

Capitalized Interest Fund

The Indenture creates a Capitalized Interest Fund that will secure all Bonds issued under the Indenture. The Indenture provides that the Trustee shall deposit to the Tax-Exempt Account or the Taxable

Account of the Capitalized Interest Fund the amount, if any, specified in the Supplemental Indenture in connection with the issuance of a Series of Bonds.

\$4,200,000 of the proceeds of the Series 2023A Senior Tax-Exempt Bonds will be deposited on the Closing Date to the Tax-Exempt Account of the Capitalized Interest Fund. Proceeds of the Series 2023A Senior Tax-Exempt Bonds on deposit in the Capitalized Interest Fund on December 1, 2026 will be applied to redeem Series 2023A Senior Tax-Exempt Bonds maturing on June 1, 2043 as described under the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions—*Mandatory Redemption from Moneys in the Capitalized Interest Fund.*”

The Tax-Exempt Account of the Capitalized Interest Fund was previously funded with \$1,500,000 of proceeds of the Series 2020A Bonds. Any proceeds of the Series 2020A Senior Tax-Exempt Bonds on deposit in the Capitalized Interest Fund on December 1, 2023 will be applied to redeem Series 2020A Senior Tax-Exempt Bonds.

Amounts on deposit in the Capitalized Interest Fund will be transferred to the Revenue Fund to the extent the funds on deposit in the Revenue Fund are insufficient to make the required transfers to the Debt Service Fund. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Capitalized Interest Fund” attached hereto.

Senior Transaction Fees

The “Senior Transaction Fees” consist of (a) the regular fees and expenses of the Trustee; (b) the fees of the Authority or other Administrator under the Administration Agreement; (c) any fees and expenses payable to the Foundation or other Servicer with respect to the servicing and collection of the Financed Eligible Loans consisting of the servicing fees, default related fees, delinquency fees, and annual privacy mailing fees; (d) the surveillance fees payable to any rating agency to maintain ratings on the Bonds; and (e) indemnification payments, legal fees and other expenses of the Trustee incurred with respect to the Trust Estate or in connection with the enforcement of remedies, and other amounts payable to the Trustee that are not included in clause (a), any indemnification payments and other amounts payable to the Administrator under the Administration Agreement in excess of the amount included in clause (b), and any amounts payable to a Servicer under a Servicing Agreement in excess of the amount described in clause (c). Generally, the Senior Transaction Fees will be transferred to the Operating Fund out of the Revenue Fund on the last Business Day of each calendar month or on other dates if directed by the Authority prior to providing for the payment of principal and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

Notwithstanding the foregoing, except as provided below, the Senior Transaction Fees for a fiscal year may not exceed (i) with respect to the amounts described in clause (a), an amount equal to 0.03% of the average monthly outstanding principal amount of the Bonds during such fiscal year, subject to a minimum of \$3,500 per series of Bonds Outstanding per fiscal year; (ii) with respect to the amounts described in clause (b), \$100 per new Financed Eligible Loan originated by the Administrator; (iii) with respect to the amounts described in clause (c), 1.00% of the average daily outstanding principal balance of the Financed Eligible Loans, payable quarterly in arrears; and (iv) with respect to the amounts described in clauses (d) and (e), \$50,000, unless, in any such case, the Authority shall have made a Rating Agency Notification with respect to a higher percentage or dollar amount, as applicable, for payments above such limits. The limitation described in clause (iv) in this paragraph does not apply to expenses incurred by the Trustee after the occurrence and during the continuation of an Event of Default on account of the non-payment of Bonds by the Authority or the bankruptcy of the Authority, or after an acceleration of the maturity of the Bonds.

Rating Agency Confirmation and Rating Agency Notification

The Indenture provides that the Rating Agency has various notice rights and further requires as a condition of certain actions, inactions or other events that there be (a) a Rating Agency Confirmation for the issuance of Additional Bonds; or (b) a Rating Agency Notification for the following (among others): the additional types of alternative education loans to be included as Eligible Loans in the future and changes to certain parameters for Eligible Loans; the appointment of a new Administrator; the appointment of a new Servicer; changes in the amount and timing of Senior Transaction Fees; a reduction in the Debt Service Reserve Fund Requirement; types of Investment Securities; certain material amendments or supplements to the Indenture, the Administration Agreement or a Servicing Agreement; certain sales of Financed Eligible Loans; establishment of a required senior parity percentage and changes in the Required Overall Parity Percentage with respect to the redemption of Bonds and the release of moneys from the Trust Estate; initiation or extension of any Recycling Period; and extension of any Acquisition Period. The Indenture also requires that the Authority make each Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission.

“Rating Agency Confirmation” means a letter or press release or other written release from each Rating Agency rating any of the Bonds confirming that its Ratings on the Bonds will not be reduced, withdrawn, conditioned or placed under review with negative implications as a result of a Proposed Action to be taken by the Authority. “Rating Agency Notification” means, with respect to a Proposed Action, that the Authority shall have given written notice of such Proposed Action to each Rating Agency then rating the Bonds at least 20 Business Days prior to the proposed effective date thereof. “Proposed Action” means any proposed action, failure to act or other event which, under the terms of the Indenture, is conditional upon a Rating Agency Notification or a Rating Agency Confirmation. For those Proposed Actions that may be taken upon making a Rating Agency Notification, if the Authority provides the required Rating Agency Notification, it may act as proposed in the Proposed Action even if such action would result in a change in the rating on the Bonds. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto and the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

Certain Risk Factors

Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay the principal of and interest on the Series 2023A Senior Tax-Exempt Bonds, and which could have an effect on the market price of the Series 2023A Senior Tax-Exempt Bonds in the future to an extent that cannot be determined at the present time. See the caption “CERTAIN RISK FACTORS” herein. Each prospective purchaser of Series 2023A Senior Tax-Exempt Bonds should read this entire Official Statement, including the Appendices attached hereto.

Amendments to the Master Indenture

In connection with the issuance of the Series 2023A Senior Tax-Exempt Bonds and pursuant to the terms of the Master Indenture, the Authority has proposed and approved certain amendments to the definition of “Investment Securities” in the Master Indenture relating to guaranteed investment contracts (the “Amendments”). As amended, “Investment Securities” will include guaranteed investment contracts providing for the investment of funds in an account or insuring a minimum rate of return on investments of such funds, which contract must: (i) be an obligation of or guaranteed by an insurance company or other corporation or financial institution whose debt obligations or insurance financial strength or claims paying ability are rated no lower than “A-” by S&P (or such other lower credit rating provided that the Authority

has satisfied the Rating Agency Notification), provided further that if there is a downgrade below “A-” (or such other lower credit rating provided that the Authority has satisfied the Rating Agency Notification) by S&P, the Authority shall replace or cause to be replaced the provider within 90 days of such downgrade at no cost to the Trust Estate; and (ii) provide that the Trustee may exercise all of the rights of the Authority under such contract without the necessity of the taking of any action by the Authority.

By their purchase of the Series 2023A Senior Tax-Exempt Bonds, each original purchaser (collectively, representing owners of not less than a majority of the collective aggregate principal amount of the Outstanding Bonds issued under the Master Indenture) and each subsequent holder thereof consent, and shall be deemed to have consented, to the Amendments. Such consent will be effective on the date of issuance of the Series 2023A Senior Tax-Exempt Bonds, will be binding on any subsequent purchaser of the Series 2023A Senior Tax-Exempt Bonds, and may not be revoked after the issuance of the Series 2023A Senior Tax-Exempt Bonds.

THE SERIES 2023A SENIOR TAX-EXEMPT BONDS

General Terms of the Series 2023A Senior Tax-Exempt Bonds

The Series 2023A Senior Tax-Exempt Bonds will bear interest from the Closing Date. Interest will be payable on June 1 and December 1 of each year, commencing June 1, 2024 (each, an “Interest Payment Date”), to the Registered Owners of the Series 2023A Senior Tax-Exempt Bonds as of the record date, which is the Business Day immediately preceding an Interest Payment Date. The Series 2023A Senior Tax-Exempt Bonds will bear interest at the interest rates per annum, and will mature on June 1 in each of the years and in the principal amounts shown on the inside front cover of this Official Statement. Interest on the Series 2023A Senior Tax-Exempt Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Series 2023A Senior Tax-Exempt Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Individual purchases of the Series 2023A Senior Tax-Exempt Bonds will be made in book-entry form only. Purchasers of the Series 2023A Senior Tax-Exempt Bonds will not receive certificates representing their interest in the Series 2023A Senior Tax-Exempt Bonds purchased. See the caption “Book-Entry-Only System” below.

Redemption Provisions

The Indenture sets forth the provisions for the redemption of the Series 2023A Senior Tax-Exempt Bonds prior to maturity, as described below. The Trustee shall provide notice of the redemption of Series 2023A Senior Tax-Exempt Bonds in accordance with the provisions described under the caption “Notice and Effect of Redemption” below.

Optional Redemption. The Series 2023A Senior Tax-Exempt Bonds maturing on June 1, 2043 (the “Series 2023A Senior Tax-Exempt Term Bonds”) are subject to redemption prior to maturity at the option of the Authority from moneys in the Revenue Fund and any other source available therefor in accordance with the Indenture, in whole or in part, at any time, commencing June 1, 2033, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date.

Optional Redemption from Excess Revenue. The Series 2023A Senior Tax-Exempt Term Bonds are subject to redemption prior to maturity, in whole or in part, in any Authorized Denominations, at the option of the Authority, on any Interest Payment Date, from Excess Tax-Exempt Revenue or Excess

Taxable Revenue (if any), as directed pursuant to an Authority Order, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds.

“Excess Tax-Exempt Revenue” means, generally, any funds remaining in the Tax-Exempt Account of the Revenue Fund at the end of a month after all transfers required or permitted by the Indenture for payment of required payments to the federal government to meet the “rebate” requirements of the federal tax laws, Senior Transaction Fees, Debt Service on Tax-Exempt or Taxable Bonds, replenishment of debt service reserve funds and any funds the Authority elects to use to finance Eligible Loans. See paragraphs (a) through (k) in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Revenue Fund—Tax-Exempt Account” for the specific transfers to be made from the Tax-Exempt Account of the Revenue Fund at the end of a month before remaining Revenues are “Excess Tax-Exempt Revenue.”

“Excess Taxable Revenue” means, generally, any funds remaining in the Taxable Account of the Revenue Fund at the end of a month after all transfers required or permitted by the Indenture for payment of required payments to the federal government to meet the “rebate” requirements of the federal tax laws (to the extent moneys in the Tax-Exempt Revenue Fund are not available therefor), Senior Transaction Fees, Debt Service on Taxable or Tax-Exempt Bonds, replenishment of debt service reserve funds and any funds the Authority elects to use to finance Eligible Loans. See paragraphs (a) through (k) in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—FUNDS—Revenue Fund—Taxable Account” for the specific transfers to be made from the Taxable Account of the Revenue Fund at the end of a month before remaining Revenues are “Excess Taxable Revenue.”

Mandatory Redemption from Excess Revenue. The Series 2023A Senior Tax-Exempt Term Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date from Excess Tax-Exempt Revenue and Excess Taxable Revenue (if any), at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds. In addition, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate principal amount of all Bonds Outstanding under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then the Authority is required to use all Excess Tax-Exempt Revenue and all Excess Taxable Revenue to mandatorily redeem Bonds subject to such redemption as described above. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF SERIES 2023 SUPPLEMENTAL INDENTURE—Transfer of Excess Revenue” and “APPENDIX E—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2023A SENIOR TAX-EXEMPT TERM BONDS” attached hereto.

Mandatory Redemption from Unexpended Proceeds. The Series 2023A Senior Tax-Exempt Bonds are subject to mandatory redemption on any date not later than 60 days after each respective date set forth in the following acquisition schedule (the “Acquisition Schedule”) to the extent that the amounts deposited to the Series 2023A Acquisition Subaccount of the Tax-Exempt Account of the Student Loan Fund on the Closing Date (and not used to pay costs of issuing the Series 2023A Senior Tax-Exempt Bonds) have not been used to finance Eligible Loans in accordance with the Acquisition Schedule:

Acquisition Schedule⁽¹⁾

Date	Amount to be Financed
April 1, 2024	\$10,000,000
End of Acquisition Period	42,122,025 ⁽²⁾

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

⁽²⁾ Includes amount to be financed by April 1, 2024.

The amount of Series 2023A Senior Tax-Exempt Bonds to be redeemed pursuant to the unexpended proceeds redemption will be equal to the difference between the amounts deposited to the Series 2023A Acquisition Subaccount of the Tax-Exempt Account of the Student Loan Fund on the Closing Date and to be used to finance Eligible Loans and the amount required to be used to finance Eligible Loans in the Acquisition Schedule (the “Unexpended Amounts”); provided, however, with respect to the amount required to be used to finance Eligible Loans by the end of any such period and the end of the Acquisition Period, the amount set aside to finance an Eligible Loan that has been approved, but not been disbursed by the applicable date (“Approved Undisbursed Loans”) shall be deemed to have been used to finance such Approved Undisbursed Loans by the end of any such period. To the extent that the Authority shall have approved the acquisition of and certified to the Trustee the aggregate principal amount of any Approved Undisbursed Loans to be financed after the end of the Acquisition Period, an amount up to the amount of such Approved Undisbursed Loans so certified (but not with respect to any amount in excess thereof) shall be used by the Authority to finance such Approved Undisbursed Loans until the earlier of the date on which the Authority has (a) financed the Approved Undisbursed Loans, or (b) certified to the Trustee that such amounts remaining in the Tax-Exempt Account of the Student Loan Fund are no longer needed therefor, at which time any such remaining amount shall be used by the Authority to redeem Series 2023A Senior Tax-Exempt Bonds. Each amount set forth under the caption “Amount to be Acquired” in the Acquisition Schedule shall be reduced by the principal amount of any Series 2023 Tax-Exempt Bonds previously redeemed as described in this caption.

In the case of any such mandatory redemption from Unexpended Amounts, the Series 2023A Tax-Exempt Term Bonds will be redeemed first, and thereafter the remaining Series 2023A Tax-Exempt Bonds will be redeemed on a pro rata basis, unless the Authority directs that the Series 2023A Tax-Exempt Bonds be redeemed in another manner and certifies to the Trustee that, after consideration of the expected availability of Revenues, the expected expenses and the anticipated debt service on the Bonds through the final Stated Maturity thereof, funds shall remain available to pay debt service on the Bonds when due and all associated expenses from the Revenues of the Trust Estate on a timely basis after giving effect to such redemption.

Upon a redemption from Unexpended Amounts, the Series 2023A Tax-Exempt Bonds to be redeemed will be redeemed at a redemption price equal to (i) in the case of Series 2023A Senior Tax-Exempt Bonds other than the Series 2023A Senior Tax-Exempt Term Bonds (“Series 2023A Senior Tax-Exempt Premium Bonds”), the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, plus the applicable Unamortized Premium; and (ii) in the case of the Series 2023A Senior Tax-Exempt Term Bonds, the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date. The “Unamortized Premium” for a Series 2023A Senior Tax-Exempt Premium Bond shall be the amount, as determined by the Authority, equal to the excess amount over 100% of the amortized value as of the redemption date of the Series 2023A Senior Tax-Exempt Premium Bond to be redeemed, using the applicable yield of the Series 2023A Senior Tax-Exempt Premium Bond, semi-annual compounding and a 360-day year consisting of twelve 30-day months.

The redemption date will be the earliest practicable date for which the required notice of redemption may be given, but in no event later than 60 days after the related date set forth in the Acquisition Schedule.

Mandatory Redemption from Moneys in the Capitalized Interest Fund. The Series 2023A Senior Tax-Exempt Term Bonds are subject to mandatory redemption on any date not later than 60 days after December 1, 2026 from any money remaining in the Series 2023A Subaccount of the Tax-Exempt Account of the Capitalized Interest Fund on December 1, 2026, at a redemption price equal to 100% of the principal amount being redeemed, without premium, plus accrued interest to but not including the redemption date with respect to such Bonds. The redemption date shall be the earliest practicable date for which the required notice of redemption may be given.

Extraordinary Redemption to Avoid an Event of Default. The Series 2023A Senior Tax-Exempt Bonds are subject to extraordinary redemption by the Authority, upon the written direction of an Authorized Representative, in whole or in part, on any Interest Payment Date, in such maturities and amounts as may be directed by the Authority and by lot within each maturity, in an aggregate amount deemed by the Authority to be necessary to avoid an Event of Default under the Indenture. If such an extraordinary redemption event occurs, (a) in the case of the Series 2023A Senior Tax-Exempt Premium Bonds, the redemption price shall equal the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date, plus the Unamortized Premium; and (b) in the case of the Series 2023A Senior Tax-Exempt Term Bonds, the redemption price shall equal the principal amount thereof, together with accrued interest thereon, if any, to but not including the redemption date.

Selection of Series 2023A Senior Tax-Exempt Bonds to be Redeemed. If less than all of the Series 2023A Senior Tax-Exempt Bonds are to be redeemed, the Trustee will notify DTC of the particular amount of a Stated Maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such Stated Maturity to be redeemed, and each participant will then select by lot the beneficial ownership interests in such Stated Maturity to be redeemed. If the Series 2023A Senior Tax-Exempt Bonds are not in book-entry form, the Trustee will determine the Series 2023A Senior Tax-Exempt Bonds of such Stated Maturity to be redeemed by lot or in such other manner the Trustee deems fair and reasonable. No redemption, however, shall cause the Series 2023A Senior Tax-Exempt Bonds of any Stated Maturity that remain outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result.

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

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2023A Senior Tax-Exempt Bonds. The Series 2023A Senior Tax-Exempt Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2023A Senior Tax-Exempt Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Payments of principal and interest on the Series 2023A Senior Tax-Exempt Bonds, notices of redemption, communications to

beneficial owners of the Series 2023A Senior Tax-Exempt Bonds and all other matters relating to the ownership of beneficial interests in the Series 2023A Senior Tax-Exempt Bonds will be carried out under the rules and procedures of DTC. See “APPENDIX F—BOOK-ENTRY-ONLY SYSTEM WITH DEPOSITORY TRUST COMPANY.”

THE TRUSTEE

The Bank of New York Mellon Trust Company, N.A. is a national banking association with an address at Suite 6200B, Floor 62, Mailbox #44, 311 South Wacker Drive, Chicago, Illinois 60606, Attention: Corporate Trust Administration. The Bank of New York Mellon Trust Company, N.A. has acted as trustee on numerous asset-backed transactions, including the structure of the transaction referred to herein. While the structure of each transaction may differ, The Bank of New York Mellon Trust Company, N.A. is experienced in administering transactions of this kind.

In the ordinary course of business, The Bank of New York Mellon, The Bank of New York Mellon Trust Company, N.A., and BNY Mellon Trust of Delaware (collectively, “BNY Mellon”) are named as a defendant in legal actions. In connection with its role as trustee of certain residential mortgage-backed securitization (“RMBS”) transactions, BNY Mellon has been named as a defendant in a number of legal actions brought by RMBS investors. These lawsuits allege that the trustee had expansive duties under the governing agreements, including the duty to investigate and pursue breach of representation and warranty claims against other parties to the RMBS transactions. While it is inherently difficult to predict the eventual outcomes of pending actions, BNY Mellon denies liability and intends to defend the litigations vigorously.

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

Under the Indenture, The Bank of New York Mellon Trust Company, N.A. will act as Trustee for the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, and will act on behalf of the Registered Owners and represent their interests in the exercise of their rights under the Indenture. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—THE TRUSTEE” attached hereto for additional information regarding the responsibilities of the Trustee.

CERTAIN RISK FACTORS

Potential investors in the Series 2023A Senior Tax-Exempt Bonds should consider the following risk factors together with all other information in this Official Statement in deciding whether to purchase the Series 2023A Senior Tax-Exempt 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 2023A Senior Tax-Exempt Bonds and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Series 2023A Senior Tax-Exempt Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future. Except as specifically provided in the Indenture with respect to Subordinate Bonds and Senior-Subordinate Bonds, all Bonds, including the Series 2023A Senior Tax-Exempt Bonds, will be equally and ratably secured by all Financed Eligible Loans and other assets comprising the Trust Estate.

Limited Obligations

The Bonds, including the Series 2023A Senior Tax-Exempt Bonds, are limited, not general, obligations of the Authority secured solely by and payable solely from the Trust Estate, including all Revenues and moneys and securities on deposit in any of the Funds and Accounts or Subaccounts thereof established by the Indenture (other than the Rebate Fund and the Operating Fund), including the investments, if any, thereof (other than earnings and income derived from amounts on deposit in the Rebate Fund and the Operating Fund), subject to the application thereof to the purposes and on the conditions permitted by the Indenture. Neither the full faith and credit nor the taxing power of the State of North Carolina or any agency or political subdivision thereof is pledged for the payment of the Series 2023A Senior Tax-Exempt Bonds. The Authority's obligations, including any Bonds, are not general, special or moral obligations of the State of North Carolina. The Authority is not authorized under the Indenture or laws of the State of North Carolina to create, and the Series 2023A Senior Tax-Exempt Bonds do not constitute, public debt of the State of North Carolina or any agency or political subdivision thereof within the meaning of the North Carolina Constitution or laws of the State of North Carolina or debt of the State of North Carolina or any agency or political subdivision thereof for any other purpose whatsoever. Holders of the Series 2023A Senior Tax-Exempt Bonds shall never have the right to demand payment thereof out of money raised or to be raised by taxation. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS—Trust Estate" attached hereto.

Payment of principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, is primarily dependent upon collections on the Financed Eligible Loans. If the combined payment of principal of and interest on the Financed Eligible Loans does not at least equal the amounts necessary to pay, when due, interest with respect to the Bonds, principal of the Bonds, payment of all related Rebate Amounts and Excess Earnings to the U.S. Treasury and expenses relating to the servicing of the Financed Eligible Loans and administration of the Indenture, the Authority may have insufficient funds to repay the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

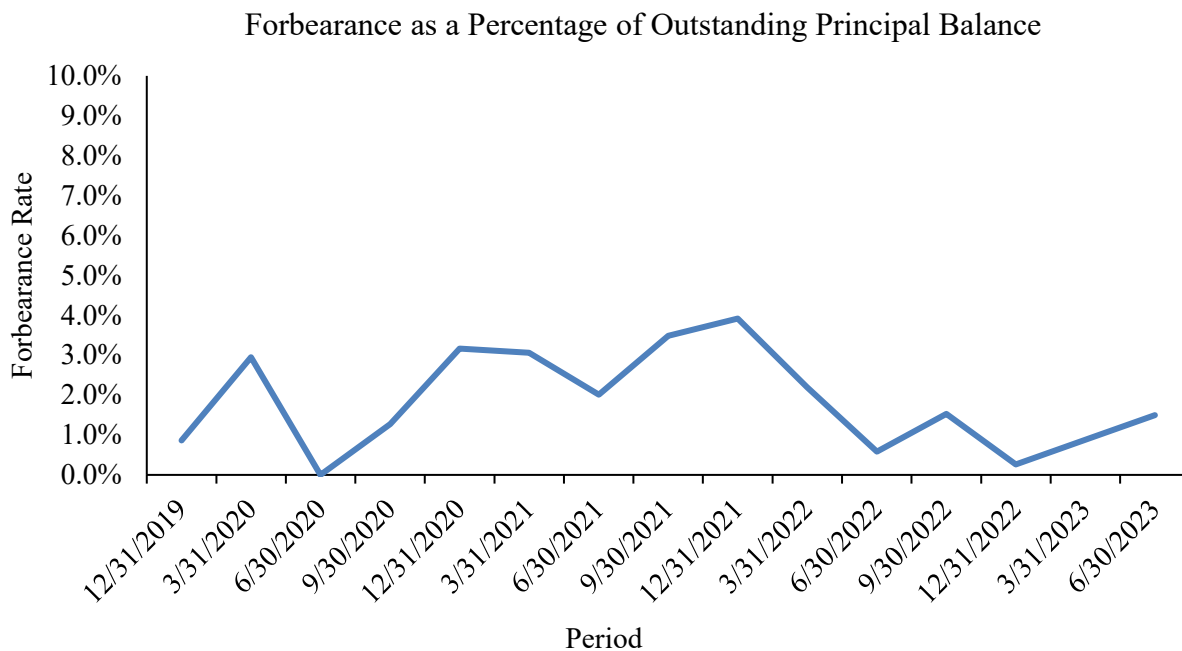
An Outbreak Similar to the COVID-19 Pandemic Could Adversely Affect the Value of the Series 2023A Senior Tax-Exempt Bonds or Borrowers' Ability to Repay Their Financed Eligible Loans

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, spread globally, including throughout the United States and in North Carolina, and was declared a pandemic by the World Health Organization in 2020. In response to the pandemic, international, federal, state and local governments, as well as private organizations, implemented numerous measures intended to mitigate the spread and effects of COVID-19. Individuals and businesses altered their behavior to adapt to such measures and to respond to the spread of COVID-19. The spread of any illness similar to COVID-19 and its variants, the mitigation measures implemented, including potential business closures, travel restrictions, and workforce reductions and furloughs, and related behavioral adaptations could cause disruption in global, national, and local economies, as well as global financial markets, and significant volatility in the U.S. capital markets.

The Authority cannot predict the long-term economic effects of any pandemic, including its effects on borrowers. Additional outbreaks of COVID-19 and its variants or other illnesses and further actions or extensions of actions taken to limit such outbreaks and their economic effects could lead to further disruptions in economic activities, the financial markets, and the global economy in general. As a result, there may be a delay in, or reduction of, total education loan collections that might materially and adversely affect the ability of the Authority to pay the principal of and interest on the Bonds, including the

Series 2023A Senior Tax-Exempt Bonds, and related fees and the repayment of the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, prior to their maturity.

In response to the COVID-19 pandemic, the Authority adapted its forbearance policy for the Program. To allow borrowers time to recover from the economic impacts of COVID-19, the Authority specifically authorized the Foundation to grant, automatically, a non-capping administrative forbearance to cover any prior delinquency and payments due between March 13, 2020, and June 11, 2020, for borrowers with Eligible Loans that were 31 or more days past due (the “COVID-19 Special Forbearance”). In addition, the Foundation processed non-capping administrative forbearance for any other borrower covering the same three-month period upon request. Forbearance utilization has returned to pre-pandemic levels with forbearance utilization of approximately 1.5% in June 2023. The percentage of Financed Eligible Loans that were in forbearance as a percentage of principal in repayment at the end of each quarter from December 2019 through June 2023 is shown in the chart below, beginning with approximately 0.9% in December 2019:



Any increase in forbearance utilization, as well as in delinquencies and defaults, could adversely affect the amount of collections on the Financed Eligible Loans, which in turn may cause losses on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds. Financed Eligible Loans in forbearance status prevents such loans from becoming delinquent or defaulted for reporting or other purposes. See the caption “THE FINANCED ELIGIBLE LOANS” herein.

There can be no assurance that future local, state or federal legislation intended to mitigate the economic effects of a pandemic, or otherwise, will not directly or indirectly affect the Financed Eligible Loans or the Authority. Federal, state and local governments adopted with respect to COVID-19, and may further adopt with respect to a future outbreak, laws, regulations, executive orders and policy statements that required or encouraged financial services companies to make accommodations to borrowers affected by a pandemic. Accommodations may include allowing borrowers to forego making scheduled payments for some period of time, requiring loan modifications such as payment deferrals or extensions of repayment terms, waivers of amounts due or past due, and restrictions on collection activities and enforcement of

remedies. Such actions could adversely affect the Authority’s ability to pay principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

The extent to which a future pandemic may affect the Bonds, including the Series 2023A Senior Tax-Exempt Bonds will largely depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of such pandemic and the actions taken to contain it or alleviate its effects. The Authority cannot predict how legal and regulatory responses to a pandemic and related economic problems would affect the Authority or the Bonds, including the Series 2023A Senior Tax-Exempt Bonds. However, any of the foregoing could have a negative impact on the performance of the Financed Eligible Loans and, as a result, there could be delays in payments or losses on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

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

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

Redemption of Series 2023A Senior Tax-Exempt Bonds

The Series 2023A Senior Tax-Exempt Term Bonds are subject to redemption prior to maturity as a result of certain Excess Tax-Exempt Revenue and Excess Taxable Revenue (collectively, “Excess Revenue”). Excess Revenue may result from Financed Eligible Loan payment performance that meets or exceeds or otherwise varies from assumptions utilized by the Authority for purposes of structuring the Series 2023A Senior Tax-Exempt Bonds. Financed Eligible Loans are subject to prepayment without penalty which may contribute to the creation of Excess Revenue. Numerous sources of prepayment, including refinancing loans, are available to borrowers of Financed Eligible Loans. See the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions” herein.

In addition, the Series 2023A Senior Tax-Exempt Bonds are subject to redemption if, and to the extent that, the Authority does not apply the full amount of the Series 2023A Senior Tax-Exempt Bond proceeds by certain dates during the Acquisition Period, as described herein. The Authority currently expects that the Eligible Loans to be financed by the Authority with the proceeds of the Series 2023A Senior Tax-Exempt Bonds during the Acquisition Period will bear interest, and will offer other terms and conditions, that are competitive with loans that are currently made available by other lenders to eligible borrowers. However, interest rates and other terms may change significantly during the Acquisition Period. In addition, numerous other factors may affect the demand for Eligible Loans during the Acquisition Period. Accordingly, there can be no assurance that the Authority will, in fact, apply the full amount of funds that will be available to it by certain dates and during the Acquisition Period to finance Eligible Loans, and such non-origination would likely result in redemption of certain of the Series 2023A Senior Tax-Exempt Bonds. See the captions “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions” herein and “APPENDIX F—WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2023A SENIOR TAX-EXEMPT TERM BONDS” hereto.

The Financed Eligible Loans May Be Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are generally non-dischargeable, unless excepting a loan from discharge would impose an undue hardship on the debtor and the debtor's dependents. A number of bankruptcy reform proposals that would alter the treatment of student loans similar to the Financed Eligible Loans under the Bankruptcy Code have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the exceptions to the current general nondischargeability of student loans in bankruptcy. In addition, bankruptcy courts may interpret the exception for undue hardship on the debtor for dischargeability more liberally than historic judicial precedent. If judicial interpretations become more lenient, a greater number of education loans may satisfy the existing undue hardship exception and become dischargeable under existing law. No assurance can be given as to whether bankruptcy reform legislative proposals will be enacted at the federal level or whether judicial interpretations may change, in each case, in a manner that might affect the Authority's ability to enforce collection of the Financed Eligible Loans. The discharge of a significant amount of the Financed Eligible Loans could adversely affect the ability of the Authority to pay principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

Possible Future Changes in Federal Law and Regulations

There are from time to time proposed changes at the federal level, which if pursued, could have an adverse effect on student loan issuers, such as the Authority. Such proposed changes include, but are not limited to, the following: a student loan borrower's ability to discharge a student loan under the U.S. Bankruptcy Code without the need to show undue hardship, including bills proposing to amend Title 11 of the United States Code to make student loans dischargeable or to liberalize the exceptions to the current general nondischargeability of private student loans in bankruptcy; legislation that would increase borrowing availability under federal programs which could potentially reduce borrowing under private student loan programs or create new opportunities for borrowers to refinance their private student loans with federally subsidized loans; and various tax and budgetary changes which could impact the Authority. Additionally, administrative agencies charged with implementation of existing laws have the ability to adversely impact the Authority, for example, through the Consumer Protection Finance Board's ("CFPB") use of authority to regulate student lending. In addition, legislation or executive action providing for the cancellation or prepayment of student loans made under the Federal Direct Student Loan Program and the Federal Family Education Loan Program ("FFEL Program") by the federal government have been proposed.

The Authority cannot predict whether any or all of these proposals will become effective. Furthermore, there can be no assurance that any future federal law or regulation will not prospectively or retroactively affect the terms and conditions under which student loans are made in a manner that might adversely affect the ability of the Authority to pay the principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, when due.

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

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Certain of these requirements may apply to originators such as the Authority and may result in both liability for penalties for violations and a material adverse effect upon the enforceability of the Financed Eligible Loans. For example, federal law

such as the Truth-in-Lending Act can impose statutory damages on assignees and defenses to enforcement of the Financed Eligible Loans, if errors were made in disclosures that must be made to borrowers. Certain state disclosure laws, such as those protecting cosigners, may also affect the enforceability of the Financed Eligible Loans if appropriate disclosures were not given or records of those disclosures were not retained. If the interest rate on the Financed Eligible Loans in question exceeds applicable usury laws, that violation could materially adversely affect the enforceability of the Financed Eligible Loans.

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

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

The CFPB or other federal, state, and local regulators may adopt new laws and regulations that may reduce the Authority's revenues, cause its expenses to increase and/or require it to substantially modify its business practices. Additionally, further regulation by Congress, State legislatures or regulatory agencies, or changes in the regulatory application or judicial interpretation of existing laws and regulations applicable to consumer lending, could make it more difficult for Servicers to collect payments on the Financed Eligible Loans or otherwise affect the manner in which Servicers conduct their business. The regulatory environment in which financial institutions, creditors and servicers operate has become increasingly complex.

The Financed Eligible Loans are subject to a variety of consumer protection laws, including but not limited to:

- the Federal Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to borrowers regarding the terms of their loans;
- the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination in the extension of credit on certain bases;
- the Federal Fair Credit Reporting Act, which regulates the use and reporting of information related to applicants' credit histories;
- the Telephone Consumer Protection Act, which regulates the use of automated telephone dialing systems to contact cellphones (including via text messages);
- the Federal Trade Commission Act, the Dodd-Frank Act, and analogous state laws, which prohibit unfair, deceptive or abusive acts or practices in connection with consumer financial products or services;

- the Federal CAN-SPAM Act and the Telemarketing Sales Rule, and analogous state laws, to the extent that an entity markets credit or other products and services by use of email or telephone marketing;
- the federal Fair Debt Collection Practices Act and state fair debt collection practices acts, many of which regulate debt collection practices and prohibit certain practices in collecting, and attempting to collect, outstanding consumer loans;
- the privacy provisions of the Gramm-Leach-Bliley Act and the Federal Affiliate Marketing Rule, and analogous state laws, such as the California Financial Information Privacy Act and the California Consumer Privacy Act, which regulate financial institutions' use and disclosure of nonpublic personal information about consumers and require certain safeguards with respect to personal customer information;
- the Bankruptcy Code, which limits the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection;
- the Servicemembers' Civil Relief Act, as described under "Military Service Obligations, Natural Disasters and Pandemics" herein;
- the Military Lending Act, which mandates certain notices to certain borrowers who are members of the armed forces or their dependents, and prohibits certain terms and practices with respect to loans made to such borrowers;
- the Federal Electronic Fund Transfer Act and Regulation E promulgated thereunder, which regulate the use of electronic transfers for customer payments and provide disclosure requirements, guidelines and other restrictions on the electronic transfer of funds to and from consumers' bank accounts; and
- the Electronic Signatures in Global and National Commerce Act ("E-SIGN") and similar state laws, including, without limitation, the Uniform Electronic Transactions Act ("UETA"), which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures and govern the circumstances in which a person may electronically provide disclosures otherwise required to be in writing.

The Financed Eligible Loans may also become subject to a number of laws adopted or that may be adopted in the future in connection with a pandemic as described under "An Outbreak Similar to the COVID-19 Pandemic Could Adversely Affect the Value of the Series 2023A Senior Tax-Exempt Bonds or Borrowers' Ability to Repay their Financed Eligible Loans" herein.

The federal and state consumer protection laws, rules and regulations applicable to the solicitation and advertising for, underwriting of, granting, servicing and collection of personal loans, and the protection of sensitive customer data, frequently provide for administrative penalties, as well as civil (and in some cases, criminal) liability resulting from their violation. An administrative proceeding, litigation, investigation or regulatory action relating to one or more allegations or findings of the violation of such laws by the Authority, the Foundation, other parties to the transaction or any of their respective affiliates (whether by an administrative agency, a borrower or a group or class of borrowers), could result in modifications in any such entity's methods of doing business which could impair such entity's ability to service or collect the Financed Eligible Loans or result in the requirement that the aforementioned parties pay damages and/or cancel the balance or other amounts owing under a Financed Eligible Loan associated with such violations.

The Authority and the Foundation operate in an environment of heightened political and regulatory scrutiny of education loan lending, servicing and originations. The rising cost of higher education, questions regarding the quality of education provided, particularly among for-profit institutions, and the increasing level of student loan debt in the United States have prompted this heightened and ongoing scrutiny. This environment could lead to further laws and regulations applicable to, or limiting, the Authority's or the Foundation's activities. For instance, over the last several years, numerous proposals on spending have been discussed by executive branch officials and political candidates, and/or introduced by legislators, to make higher education "free" or "substantially free." Some proposals have included the potential forgiveness of substantial amounts of existing outstanding student loan indebtedness. Also, various states have proposed and/or enacted legislation providing for "free" or "substantially free" higher education to residents of the state having incomes below a certain level and who attend publicly funded universities in the state. Moreover, since 2010, a number of bills have been introduced in the United States Congress to promote federal financing for consolidation or refinancing of existing student loans. The regulatory environment at the state level has shifted such that many states recently have enacted new legislation specifically restricting the conduct and practices of student loan servicers. The enactment of the proposed legislation or policies described above, even if they do not apply specifically to Financed Eligible Loans, could have a material adverse impact on the Authority's or the Foundation's activities, financial condition or results of operations, or impair collections on the Financed Eligible Loans. This is particularly true given the COVID-19 pandemic, which caused federal, state, and local governments to consider (and in some cases enact) laws, regulations, executive orders, or other guidance that allow borrowers to forego making scheduled payments for some period of time, require modifications to the loans (e.g. waiving accrued interest), or preclude creditors from exercising certain rights.

Electronic Based Loan Servicing and Origination

The Authority and the Foundation use electronic and internet-based loan origination, servicing and collection processes. These electronic and internet-based processes may entail greater risks than would paper-based loan origination, servicing and collection processes, including risks in connection with compliance with consumer protection laws and challenges as to authenticity of documents. Such electronic and internet-based processes are also subject to certain cybersecurity risks including, but not limited to, data breaches. If any of these factors were to (i) cause certain provisions of the Financed Eligible Loans to be unenforceable against the borrowers, (ii) create liability of the Authority to borrowers with respect to data breaches or (iii) otherwise have a material adverse effect on the Authority's operation of the Program, the ability of the Authority to make principal and interest payments on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, may be adversely affected.

Privacy, Data Protection and Cybersecurity Laws

The Authority is also subject to a dynamically changing landscape of privacy, data protection, and cybersecurity laws, regulations, and requirements. Various federal and state regulators, including governmental agencies, have adopted, or are considering adopting, laws and regulations regarding personal information and data privacy and security. This patchwork of legislation and regulation may lead to conflicts or differing views of personal privacy rights. State laws regarding personal information may be broader in scope or more stringent than federal laws or the laws of other states regarding personal information. The enactment of new federal data protection and privacy laws also is possible and could impact the Authority and its activities. The Securities and Exchange Commission ("SEC") recently adopted rules regarding the public reporting of certain cybersecurity events.

Violations of, or changes in, federal or state consumer protection, privacy, data protection, or cybersecurity laws or related regulations, or in the prevailing interpretations thereof, may expose the Authority to litigation, administrative fines, penalties and restitution, result in greater compliance costs,

constrain the marketing and origination of Eligible Loans or other products, adversely affect the collection of balances due on the loan assets held by the Authority, or otherwise adversely affect the Authority's business. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations, as well as increased intensity in compliance and supervision activities, often impose additional compliance costs. Accordingly, the Authority could incur substantial additional expense complying with these requirements and may be required to create new processes and information systems.

Military Service Obligations, Natural Disasters and Pandemics

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

The number and aggregate principal balance of the Financed Eligible Loans that may be affected by the application of these statutes and other guidelines will not be known at the time the Series 2023A Senior Tax-Exempt Bonds are issued. If a substantial number of borrowers of the Financed Eligible Loans become eligible for the relief under these statutes and other guidelines, or any actions Congress may take to respond to natural disasters, there could be an adverse effect on the total collections on those Financed Eligible Loans and the Authority's ability to provide for payments of principal and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

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

Pursuant to the Relief Act, student loan borrowers who enter military service shall not incur interest in excess of 6% per year during their military service. Any interest greater than 6% is forgiven by the Authority. The Authority does not know how many of the Financed Eligible Loans may be affected by the application of the Relief Act. Payments on the Financed Eligible Loans may be delayed as a result of these requirements, which may reduce the funds available to pay principal and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

Federal Financial Regulatory Legislation May Affect the Series 2023A Senior Tax-Exempt Bonds

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

The Dodd-Frank Act affects the Authority's student loan portfolio securitization financing transactions which result in the issuance of asset-backed securities. In December 2014, the SEC and federal banking agencies published final regulations, effective December 24, 2016, for issuers of student loan asset-backed securities, requiring issuers of asset-backed securities or persons who organize and initiate asset-backed securities transactions to retain a portion of the underlying assets' credit risk. The Authority is, however, currently exempt from such credit risk regulations. In addition, the SEC approved changes to the rules applicable to issuers and sponsors of asset-backed securities under the Securities Act and the Securities Exchange Act of 1934, as amended, which substantially revise Regulation AB and other rules governing the offering process, disclosure and reporting for asset-backed securities issued in registered and certain unregistered transactions. It is not clear how the revisions to Regulation AB will be implemented, and to what extent the Authority may be affected. No assurance can be given that the standards contained in the amended Regulation AB will not have an adverse impact on the Authority or on the value or marketability of the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

The Dodd-Frank Act gave the CFPB authority to supervise private education lenders. In addition, the CFPB adopted a rule in December 2013 that enables it to federally supervise certain non-bank student loan servicers that service more than one million borrower accounts, to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The rule covers both federal and private student loans. The Foundation, the current Servicer, does not currently service more than one million student loan borrower accounts. If the Foundation or any other Servicer of the Authority's loans becomes subject to this requirement and the CFPB were to determine that the Foundation or other Servicer is not in compliance, it is possible that this could result in material adverse consequences to such Servicer, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in a Servicer's business practices, or other actions. However, it is not possible to estimate at this time any potential financial or other impact to any of the Authority, the Administrator or a Servicer, including any impact on its ability to satisfy its obligations with respect to the Financed Eligible Loans to be pledged to the Indenture, that could result from the CFPB's examinations, in the event that any adverse regulatory actions occur.

In addition to its supervisory authority, the CFPB has broad authority to enforce compliance with federal consumer financial laws applicable to private student lenders and student loan servicers, including the Dodd-Frank Act's prohibition on unfair, deceptive or abusive acts or practices, by conducting investigations and hearings, imposing monetary penalties, collecting fines and requiring consumer restitution in the event of violations. It may also bring a federal lawsuit or administrative proceeding. In early 2022, the CFPB announced that it will step up its enforcement of non-bank financial entities when the CFPB believes such entities pose risks to consumers. The CFPB also announced new procedural rules to investigate non-bank financial institutions and enforce determinations in both civil and administration adjudications.

In December 2013, banking regulators and other agencies principally responsible for banking and financial market regulation in the United States also implemented the final rule under the so-called Volcker Rule under the Dodd-Frank Act, which in general prohibits "banking entities" (as defined therein) from (a) engaging in proprietary trading; (b) acquiring or retaining an ownership interest in or sponsoring certain hedge funds, private equity funds (broadly defined to include any entity that would be an investment company under the Investment Company Act but for the exemptions provided in Section 3(c)(1) or 3(c)(7) of the Investment Company Act) and certain similar funds; and (c) entering into certain relationships with such funds. Although the Authority does not rely upon the exemptions in Section 3(c)(1) or 3(c)(7) of the Investment Company Act for an exemption from being an investment company under the Investment Company Act and, as such, is not a covered fund, the general effects of the final rules implementing the Volcker Rule remain uncertain. Any prospective investor in the Series 2023A Senior Tax-Exempt Bonds,

including a U.S. or foreign bank or an affiliate or subsidiary thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule and regulatory implementation.

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

Investigations and Inquiries of the Student Loan Industry

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

There is no assurance that the Authority, the Administrator or a Servicer will not be subject to inquiries or investigations. While the ultimate outcome of any inquiry or investigation cannot be predicted, it is possible that these inquiries or investigations and regulatory developments may materially affect each of the Authority's or the Administrator's ability to perform its obligations under the Indenture and a Servicer's ability to perform its obligations with respect to the Financed Eligible Loans or the Authority's ability to pay principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, from assets in the Trust Estate.

Potential Risks Related Specifically to the Servicer

The Foundation will initially service all the Financed Eligible Loans. The Authority is dependent on the Foundation to provide certain equipment, software, training and related support with respect to the Financed Eligible Loans serviced by it. See the caption "THE FOUNDATION—The Amended and Restated Contract" herein. In the event of the Foundation's insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer, the Authority may lose its ability to access the software and support provided by the Foundation and delays in collections in respect of those affected Financed Eligible Loans may occur. Any delay in the collections of Financed Eligible Loans may delay payments of principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

Repurchase Obligations

Under certain circumstances the Authority may have the right to require a Servicer under its Servicing Agreement to purchase a Financed Eligible Loan. This right against a Servicer arises generally as the result of a breach of certain covenants with respect to such Financed Eligible Loan in the Servicing Agreement in the event such breach materially adversely affects the interests of the Authority in that Financed Eligible Loan and is not cured within the applicable cure period. The Authority presently has such right against the Foundation under the Amended and Restated Contract. See the caption "THE FOUNDATION—The Amended and Restated Contract" herein. There is no guarantee that the Foundation (or any other Servicer) will have the financial resources to make a purchase or substitution, and if the

Foundation (or other Servicer) is unable to make a required purchase or substitution, investors in the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, will bear any resulting loss.

Risks Relating to Commingling of Payments on Student Loans

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

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

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

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

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

A Secondary Market for the Series 2023A Senior Tax-Exempt Bonds May Not Develop

There currently is no secondary market for the Series 2023A Senior Tax-Exempt Bonds. There is no assurance that any market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. If a secondary market for the Series 2023A Senior Tax-Exempt Bonds does develop, the spread between the bid price and the asked price for the Series 2023A Senior Tax-Exempt Bonds may widen, thereby reducing the net proceeds to an investor from the sale of an investor's Series 2023A Senior Tax-Exempt Bonds. The Authority does not intend to list the Series 2023A Senior Tax-Exempt Bonds on any exchange, including any exchange in either Europe or the United States. Under current market conditions, holders may not be able to sell their Series 2023A Senior Tax-Exempt Bonds when they want to do so, and, as a result, they may be required to bear the financial risks of an investment in the Series 2023A Senior Tax-Exempt Bonds for an indefinite period of time, or they may not be able to obtain the price that they wish to receive. The market values of the Series 2023A Senior Tax-Exempt Bonds may fluctuate and movements in price may be significant.

Events in the global financial markets including those described in the risk factors captioned “—Variety of Factors Affecting Borrowers” and “—An Outbreak Similar to the COVID-19 Pandemic Could Adversely Affect the Value of the Series 2023A Senior Tax-Exempt Bonds or Borrowers’ Ability to Repay their Financed Eligible Loans”; the failure, acquisition or government seizure of major financial institutions; rapid inflation; the establishment of government initiatives such as government bailout programs for financial institutions and assistance programs designed to increase credit availability, support economic activity and facilitate renewed consumer lending; disrupted credit markets; the devaluation of currencies by foreign governments; a slowing growth or recession in the United States or other world economies; the rating agency downgrade of U.S. Treasury bonds and other debt instruments backed by the full faith and credit of the United States or similar downgrades of other European sovereign debt; an European Union member state’s voluntary exit from the European Union, such as the United Kingdom’s discontinuation of its membership in the European Union, have caused, or may in the future cause, a significant reduction in liquidity in the secondary market for asset-backed securities, which could adversely affect the market value of the Series 2023A Senior Tax-Exempt Bonds or limit the ability of an investor to resell its Series 2023A Senior Tax-Exempt Bonds. If U.S. Treasury bonds and other debt instruments backed by the full faith and credit of the United States are further downgraded, the market price and/or the marketability of the Series 2023A Senior Tax-Exempt Bonds could be adversely affected.

As a result, no assurance can be given that the Series 2023A Senior Tax-Exempt Bonds may be sold by a purchaser thereof at any time or at acceptable prices. Therefore, an investment in the Series 2023A Senior Tax-Exempt Bonds should only be made by investors who are able to hold such Series 2023A Senior Tax-Exempt Bonds to maturity notwithstanding the possibility that the Series 2023A Senior Tax-Exempt Bonds may experience a severe reduction in value while held.

Investment Contracts

The Authority may enter into investment agreements or contracts with one or more financial institution counterparties with respect to certain proceeds of the Series 2023A Senior Tax-Exempt Bonds. A default under such an investment agreement could result in a loss that could adversely affect the security for the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, or one or more ratings currently assigned to the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

Uncertainty of Available Remedies

The remedies available to the Trustee or the Registered Owners upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (Federal Bankruptcy Code), the remedies specified by the Indenture or any other applicable transaction documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2023A Senior Tax-Exempt Bonds and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, moratorium, insolvency or other similar laws affecting the rights or remedies of creditors generally.

The Series 2023A Senior Tax-Exempt Bonds May Not Be Repaid on their Respective Final Maturity Dates

The Authority expects that final payment of each Series 2023A Senior Tax-Exempt Bond will occur on or prior to its respective final maturity date. Failure to make final payment of a Series 2023A Senior Tax-Exempt Bond on its respective final maturity date would constitute an Event of Default under the Indenture. However, no assurance can be given that sufficient funds will be available to pay each

Series 2023A Senior Tax-Exempt Bond in full on or prior to its respective final maturity date. If sufficient funds are not available, final payment of a Series 2023A Senior Tax-Exempt Bond could occur later than its respective final maturity date or a Registered Owner could suffer a loss on its investment.

There Will Be No Market Valuation of the Financed Eligible Loans

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

Factors Affecting Sufficiency and Timing of Receipt of Revenues

The Authority expects that the Revenues to be received under the Indenture will be sufficient to pay principal of and interest on the Series 2023A Senior Tax-Exempt Bonds, and any other Bonds issued pursuant to the Indenture, when due and also to pay all Senior Transaction Fees and Subordinate Transaction Fees until the final maturity of the Series 2023A Senior Tax-Exempt Bonds. This expectation is based upon an analysis of cash flow assumptions, which the Authority believes are reasonable and are derived from the Authority's experience in the student loan industry and the expected performance of the Program, regarding the timing of the financing of such Financed Eligible Loans to be held pursuant to the Indenture, the future composition of and yield on the Financed Eligible Loan portfolio, the rate of return on moneys to be invested in various Funds and Accounts under the Indenture, and the occurrence of future events and conditions. For a description of the anticipated composition of the Existing Eligible Loans, see the caption "THE FINANCED ELIGIBLE LOANS" herein. There can be no assurance, however, that Eligible Loans will be financed as anticipated, that interest and principal payments from Financed Eligible Loans will be received as anticipated or that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized. Furthermore, future events over which the Authority has no control may adversely affect the Authority's actual receipt of Revenues pursuant to the Indenture.

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

Delay in the receipt of principal of and interest on Financed Eligible Loans may adversely affect payment of the principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, when due. Principal of and interest on Financed Eligible Loans may be delayed due to numerous factors, including, without limitation: (i) forbearance being granted to borrowers under the Program, (ii) loans becoming delinquent for periods longer than assumed, and (iii) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Eligible Loans expected to be held pursuant to the Indenture.

If actual receipt of Revenues under the Indenture or actual expenditures vary materially from those projected, the Authority may be unable to pay the principal of and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, and other amounts owing on other obligations when due. In the event that Revenues to be received under the Indenture are insufficient to pay the principal of and interest

on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, and amounts owing on other obligations when due, the Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default and to enforce the rights of the Registered Owners, including selling the Financed Eligible Loans and other assets comprising the Trust Estate and acceleration of the payment of the Bonds, including the Series 2023A Senior Tax-Exempt Bonds. It is possible that the Trustee would not be able to sell the Financed Eligible Loans and the other assets comprising the Trust Estate in a timely manner or for an amount sufficient to permit payment of the principal of and accrued interest on all Outstanding Bonds, including the Series 2023A Senior Tax-Exempt Bonds, then due and all amounts due with respect to other obligations.

Variety of Factors Affecting Borrowers

Collections on the Financed Eligible Loans may vary greatly in both timing and amount from the payments actually due on such Financed Eligible Loans for a variety of economic, social, and other factors. Economic factors include interest rates, unemployment levels, housing price declines, commodity prices, adjustments in the borrower's payment obligations under other indebtedness, the rate of inflation and consumer perceptions of economic conditions generally. Social factors include changes in consumer confidence levels and changing attitudes in respect of incurring debt and changing attitudes regarding the stigma of personal bankruptcy. Economic conditions may also be impacted by global or localized economic or political conditions, political turmoil and civil unrest in the United States, political gridlock on United States federal budget matters (including full or partial prolonged or recurring government shutdowns), conflicts or wars, regional hostilities, including the invasion by Russia of Ukraine and the prospect or occurrence of more widespread conflicts, social upheaval, fiscal and monetary policies, sanctions, trade wars and tariffs, safety concerns related to travel and tourism, limitations on travel and mobility, disruptions in air travel and other forms of travel, weather events, environmental disasters, national or localized outbreaks of a highly contagious or epidemic disease or pandemics and any related quarantines and terrorist events or wars or a deterioration or improvement in economic conditions in one of the markets where borrowers of the Financed Eligible Loans are concentrated. As a result, the Authority may not receive all the payments that are actually due on the Financed Eligible Loans. Failures by borrowers to make timely payments of the principal and interest due on the Financed Eligible Loans or an increase in forbearances could affect the revenues of the Trust Estate, which may reduce the amounts available to pay principal and interest due on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds. The Authority cannot predict with accuracy the effect of these factors, including the effect on the timing and amount of funds available and the ability to pay principal and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

Recently there has been increased concern with potential slowing growth or recession in the United States that may result in part from interest rate increases by the Federal Reserve Board in order to curb inflationary pressures. The number of delinquencies and defaults on consumer receivables is significantly influenced by the employment status of borrowers. There can be no assurance that high levels of unemployment or underemployment will not recur, or that other factors relating to the uncertain economic climate, such as those described in the prior paragraph, will not result in increased delinquencies and defaults with respect to consumer receivables in the future. Such adverse economic conditions may also materially impair the ability of the Authority or other transaction parties to meet their respective obligations under the transaction documents. The occurrence of any increased delinquencies or defaults with respect to the Financed Eligible Loans or material impairment of the ability of the above referenced parties to meet their respective obligations under the transaction documents may reduce the market value of the Series 2023A Senior Tax-Exempt Bonds.

Additionally, unstable real estate values, resetting of adjustable rate mortgages to higher interest rates, increased regulation in the financial industry, political gridlock on United States federal budget

matters, rating agency downgrades of U.S. Treasury bonds and other debt instruments backed by the full faith and credit of the United States, the sovereign debt crisis and continuing political and economic instability in the United States and overseas, the COVID-19 pandemic, rapid inflation and other factors have impaired access to consumer credit, consumer confidence and disposable income in the United States, and may affect delinquencies and defaults on the Financed Eligible Loans, although the severity or duration of these effects are unknown.

It is impossible to predict the status of the economy or unemployment levels or when, if ever, a downturn in the economy would impair a borrower's ability to repay his or her Financed Eligible Loans. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Such events may also have other effects, the impact of which is impossible to project.

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

The Trust Estate may include Financed Eligible Loans that are in deferment or forbearance for which payments are temporarily postponed for a specific period of time and accrued interest at the end of the period will be capitalized and will include Financed Eligible Loans for which the borrower is currently required to make payments of principal and interest. In addition, payments on Eligible Student Loans are not required while the borrower is enrolled on at least a half-time basis and for the six-month period after graduation or ceasing to be enrolled at least half time although interest will accrue. Any unpaid, accrued interest outstanding at the end of the six-month grace period will be capitalized. The Authority's cash flow, and its ability to make payments due on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, will be reduced to the extent interest is not currently payable on the Financed Eligible Loans. As of the Statistical Cut-Off Date, the borrowers on approximately 63.8% of the aggregate principal amount of Existing Eligible Loans are not required to make payments during certain authorized periods as described under the caption "THE PROGRAM" herein. The proportions of the Financed Eligible Loans for which payments are temporarily postponed and accrued interest will be capitalized and those currently in repayment will vary during the period that the Series 2023A Senior Tax-Exempt Bonds are Outstanding. If defaults occur on the Financed Eligible Loans and the remedies or amounts held under the Indenture are not sufficient, Registered Owners may suffer a delay in payment or a loss on their Bonds, including the Series 2023A Senior Tax-Exempt Bonds.

Risk of Geographic Concentration of the Financed Eligible Loans

Currently, under the Program, Eligible Loans are only made to persons who are North Carolina residents or attend a school located in North Carolina at the time of origination. Financed Eligible Loan borrowers who are North Carolina residents at the time of origination of the loan may subsequently relocate outside of the State. The Authority cannot predict how many borrowers may reside in or relocate to other states. The concentration of the Financed Eligible Loans in specific geographic areas may increase the risk of losses on the Financed Eligible Loans. Economic conditions in the states where borrowers reside may affect the delinquency, loan loss and recovery experience with respect to the Financed Eligible Loans. As of the Statistical Cut-Off Date, approximately 80.8% of the Financed Eligible Loans by principal balance were to borrowers with current billing addresses in the State of North Carolina. Economic conditions in any state or region may decline over time and from time to time. Because of the concentration of the borrowers in State of North Carolina, any adverse economic conditions adversely and disproportionately affecting the State of North Carolina may have a greater effect on the repayment of the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, than if this concentration did not exist.

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

Generally, if an Event of Default occurs and continues under the Indenture, the Trustee, at the direction of Registered Owners (in the percentage specified in the Indenture), will sell the Financed Eligible Loans. See “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—SUMMARY OF MASTER INDENTURE—DEFAULTS AND REMEDIES—Remedies on Default; Sale of Trust Estate” attached hereto. However, the Trustee may not find a purchaser for the Financed Eligible Loans or the market value of the Financed Eligible Loans plus other assets in the Trust Estate might not equal the principal amount of outstanding Bonds, including the Series 2023A Senior Tax-Exempt Bonds, plus accrued interest. The market for private student loans, including the Financed Eligible Loans, is not as developed as the market for Federal Family Education Loan Program loans made pursuant to the Higher Education Act. There may be fewer potential buyers for the Financed Eligible Loans, and therefore lower prices available in the secondary market. Investors in the Bonds may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the Financed Eligible Loans sufficient to pay the principal amount of the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, plus accrued interest.

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

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

The Authority also intends to finance additional Eligible Loans during the Acquisition Period relating to the Series 2023A Senior Tax-Exempt Bonds. The financing of Eligible Loans during the Acquisition Period (other than the Existing Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto. See the caption “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

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

Certain Actions May Be Permitted Without Registered Owner Approval

The Indenture permits the Authority to issue Additional Bonds pursuant to a Supplemental Indenture without Registered Owner consent, and further permits the Authority to take a range of actions in connection with its administration of the assets comprising the Trust Estate without either an amendment or supplement to the Indenture or Registered Owner consent, but requires that the Authority satisfy certain other conditions prior to undertaking, or in conjunction with, certain of such actions. The Indenture

requirements applicable to such actions may include satisfying a Rating Agency Notification or Rating Agency Confirmation requirement; however, implementation of such actions which require only a Rating Agency Notification are not conditioned upon any response, or absence thereof, of any Rating Agency. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Rating Agency Confirmation and Rating Agency Notification” herein. The Indenture requires that the Authority make any Rating Agency Confirmation and Rating Agency Notification publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 promulgated by the Securities and Exchange Commission. To the extent such actions are taken, investors in the Series 2023A Senior Tax-Exempt Bonds will be relying primarily upon the evaluation by the Authority of the potential impact of such actions upon the ability of the assets comprising the Trust Estate to provide for the full and timely payment of scheduled principal and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, payment of all Rebate Amounts and Excess Earnings to the U.S. Treasury and payment of all Senior Transaction Fees and Subordinate Transaction Fees. In addition, to the extent that such actions are taken, a resulting adverse rating action by any Rating Agency in response to such Authority action could materially decrease the market value or existence of a secondary market for the Series 2023A Senior Tax-Exempt Bonds. Moreover, the market price or marketability of the Series 2023A Senior Tax-Exempt Bonds could be adversely affected by such actions even in the absence of such an adverse rating action. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Rating Agency Confirmation and Rating Agency Notification” herein and “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

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

Under the Indenture, Registered Owners of specified percentages of the aggregate principal amount of the Bonds (including, in many cases, only a specified percentage of the aggregate principal amount of the Highest Priority Bonds) may amend or supplement provisions of the Indenture and the Bonds and waive Events of Defaults and compliance provisions without the consent of the other Registered Owners. Registered Owners of the Series 2023A Senior Tax-Exempt Bonds have no recourse if such other Registered Owners vote in a manner with which they do not agree. The other Registered Owners may vote in a manner which impairs the ability to pay principal and interest on the Bonds.

Suitability for Investors

The Series 2023A Senior Tax-Exempt Bonds are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the reinvestment, default and market risk of such an investment, the tax consequences of such an investment, and the interaction of these factors.

Certain Factors Relating to Security

The Authority has covenanted in the Indenture that the assets constituting the Trust Estate pledged by the Authority under the Indenture are and will be owned by the Authority free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, and that all action on the part of the Authority to that end has been duly and validly taken. Notwithstanding the foregoing, under applicable law, other security interests in such loans may exist, and may not be ascertained by the Authority. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist. See the caption “—Repurchase Obligations” herein.

Incentive or Borrower Benefit Programs

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

Risks Relating to Book-Entry Registration

The Series 2023A Senior Tax-Exempt Bonds will be represented by one or more certificates registered in the name of Cede & Co., the nominee for The Depository Trust Company, and will not be registered in an individual investor’s name or the name of its nominee. Unless and until definitive securities are issued, holders of the Series 2023A Senior Tax-Exempt Bonds will not be recognized by the Trustee as Registered Owners as that term is used in the Indenture. Until definitive securities are issued, holders of the Series 2023A Senior Tax-Exempt Bonds will only be able to exercise the rights of Registered Owners indirectly through The Depository Trust Company and its participating organizations. See the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Book-Entry-Only System” herein.

There is the Potential for Conflicts of Interest and Regulatory Scrutiny with Respect to the Rating Agency Rating the Series 2023A Senior Tax-Exempt Bonds

It may be perceived that the Rating Agency has a conflict of interest that may have affected the ratings assigned to the Series 2023A Senior Tax-Exempt Bonds where, as is the industry standard and the case with the rating of the Series 2023A Senior Tax-Exempt Bonds, the Authority pays the fees charged by the Rating Agency for its rating services. Furthermore, rating agencies have in the past been, and in the future may be, under scrutiny by federal and state legislative and regulatory bodies and any actions such legislative and regulatory bodies may take against the Rating Agency as a result thereof may have an adverse effect on the price that a subsequent purchaser would be willing to pay for the Series 2023A Senior Tax-Exempt Bonds and a Registered Owner’s ability to resell its Series 2023A Senior Tax-Exempt Bonds.

Rating of the Series 2023A Senior Tax-Exempt Bonds

It is a condition to the issuance of the Series 2023A Senior Tax-Exempt Bonds that they be rated as indicated under the caption “RATING” herein. Ratings are based primarily on the creditworthiness of the underlying Financed Eligible Loans, the amount of credit enhancement and the legal structure of the transaction. The rating is not a recommendation to investors to purchase, hold or sell the Series 2023A Senior Tax-Exempt Bonds inasmuch as the rating does not comment as to the market price or suitability for individual investors. An additional rating agency may rate the Series 2023A Senior Tax-Exempt Bonds, and that rating may not be equivalent to the initial rating described in this Official Statement. A rating may be increased, lowered or withdrawn by any Rating Agency at any time if in such Rating Agency’s judgment circumstances so warrant. A downgrade in the rating of the Series 2023A Senior Tax-Exempt Bonds is likely to decrease the price a subsequent purchaser will be willing to pay for the Series 2023A Senior Tax-Exempt Bonds.

A rating only addresses the likelihood of the ultimate payment of principal and stated interest and does not address the likelihood of redemption of the Series 2023A Senior Tax-Exempt Bonds prior to

maturity or the market liquidity of the Series 2023A Senior Tax-Exempt Bonds. A rating may not remain in effect for the life of the Series 2023A Senior Tax-Exempt Bonds. See the caption “RATING” herein.

Certain actions affecting the Financed Eligible Loans and the Trust Estate may be taken upon a Rating Agency Confirmation or a Rating Agency Notification. See the caption “Certain Actions May Be Permitted Without Registered Owner Approval” above and the caption “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Rating Agency Confirmation and Rating Agency Notification” herein. The giving of a Rating Agency Notification would not limit the ability of the Rating Agency to downgrade its ratings on the Series 2023A Senior Tax-Exempt Bonds on the basis of the related Proposed Action.

There can be no assurance that the rating of the Series 2023A Senior Tax-Exempt Bonds will not be downgraded or placed on negative watch by a Rating Agency in the future.

THE AUTHORITY

The Authority was created under Chapter 1180 of the 1965 Session Laws of North Carolina, as amended, being Sections 116-201 to 116-209.104, inclusive, of the General Statutes of North Carolina (the “Act”), and is a political subdivision of the State governed by a Board of Directors (the “Board”) consisting of nine members, four of whom are appointed by the Governor of the State for four-year terms, three of whom are appointed by the Board of Governors of The University of North Carolina for four-year terms and two who serve by virtue of their positions with the State’s higher education systems. The constitutionality of the Act was upheld by the North Carolina Supreme Court in 1970. As required by law, the Authority is administratively housed in The University of North Carolina System Office, but the Authority exercises its statutory powers independently from the System Office and the Board of Governors of The University of North Carolina. As of August 31, 2023, the Authority had 93 full-time employees. All permanent Authority staff are employees of The University of North Carolina System Office. The principal executive officer of the Authority, the Executive Director, is appointed by the President of The University of North Carolina. The Authority’s current website is www.ncseaa.edu.

Among other powers authorized under the Act, the Authority may:

- (a) develop and administer programs and perform all functions and services necessary or convenient to promote and facilitate the making and insuring of student loans and loans to parents of resident students or students who attend postsecondary institutions in North Carolina and to administer other programs of student assistance for resident students, students who attend postsecondary institutions in North Carolina or parents of resident students as authorized under federal and State law;
- (b) do all things necessary to qualify for loans, grants, insurance and other benefits under any program of the United States now or hereafter authorized to foster student loans and loans to parents of resident students; and
- (c) buy and sell obligations of students who are residents of the State or enrolled in qualified institutions of higher learning or postsecondary business, trade, technical or other vocational schools in North Carolina and buy and sell obligations of parents of such students.

The Authority administers 57 separate programs in the following five primary categories: Grants and Scholarship, Forgivable Loans, Student and Parent Loans, Outreach and College Access and 529 Savings Program.

The Authority owned and financed loans originated under FFEL Program (“FFEL Loans”) throughout its history. In June 1966, the Authority assumed the function of a guaranty agency as set forth in the Higher Education Act and entered into certain agreements with the United States Secretary of Education (the “Secretary”). However, the Authority recently informed the U.S. Department of Higher Education that it desired to transfer its guaranty agency function to ECMC, Inc. (a guaranty agency guaranteeing FFEL Loans), and the transition was completed on or about November 1, 2023. The Reconciliation Act eliminated the origination of new FFEL Loans after June 30, 2010. At that time, the Authority held approximately \$4.3 billion of FFEL loans. In October 2022, the Authority sold its remaining portfolio of FFEL Loans and no longer owns any FFEL Loans. The Foundation was an eligible lender and served as the central loan originator for the Authority’s FFEL Loan portfolio.

Board of Directors and Officers

The Board’s current members and officers are as follows:

Name	Title	Occupation	Term Expires
James O. Roberts	Chair	Finance Director - Retired City of Dunn, North Carolina	January 15, 2027
Jamie A. Applequist	Vice Chair	Chief Administrative Officer State Employees’ Credit Union	January 15, 2024
Elizabeth Anderson	Member	Executive Director Hill Learning Center in Durham, North Carolina	January 15, 2026
Catherine Edmonds	Member	Chief of Staff North Carolina Central University	January 15, 2027
Jennifer H. Haygood	Member	Chief Financial Officer The University of North Carolina System	<i>Ex officio</i>
W. Rita Jerman	Member	Strategic Business Advisor Ellucian Company L.P.	January 15, 2024
Phillip Price	Member	Chief Financial Officer North Carolina Community College System	<i>Ex officio</i>
James Rose	Member	President North Carolina for United Community Bank	January 15, 2025
Janet L. Williams	Member	Vice President for Finance and Administration Elon University	January 15, 2026
Andrea R. Poole	Secretary	Executive Director The Authority	<i>Ex officio</i>

Andrea R. Poole is Executive Director and the principal executive officer of the Authority. She is also Secretary to the Board. Ms. Poole has more than 20 years of service to the State of North Carolina, including more than a decade focused on higher education. Immediately prior to joining the Authority in January 2021, she served as Vice President for Strategic Initiatives for the North Carolina Community College System. Ms. Poole worked from 2013 to 2019 at the University of North Carolina System Office, first as the associate vice president of finance and university budgets and later as secretary of the university. From 2005 to 2013, Ms. Poole was a fiscal analyst in the North Carolina General Assembly’s nonpartisan

Fiscal Research Division. There, she specialized in issues surrounding higher education, financial aid, and health and human services. Ms. Poole began her career as a policy analyst for the North Carolina Housing Finance Agency. Ms. Poole earned a Bachelor of Science degree from Duke University and a Master of Public Administration from North Carolina State University.

Leslie Karkanawi joined the Authority in August 2021 as Director of Legal and Regulatory Affairs and General Counsel. Prior to joining the Authority, Ms. Karkanawi served as a Principal Staff Attorney for the Legislative Drafting Division of the North Carolina General Assembly, working primarily in the areas of education and workforce development for almost 10 years. She also served as the Education Appropriations Team Leader for the State Budget for that division. Prior to her role at the North Carolina General Assembly, Ms. Karkanawi worked at the North Carolina School Boards Association and the University of North Carolina School of Government, Daily Bulletin. Before becoming an attorney, Ms. Karkanawi also managed and performed research in a cardiovascular pathology laboratory at the Massachusetts Institute of Technology. She received her undergraduate degree from the University of Massachusetts at Amherst and her Juris Doctor from Northeastern University School of Law.

Elizabeth I. Rozakis has been the Chief Financial Officer of the Authority since 2016 and its Chief Operating Officer since 2021. Prior to joining the Authority, she was the Chief Financial Officer of the North Carolina Housing Finance Agency from 2004 to 2016. She held other management positions at the Housing Finance Agency from 2000 to 2004. Before joining the Housing Finance Agency, she held various supervisory and management positions with Carolina Power and Light Company from 1994 to 2000, and accounting and management positions at Deloitte & Touche from 1989 to 1994. She graduated from the University of North Carolina-Chapel Hill in 1988 with a Bachelor of Science degree in Business Administration/Accounting. She is a licensed Certified Public Accountant.

Wayne E. Johnson joined the Authority in April 1999 and is the Director of Higher Education. He also serves as an assistant secretary to the Board. Prior to joining the Authority, Mr. Johnson worked for over 14 years in the admissions and financial aid professions at Wake Forest University. He graduated from Northwestern University in 1980 with a Bachelor of Arts degree and received his Juris Doctor from Wake Forest University in 1984.

Kathryn C. Marker is the Director of K12 Programs. Before joining the Authority in 2014, Kathryn taught several courses in the teacher preparation program at North Carolina State University and previously worked as a high school teacher. Kathryn has a Ph.D. in Educational Evaluation and Policy Analysis from North Carolina State University, and holds degrees from Georgia State University and Miami University (Ohio) as well.

Mary B. Shuping joined the Authority in March 2021 as Director of Governmental and External Affairs. Most recently, Ms. Shuping worked for the North Carolina Community College System as Director of Governmental Affairs where she was responsible for representing the System before the North Carolina General Assembly. She is a *magna cum laude* graduate of the North Carolina Central University School of Law Evening Program where she was Senior Editor of the North Carolina Central Law Journal. Prior to joining the System Office, she was the Education Director for the North Carolina State Ethics Commission teaching the ethics and lobbying laws to elected and appointed public officials. Ms. Shuping was also an assistant district attorney in Catawba County and practiced law with the firm of Allen, Pinnix, and Nichols in Raleigh. Ms. Shuping worked with the North Carolina General Assembly for almost 10 years staffing various legislative committees and commissions and as a policy advisor and counsel in the Speaker's office.

David Alexander has served as the Authority's Chief Information Officer since September 2021. Prior to joining the Authority, he was the Chief Information Officer for Shaw University since 2019. He has 15 additional years of prior information technology experience between Jenzabar, University of North

Carolina at Chapel Hill, and Duke University, including nine years in various information technology management positions. He graduated from Virginia Tech in 2002 with a Bachelor of Science degree in Business Information Technology and received his Master of Business Administration degree from University of North Carolina at Chapel Hill in 2016.

Bankruptcy Status of the Authority

Under current law the Authority cannot file a voluntary petition for bankruptcy, nor can the Authority be forced into an involuntary bankruptcy proceeding under the federal bankruptcy code.

Outstanding Revenue Bonds of the Authority

The Authority has issued student loan revenue bonds and notes pursuant to other indentures, which bonds and notes were secured by separate and distinct trust estates. As of June 30, 2023, the only outstanding bonds of the Authority were the Series 2020A Bonds outstanding in the principal amount of \$15,220,000 as of such date.

The Authority has not previously experienced any defaults with respect to the payment of principal of or interest on any of its bonds, notes or lines of credit.

Financial Statements

The financial statements of the Authority at June 30, 2023 and 2022 and for the years then ended, included in Appendix D to this Official Statement, have been audited by Dean Dorton Allen Ford, PLLC, Independent Auditors, as set forth in their report related thereto. Dean Dorton Allen Ford, PLLC, the Authority's Independent Auditor, has not been engaged to perform, and has not performed, since the date set forth in the report related thereto, any procedures on the financial statements addressed in that report or any procedures related to this Official Statement. The Authority's financial statements include information with respect to its loan programs generally and other information regarding the Authority. These financial statements are included for general background purposes only. Since the Bonds, including the Series 2023A Senior Tax-Exempt Bonds, are limited obligations of the Authority, payable solely from the Financed Eligible Loans and other assets pledged to the Trustee under the Indenture, the overall financial status of the Authority, or that of its other programs, does not indicate and does not affect whether the Trust Estate will be sufficient to fund the timely and full payment of principal and interest on the Bonds, including the Series 2023A Senior Tax-Exempt Bonds. See the caption "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" herein.

The Administrator

Initially the Administrator is the Authority.

The Administrator has agreed to perform various administrative activities and obligations on behalf of the Authority under the Administration Agreement. These include providing all necessary personnel, facilities, equipment, forms and supplies for operating the Program and the Authority's financing activities in accordance with the Indenture; disseminating information to the Trustee and to other persons under the Indenture; controlling and accounting for the receipt and expenditure of the Authority's funds; and reviewing all statements and reports to the Authority required of the Trustee in accordance with the provisions of the Indenture.

The Foundation will act as loan originating agent for the Program and will perform origination processes, including application processing, credit underwriting, including required verifications, disbursement delivery, and school certifications for the Program.

The Administration Agreement

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

The Administrator is required to cause the duties and responsibilities of the Authority under the Indenture to be performed. The Administrator advises the Authority when action by the Authority is necessary to comply with the Authority's duties under the Indenture and the agreements relating thereto. The Administrator will prepare for execution, if required, by the Authority, or shall cause the preparation by other appropriate persons of all such documents, reports, filings, instruments, certificates and opinions as it shall be the duty of the Authority to prepare, file or deliver pursuant to the Indenture. The Administrator covenants to satisfy all of its obligations set forth in the Administration Agreement.

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

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

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

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

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

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

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

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

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

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

THE FOUNDATION

The Foundation, a nonprofit corporation, was chartered in 1955 by the Governor of the State and two other State officials under the General Statutes of North Carolina for the purpose of assisting students in defraying their education expenses in attending eligible educational institutions. The Foundation received its final 501(c)(3) determination letter from the Internal Revenue Service on October 11, 1956, which determination letter has not been amended, revoked, withdrawn or rescinded. The Foundation is located at 2917 Highwoods Boulevard, Raleigh, North Carolina 27604.

The Foundation's activities are governed by its Board of Trustees. The Foundation, as agent and independent contractor for the Authority, assists students and families in financing the cost of higher education by originating and servicing alternative education loans. Alternative education loans generally refer to any loan that is made to a student, a former student, or any other person or for the benefit of a student or former student for the purpose of financing all or part of the student's or former student's cost of attendance at an accredited institution, but such loans are not guaranteed student loans originated pursuant to the FFEL Program. Pursuant to an agreement with the Authority entitled "Seventh Amended and Restated Contract Providing for the Performance of Certain Services and Functions for the State Education Assistance Authority," dated as of October 1, 2013, as supplemented and amended from time to time (the "Amended and Restated Contract"), the Foundation acts for the Authority in originating and servicing the alternative education loans.

Board of Trustees and Senior Managers

The Foundation’s charter specifies that the Board of Trustees of the Foundation shall consist of nine trustees (five bankers and four members of the public at large) appointed by the Governor of the State for six-year terms. The present trustees are as follows:

Name	Title	Occupation
Charles J. Stewart	Chairman	Retired Formerly Vice President, PNC Bank
Robert E. Hammersley	Vice Chairman	Senior Vice President Wells Fargo Bank, N.A.
Hal S. Johnson	Treasurer	Principal Hal Johnson, LLC
Charles W. Cole, III	Member	Community Volunteer
Hyacinth Drummond	Member	Community Advocate
Hugh Holston	Member	Retired Formerly Director, Lincoln Financial Group
Brian K. Reid	Member	Triangle President TowneBank
Donna Samuels	Member	Retired Formerly Public School Teacher
A. Hope Williams	Member	President North Carolina Independent Colleges and Universities

The Foundation’s senior management staff is as follows:

Wendy H. McAlister serves as President and Chief Executive Officer of the Foundation and as Secretary of the Board of Trustees. Ms. McAlister graduated from North Carolina State University in 1984 with a Bachelor’s degree in Accounting. She is a licensed Certified Public Accountant and is a member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants. From January 1985 until January 1993, she worked for the public accounting firm of Koonce, Wooten & Haywood, CPAs in Raleigh, North Carolina. During that period, Ms. McAlister served as the senior in charge of the audits (financial and compliance) for both the Authority and the Foundation. In January 1993, Ms. McAlister joined the Foundation as Vice President for Quality Assurance; she assumed responsibility for Financial Services in April 1997. From July 2003 to June 2012, she served as Senior Vice President and was responsible for origination services, borrower services, office services, financial services, grant and scholarship services and quality assurance services. Ms. McAlister currently serves as the Vice Chairman of the Board for the Education Alliance, Incorporated as well as a Board member and Treasurer for the National Council of Higher Education Resources.

Lynn A. Barnette, Vice President of Loans and Financial Aid, is responsible for the administration of the Loan, Grant and Scholarship Programs, Residency Determination Service (“RDS”) and the CFNC/K12/RDS Call Centers. Ms. Barnette joined the Foundation in 1993 as a Repayment Clerk and the

Repayment Specialist. From 2001 to 2017, she served as CFNC Call Center Manager. In November 2017, she returned to loan operations as a member of the loan origination team to help support the NC Assist Loan Program. In December 2019, she was promoted to Loan Services Manager where she oversaw the Loan Origination and Repayment Services teams until October 2023, when she became Vice President of Loans and Financial Aid. Ms. Barnette graduated from North Carolina State University in 1992 with a Bachelor's degree in History.

Robert T. Hines, Vice President for CFNC Product and Data, came to the Foundation in 2014 from the NC Department of Public Instruction where he held positions in Academic Services and Technology Services during more than 10 years with the agency. At the Foundation, Dr. Hines assisted in development and implementation of the Residency Determination Service and the remodeling and management of the CFNC.org website. His professional career also includes consulting work in the private sector focused on serving Federal, state, and local government clients. Dr. Hines graduated from North Carolina State University in 1994 with a Bachelor's degree in History. After working for a time, he went on to earn a Master of Public Administration from the Maxwell School of Citizenship at Syracuse University, later returning to North Carolina State to earn a PhD in Public Administration.

Peter O. Rau, Vice President of Technology Services, joined the Foundation in 2019 and is responsible for information technology development and operations as well as quality assurance services. Before joining the Foundation, Mr. Rau was co-founder and lead consultant with Farmhouse, a software product consulting firm, developing software and product strategies for corporate clients from 2016 to 2019. Prior to this role, he served as the Director of Technology for Thinking Maps, Inc., a K-12 educational publisher, leading the organization in developing a new online business model and suite of products. Mr. Rau earned a Bachelor's degree from Harvard University and a Master's degree from the University of North Carolina at Chapel Hill.

Marcia N. Southerland, Vice President of Savings and General Counsel, joined the Foundation in 2011 as General Counsel after many years in private law practice. In 2022 she began serving in an interim position as Interim Vice President of Program Services where in addition to General Counsel duties, she oversaw several programs administered by the Foundation on behalf of the Authority. On September 1, 2023, she was promoted to her current role where she is responsible for oversight of the North Carolina College Savings and Investment Program (NC 529 Plan) and also continues to serve as General Counsel to the Foundation. Ms. Southerland received a Bachelor's degree in Political Science from North Carolina State University in 1989, and a Juris Doctor with honors from Campbell University Norman Adrian Wiggins School of Law in 1994.

Karl D. Vass, Jr., Vice President of Financial Services, is responsible for financial services, office services, internal auditing, and facilities management. He earned a Bachelor's degree in History in 1983 from Davidson College. He is a licensed Certified Public Accountant and is a member of the North Carolina Association of Certified Public Accountants. Mr. Vass joined the Foundation in 1992 as an internal auditor and then as an internal audit manager. He later served as Financial Services Manager and then Assistant Vice President of Financial Services until July 2011, when he became Vice President of Financial Services. Mr. Vass has announced his intent to retire from the Foundation and will be transitioning out of his role in December 2023.

Kevin Bartholomew, Vice President-elect of Financial Services, joined the Foundation on October 9, 2023. He will be assuming the role of Vice President in December 2023. Before joining the Foundation, Mr. Bartholomew served as Controller for Smith Anderson, Blount, Dorsett, Mitchell & Journigan, LLP. His work at nonprofit organizations included serving as the Director of Finance and Administration at Occaneechee Council Boy Scouts of America and Director of Finance at Telamon Corporation. Prior to these positions, he worked at several public accounting firms including serving as a Senior Manager at

Elliott Davis, PLLC, Audit Manager at Lunsford & Strickland, PA and Staff Accountant at Hughes, Pittman & Gupton and Holden, Moss, Knott, Clark & Taylor. He also served as a Tax Accountant for Invensys, PLC, a publicly traded telecommunication infrastructure company. Mr. Bartholomew received a Bachelor's degree in Accountancy and a Master's degree in Accounting, both from N.C. State University, in 1995 and 1996 respectively.

The Amended and Restated Contract

Pursuant to the Amended and Restated Contract, the Foundation acts for the Authority in administering certain aspects of the Authority's education loan programs, including the Program. The Amended and Restated Contract sets forth certain functions and services to be provided by the Foundation to the Authority in connection with the loan programs for which it provides services, as well as the compensation to be paid by the Authority to the Foundation for such functions and services. Among such functions and services to be provided by the Foundation with respect to the loan programs for which it provides services to the Authority, including the Program, are:

- (a) the safekeeping and custody of promissory notes acquired through the making or acquisition of student loans, which promissory notes must remain clearly identifiable and distinguishable from other promissory notes, documents and moneys, contracts, obligations or other legal instruments and held in trust by the Foundation as property of the Authority;
- (b) the maintenance of and access to full and complete records (whether electronic or otherwise) and accounts with respect to student loans; and
- (c) the collection and enforcement of payments of principal and interest with respect to student loans.

As provided for by the Amended and Restated Contract, the Authority reimburses the Foundation for a pro rata share of its reasonable operating costs and expenses plus reasonable capital costs incurred in the administration of alternative education loans funded by the Authority.

In connection with the issuance of the Series 2023A Senior Tax-Exempt Bonds, the Authority and the Foundation will enter into a letter agreement appointing the Foundation as the Servicer for the Financed Eligible Loans and detailing certain terms with respect to the servicing of the Financed Eligible Loans. The letter agreement:

- (a) incorporates applicable provisions of the Amended and Restated Contract by reference;
- (b) places a cap on the amount of Servicing Fees payable by the Authority to the Foundation for the servicing of the Financed Eligible Loans; and
- (c) establishes certain procedures and parameters related to the termination of the letter agreement and the Amended and Restated Contract and the transfer of the servicing function from the Foundation.

The Foundation as Originator of Eligible Loans

The Foundation, acting as agent for the Authority, performs origination processes, including application processing, credit underwriting, including required verifications, disbursement delivery, and school certifications for the Eligible Loans. See the caption "THE PROGRAM" herein for additional detail.

The Foundation as Servicer of Eligible Loans

The Foundation provides the personnel and technology necessary to perform all servicing of Eligible Loans, which services include, but are not limited to: (a) verifying that all required documents for each Eligible Loan have been delivered and that each loan qualifies as an Eligible Loan; (b) maintaining and updating all loan records; (c) performing due diligence necessary to collect loans according to standards set by the Authority; (d) taking any action necessary to collect delinquent payments; and (e) performing any other functions associated with the servicing of Eligible Loans. The Foundation stores, protects and retains promissory notes and other collateral documents for the Eligible Loans in a secure environment.

As of September 30, 2023, the Foundation had a staff of 140 full-time and one part-time employees with an additional five individuals retained through personnel agencies. For collection activities related to delinquent payments, staff work from 8:00 a.m. until 6:00 p.m., Eastern Time, Monday through Thursday and 8:00 a.m. until 5:00 p.m., Eastern Time, on Friday.

Other Programs

The Foundation previously serviced loans under the FFEL Program as an “eligible lender” pursuant to Section 435(d)(1)(D) of the Higher Education Act. The Foundation also services two older alternative education loan programs for the Authority and one alternative education loan program for an educational institution. As of September 30, 2023, the Foundation was servicing 9,664 loans for 3,843 borrowers totaling approximately \$65.3 million under these programs.

Since its inception and through September 30, 2023, the Foundation has serviced more than 2.2 million loans totaling approximately \$10 billion to more than 606,000 student and parent borrowers with funds from the Foundation, the Authority, banks in the State and other financial institutions, educational institutions, and certain other investors.

The Authority contracts with the Foundation for the administration of State grant and scholarship programs that provided approximately \$239 million during the 2022-23 academic year to North Carolina college students. In addition, the Foundation administers several small, private scholarship and education award programs for private foundations and organizations.

In December 2001, the Authority launched the North Carolina College Savings and Investment Program (“NCSP”), which offers a variety of investment options for participants. NCSP was developed and is maintained as a “qualified tuition program” within the meaning of Section 529 of the Internal Revenue Code and had assets of approximately \$3.1 billion as of September 30, 2023. The Foundation has provided the administrative services for the NCSP and the State’s previous college savings program since 1997.

In response to concerns about inconsistency in residency determinations across colleges and universities in North Carolina, in 2013 the North Carolina General Assembly mandated the creation of coordinated and centralized process to be used when determining residency for tuition purposes and administration of state financial aid. The University of North Carolina, the North Carolina Community College System and the Authority, in consultation with the North Carolina Independent Colleges and Universities, were tasked to jointly develop and implement the process. Given its experience implementing annual updates to college applications and managing the distribution of state grants to students across North Carolina, the Foundation was selected to help develop and administer the centralized process. The Residency Determination Service launched in December 2016 and is now operational for all eligible colleges and universities in North Carolina to determine residency status for their undergraduate, graduate and professional students.

PLAN OF FINANCE

The Authority plans to use the proceeds of the Series 2023A Senior Tax-Exempt Bonds for the purposes of, together with available moneys of the Authority, (a) financing Eligible Loans currently held on the Authority’s balance sheet, (b) financing additional Eligible Loans during the Acquisition Period, (c) financing a deposit to the Debt Service Reserve Fund, (d) financing a deposit to the Capitalized Interest Fund, and (e) paying the costs of issuance of the Series 2023A Senior Tax-Exempt Bonds. Upon the issuance of the Series 2023A Senior Tax-Exempt Bonds, the Aggregate Value, which includes the Eligible Loans, cash and investments pledged under the Indenture, will be at least \$130,290,612, the aggregate principal amount of Bonds will be \$92,195,000, net assets under the Indenture will be at least \$38,095,612 and the initial Overall Parity Percentage will be at least 141%.

ESTIMATED SOURCES AND USES OF PROCEEDS

The Authority estimates the sources and uses of funds relevant to the Series 2023A Senior Tax-Exempt Bonds as follows:

SOURCES OF FUNDS:

Principal Amount of Series 2023A Senior Tax-Exempt Bonds.....	\$76,975,000
Net original issue premium.....	1,658,843
Eligible Loan Contribution	<u>21,212,001</u>
Total Sources.....	<u>\$99,845,844</u>

USES OF FUNDS:

Deposit to Student Loan Fund	
To finance Eligible Loans on the Closing Date	\$29,872,318
To finance additional Eligible Loans	42,122,025
Eligible Loan Contribution	21,212,001
Deposit to Debt Service Reserve Fund	1,539,500
Deposit to Capitalized Interest Fund.....	4,200,000
Costs of Issuance.....	<u>900,000</u>
Total Uses.....	<u>\$99,845,844</u>

Approximately \$29.87 million of the funds deposited to the Student Loan Fund will be used on the Closing Date to finance (a) Eligible Loans previously made by the Authority; and (b) additional Eligible Loans to be made by the Authority after the Statistical Cut-Off Date but prior to the Closing Date. The remaining approximately \$42.12 million deposited to the Student Loan Fund will be used to finance additional Eligible Loans from the Authority during the Acquisition Period relating to the Series 2023A Senior Tax-Exempt Bonds.

In addition, the Authority will deposit to the Student Loan Fund approximately \$20.26 million in principal balance of additional Eligible Loans that were financed by the Authority from available sources other than proceeds of Bonds, which will also be Financed Eligible Loans. The actual amounts of: (i) moneys to be transferred to the Authority to finance such additional Eligible Loans on the Closing Date; and (ii) principal and accrued interest on such Eligible Loans to be so credited to the Student Loan Fund, will not be determined until the Closing Date. To the extent the principal amount plus accrued interest of such Eligible Loans so credited to the Student Loan Fund on the Closing Date is less than the amounts set forth under the caption “PLAN OF FINANCE” herein, a corresponding amount of moneys or loans will be retained in the Student Loan Fund (any additional moneys will be used to finance additional Eligible Loans during the Acquisition Period relating to the Series 2023A Senior Tax-Exempt Bonds).

The Financed Eligible Loans already held under the Indenture, the Eligible Loans expected to be financed and pledged under the Indenture on the Closing Date and the Eligible Loans to be contributed to the Student Loan Fund on the Closing Date are referred to herein collectively as the “Existing Eligible Loans.” The financing of Eligible Loans during the Acquisition Period (other than the Existing Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of Eligible Loans during the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

The Existing Eligible Loans are described herein under the caption “THE FINANCED ELIGIBLE LOANS.”

THE PROGRAM

General

In 2018, the Authority introduced the Program, which provides credit based fixed interest rate loans to residents of the State of North Carolina or non-residents with a benefitting student attending an eligible educational institution located in the State of North Carolina. At present, the Program offers loans to qualifying students (an “Eligible Student Loan”) and to qualifying parents of students (an “Eligible Parent Loan”). Both types of these loans may be Eligible Loans under the Program. Loans under the Program are unsecured loans that are structured to meet the requirements for “qualified education loans” and thus are intended to generally be non-dischargeable (absent a showing of undue hardship) under Section 523(a)(8) of the U.S. Bankruptcy Code.

The Authority reserves the right to alter the terms and conditions of the Program and to apply the Indenture funds to finance loans under the Program that are subject to such altered terms and conditions upon the satisfaction of the Rating Agency Notification. See the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

The following summary describes certain material terms of the Program.

Origination and Disbursement Process

Under the Program, all Eligible Loans are originated by the Foundation as agent for the Authority utilizing its own web-based loan origination system.

The Foundation performs all origination services in a good and workmanlike manner in accordance with the Program Manual for the Eligible Loans and federal, state or local statutes, rules, regulations, orders or similar legal requirements applicable to properly originating Eligible Loans (collectively, “Applicable Law”). All forms of the application and solicitation disclosure, the approval disclosure, the final disclosure, notices, loan applications, promissory notes and the credit agreement with respect to Eligible Loans (the “Loan Documents”) to be utilized by the Foundation in connection with the origination of the Eligible Loans are prepared by the Foundation. The Foundation is responsible for ensuring that the specific borrower information and specific loan terms, including proper calculation of the annual percentage rate, relating to each Eligible Loan are accurately, correctly and completely populated into all the Loan Documents. The Foundation is solely responsible to ensure that at all times the Loan Documents are presented to applicants and/or borrowers in the form, substance and timeframes as are required by Applicable Law.

The Foundation performs all origination processes, including application processing, credit underwriting, all required verifications, and disbursement delivery for the Eligible Loans. Potential applicants are directed to a dedicated Foundation website where an applicant can apply for a loan under the Program. The Foundation performs origination processes with respect to such applications. Origination processes include, but are not limited to, (a) reviewing all Loan Documents to ensure all required information has been completed by the borrower; (b) performing credit underwriting, and reviewing and approving applications in accordance with the parameters set forth in the Program Manual; and (c) delivery and disclosure to applicant and/or borrower of all required Loan Documents, as provided by the Loan Documents and Applicable Law (collectively, the “Applicable Requirements”).

Eligible Parent Loan Terms

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

- be a resident of the State of North Carolina whose benefitting student is attending an eligible college or university within the United States, or an out-of-state resident whose benefitting student is attending an eligible North Carolina college or university;
- be the natural parent, adoptive parent or step-parent of a student who is at least 17 years old, who is enrolled (or accepted for enrollment) on at least a half-time basis in an associate or baccalaureate degree program, who is maintaining satisfactory academic progress, and who meets all Title IV student eligibility requirements as certified by the student’s school; and
- be able to meet the credit requirements (as described below).

Credit Requirements. The credit requirements for an Eligible Parent Loan require: (a) that the borrower have a minimum FICO score of 740 for applications started prior to April 1, 2019 or 700 for applications started on or after April 1, 2019; and (b) that the borrower be in good standing on all other education loans serviced by the Foundation.

Eligible Schools. To be eligible to receive proceeds from an Eligible Parent Loan under the Program a school must meet certain eligibility requirements, including that the school must:

- be deemed eligible by the U.S. Department of Education for participation in the Title IV, Higher Education Act programs; and
- be a 2-year or 4-year public or private nonprofit institution.

Loan Limits. Eligible Parent Loans are made subject to a minimum loan amount of \$1,000, up to an annual limit that equals the cost of attendance, less other financial assistance awarded during the same academic period as certified by the school. The lifetime aggregate limit per borrower is \$120,000.

Interest Rates. The Eligible Parent Loan is offered with a fixed interest rate. All borrowers are eligible for a 0.25% interest rate reduction if the regular monthly payments can be deducted electronically from a savings or checking account (the “Auto Pay Discount”) once repayment begins.

Fees. The Eligible Parent Loan does not include any origination fees or application fees.

Repayment. Eligible Parent Loans begin repayment upon final disbursement of the loan with a 10-year repayment term and a standard repayment plan under which a borrower makes approximately equal monthly payments of principal and interest over the term of the loan. In extenuating circumstances, if the borrower has difficulty making payments and a temporary cessation of payments through forbearance is insufficient, the repayment term may be extended, but in no event shall it exceed a total of 12 years. The Eligible Parent Loan does not currently offer any graduated or income-based repayment options.

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

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

- a hardship forbearance that is approved in up to three-month increments, with an aggregate limit not to exceed 12 months; and
- a natural disaster or national emergency forbearance in up to three-month increments, with an aggregate limit not to exceed six months.

Interest continues to accrue during periods of forbearance and is capitalized at the end of each period of hardship forbearance. Interest will not be capitalized at the end of a natural disaster or national emergency forbearance.

Eligible Parent Loans are forgiven upon the death of the borrower or benefiting student. Eligible Parent Loans may also be forgiven upon the disability of the borrower or benefiting student, if such disability meets the FFEL Program standard for disability forgiveness.

Eligible Student Loan Terms

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

- be a North Carolina resident attending an eligible college or university within the United States or an out-of-state resident attending an eligible North Carolina college or university;
- be at least 17 years old;
- be enrolled (or accepted for enrollment) on at least a half-time basis in an associate, baccalaureate or graduate degree program and maintaining satisfactory academic progress;
- meet all Title IV eligibility requirements as certified by the school; and
- be able to meet the credit requirements (as described below).

Credit Requirements. The credit requirements for an Eligible Student Loan require: (a) that either the borrower or cosigner have a minimum FICO score of 740 for applications started prior to April 1, 2019 or 700 for applications started on or after April 1, 2019; and (b) that the borrower be in good standing on all other education loans serviced by the Foundation.

Cosigners. Borrowers that cannot meet credit requirements may qualify with an eligible cosigner. To be eligible, a cosigner must pass the credit requirements described above. The Program does not currently include a cosigner release program.

Eligible Schools. To be eligible to receive proceeds from an Eligible Student Loan under the Program a school must meet certain eligibility requirements, including that the school must:

- be deemed eligible by the U.S. Department of Education for participation in the Title IV, Higher Education Act programs; and
- be a 2-year or 4-year public or private nonprofit institution.

Loan Limits. Eligible Student Loans are made subject to a minimum loan amount of \$1,000, up to an annual limit that equals the cost of attendance, less other financial assistance awarded during the same academic period as certified by the school. The lifetime aggregate limit per borrower is \$120,000 for undergraduates and \$200,000 for graduate and professional students.

Interest Rates. The Eligible Student Loan is offered with a fixed interest rate. All borrowers are eligible for a 0.25% interest rate reduction when they are set up to have regular monthly payments deducted electronically from a savings or checking account (the “Auto Pay Discount”) once repayment begins.

Fees. The Eligible Student Loan does not include any origination fees or application fees.

Repayment. Payments are not required while the borrower is enrolled on at least a half-time basis and for the six-month period after graduation or ceasing to be enrolled at least half time although interest will accrue. Any unpaid, accrued interest outstanding at the end of the six-month grace period will be capitalized.

Eligible Student Loans are offered a 10-year repayment term and a standard repayment plan under which a borrower makes approximately equal monthly payments of principal and interest over the term of the loan. In extenuating circumstances, if the borrower has difficulty making payments and a temporary cessation of payments through forbearance is insufficient, the repayment term may be extended, but in no event shall it exceed a total of 12 years. The Eligible Student Loan does not currently offer any graduated or income-based repayment options.

The Eligible Student Loan may be prepaid in whole or in part at any time without penalty.

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

- a hardship forbearance that is approved in up to three-month increments, with an aggregate limit not to exceed 12 months;
- a natural disaster or national emergency forbearance in up to three-month increments, with an aggregate limit not to exceed six months; and
- an in-school deferment for borrowers that return to school at least half-time after the initial enrolled and grace period, with an aggregate limit not to exceed 36 months.

Interest continues to accrue and is added to the principal balance at the end of each period of hardship forbearance and in-school deferment. Interest is not added to the principal balance at the end of a natural disaster or national emergency forbearance.

Eligible Student Loans are forgiven upon the death of the borrower. Eligible Student Loans may also be forgiven upon the disability of the borrower, if such disability meets the FFEL Program standard for disability forgiveness.

Collections and Default Activities

The Authority currently performs all loan collection activities on delinquent Eligible Loans, either directly or through the Foundation. After a default claim is filed, the Authority may employ several tools in order to collect a defaulted loan, including but not limited to: (a) collections letters, emails, and calls; (b) annual State income tax refund offset; (c) State lottery winnings offset; (d) as warranted, litigation through the State Attorney General's office, including judicial wage garnishment; and (e) use of third-party collection agencies.

Custody of Financed Eligible Loans

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

Similarly, it is anticipated that any additional Eligible Loans which are financed with proceeds of Series 2023A Senior Tax-Exempt Bonds during the Acquisition Period will similarly be held by the Foundation, as custodian, pursuant to the Amended and Restated Contract and the Custodian Agreement.

THE FINANCED ELIGIBLE LOANS

The Authority has funded, and will continue to fund, certain Eligible Loans with its own funds prior to the Closing Date. The Eligible Loans expected to be financed with proceeds of the Series 2023A Senior Tax-Exempt Bonds and other available funds of the Authority, deposited to the Student Loan Fund include: (a) Eligible Loans made by the Authority prior to the Statistical Cut-Off Date, (b) additional Eligible Loans to be made by the Authority after the Statistical Cut-Off Date but prior to the Closing Date, (c) Eligible Loans that were financed by available sources other than Bonds that will be contributed to the Student Loan Fund on the Closing Date, and (d) additional Eligible Loans to be financed during the Acquisition Period. See the captions "ESTIMATED SOURCES AND USES OF PROCEEDS" and "THE PROGRAM" herein.

Following the financing of Eligible Loans during the Acquisition Period with the amounts remaining in the Student Loan Fund after the Closing Date, the aggregate characteristics of the entire pool of Financed Eligible Loans will vary from those of the Existing Eligible Loans set forth in the tables below and described in this Official Statement.

Furthermore, the issuance of Additional Bonds and the financing of Eligible Loans with the proceeds thereof will cause the aggregate characteristics of the pool of Financed Eligible Loans to vary still further from those of the Existing Eligible Loans and the additional Eligible Loans financed during the Acquisition Period. The financing of Eligible Loans during the Acquisition Period (other than the Existing Eligible Loans and any additional Eligible Loans that were included in the cash flow modeling presented to the Rating Agency) is subject to certain limitations described under the caption "PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Restrictions on the Financing of

Eligible Loans During the Acquisition Period” in “APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” attached hereto.

Financed Eligible Loans as to which any payment has been delinquent for 181 days or more will be deemed to have a value of \$0, but will continue to constitute Financed Eligible Loans.

The following tables describe certain characteristics of the Existing Eligible Loans as of the Statistical Cut-off Date. The Existing Eligible Loans include the Financed Eligible Loans already held under the Indenture, the Eligible Loans expected to be financed and pledged under the Indenture on the Closing Date and the Eligible Loans expected to be contributed to the Student Loan Fund on the Closing Date. The Authority expects that the characteristics of the Existing Eligible Loans reflected in these tables will vary due to the continued amortization of the Existing Eligible Loans between the Statistical Cut-off Date and the Closing Date. Although the statistical distribution as of the Closing Date of the characteristics of the Existing Eligible Loans will vary somewhat in other respects from the statistical distribution of those characteristics shown below, the Authority does not believe that those characteristics will differ materially. The sum of the characteristics may not add up to the total therefor in the following tables due to rounding.

All information set forth in the tables is as of August 31, 2023, the Statistical Cut-Off Date.

Composition of the Existing Eligible Loans¹

Aggregate Outstanding Principal Balance ²	\$75,438,929
Total Number of Borrowers	3,632
Average Outstanding Principal Balance per Borrower	\$20,771
Total Accrued Interest to be Capitalized	\$3,024,647
Accrued Interest Due	\$124,216
Total Accrued Interest	\$3,148,863
Number of Loans	6,658
Average Outstanding Principal Balance per Loan	\$11,331
Weighted Average Annual Interest Rate	6.02%
Weighted Average Original Term (Months)	120
Weighted Average Remaining Term (Months)	113.80
Weighted Average FICO Credit Score ³	752

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

² Exclusive of accrued interest to be capitalized.

³ FICO Score at origination of loan.

Distribution of the Existing Eligible Loans by Loan Type

Loan Type	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
NC Parent Assist Loan	\$12,222,084	\$ 45,771	16.20%	1,106
NC Student Assist Loan	<u>63,216,845</u>	<u>3,103,092</u>	<u>83.80</u>	<u>5,552</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Distribution of the Existing Eligible Loans Among Undergraduate and Graduate Students

Program	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
Undergraduate	\$71,860,316	\$3,045,235	95.26%	6,410
Graduate	<u>3,578,613</u>	<u>103,628</u>	<u>4.74</u>	<u>248</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Distribution of the Existing Eligible Loans by Loan Status

Loan Status	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
In School	\$33,555,294	\$2,019,967	44.48%	3,103
Repayment	27,334,171	124,216	36.23	2,346
Grace	11,152,385	908,976	14.78	949
Deferment	2,357,036	81,400	3.12	197
Forbearance	<u>1,040,044</u>	<u>14,304</u>	<u>1.38</u>	<u>63</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Distribution of the Existing Eligible Loans by School Type

School Type	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
In-State 4-Year Private	\$34,073,356	\$1,397,980	45.17%	2,256
In-State 4-Year Public	28,347,067	1,246,592	37.58	3,349
Out-of-State Private	5,277,718	190,291	7.00	335
Out-of-State Public	4,149,155	186,340	5.50	240
In-State 2-Year Public	2,370,852	92,573	3.14	382
In-State 2-Year Private	<u>1,220,780</u>	<u>35,087</u>	<u>1.62</u>	<u>96</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Distribution of the Existing Eligible Loans by Remaining Term

Remaining Term (Months)	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
49-60	\$ 16,037	\$ 51	0.02%	2
61-72	448,120	1,551	0.59	65
73-84	1,539,036	7,779	2.04	193
85-96	3,495,305	15,339	4.63	360
97-108	8,759,508	57,491	11.61	789
109-120	<u>61,180,923</u>	<u>3,066,653</u>	<u>81.10</u>	<u>5,249</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Delinquency Rates of the Existing Eligible Loans in Repayment

Days Delinquent	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
<= 30	\$26,065,160	\$108,624	95.36%	2,259
31-60	645,398	6,792	2.36	50
61-90	247,047	2,668	0.90	18
91-120	309,512	4,503	1.13	11
121-150	29,564	775	0.11	4
151-180	<u>37,492</u>	<u>854</u>	<u>0.14</u>	<u>4</u>
Total	<u>\$27,334,171</u>	<u>\$124,216</u>	<u>100.00%</u>	<u>2,346</u>

Distribution of the Existing Eligible Loans by FICO Score Range

FICO Score Range*	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
700 to 739	\$31,035,970	\$ 1,354,733	41.14%	2,735
740 to 779	26,116,185	1,115,546	34.62	2,278
780 +	<u>18,286,774</u>	<u>678,584</u>	<u>24.24</u>	<u>1,645</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

* FICO Score at origination of loan.

Existing Eligible Loans With Co-Signor and Loans Without Co-Signor

Co-signor	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
Yes	\$38,837,203	\$2,098,620	51.48%	3,476
No	<u>36,601,726</u>	<u>1,050,243</u>	<u>48.52</u>	<u>3,182</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Distribution of the Existing Eligible Loans by Remaining School Term

Remaining School Terms (Months)	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
<=12	\$ 9,776,273	\$ 691,563	29.13%	795
13-24	8,668,618	603,736	25.83	750
25-36	6,477,111	331,762	19.30	617
37-48	4,603,365	209,277	13.72	472
49-60	2,606,562	116,818	7.77	305
>60	<u>1,423,363</u>	<u>66,810</u>	<u>4.24</u>	<u>164</u>
Total	<u>\$33,555,294</u>	<u>\$2,019,967</u>	<u>100.00%</u>	<u>3,103</u>

Existing Eligible Loans in Repayment Utilizing ACH

ACH Utilized	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
Yes	\$16,022,743	\$ 53,645	58.62%	1,283
No	<u>11,311,428</u>	<u>70,570</u>	<u>41.38</u>	<u>1,063</u>
Total	<u>\$27,334,171</u>	<u>\$124,216</u>	<u>100.00%</u>	<u>2,346</u>

Distribution of the Existing Eligible Loans by Residence of Borrower

State	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
North Carolina	\$60,951,136	\$2,585,686	80.80%	5,788
Other	<u>14,487,793</u>	<u>563,177</u>	<u>19.20</u>	<u>870</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Existing Eligible Loans by Outstanding Principal Balance

Outstanding Principal Balance	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
Less than \$5,000	\$ 4,745,996	\$ 146,800	6.29%	1,528
\$5,000 to \$9,999	16,377,409	557,894	21.71	2,240
\$10,000 to \$14,999	16,034,492	781,970	21.25	1,322
\$15,000 to \$19,999	12,968,520	653,240	17.19	760
\$20,000 to \$24,999	6,829,531	294,631	9.05	311
\$25,000 to \$29,999	4,932,065	243,005	6.54	182
\$30,000 to \$34,999	3,575,192	174,952	4.74	111
\$35,000 to \$39,999	2,158,748	75,750	2.86	58
\$40,000 to \$44,999	1,550,810	63,446	2.06	37
\$45,000 to \$49,999	1,795,595	40,288	2.38	38
\$50,000 to \$59,999	2,064,398	61,074	2.74	38
\$60,000 to \$69,999	910,319	19,089	1.21	14
\$70,000 to \$79,999	960,385	25,510	1.27	13
\$80,000 to \$90,000	257,210	9,758	0.34	3
\$90,000 to \$100,000	<u>278,260</u>	<u>1,457</u>	<u>0.37</u>	<u>3</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

Existing Eligible Loans by School

School*	Principal Balance	Accrued Interest	Percent of Loans by Outstanding Balance	Number of Loans
Duke University	\$10,796,567	\$ 280,262	14.31%	421
North Carolina State University	4,878,662	214,122	6.47	574
University of North Carolina – Charlotte	4,473,359	220,580	5.93	497
Appalachian State University	4,295,875	173,445	5.69	513
East Carolina University	3,527,600	158,443	4.68	425
Campbell University	3,181,611	192,263	4.22	250
High Point University	3,024,752	166,097	4.01	160
University of North Carolina – Wilmington	3,021,120	125,335	4.00	337
Meredith College	2,919,358	97,581	3.87	269
University of North Carolina – Chapel Hill	2,613,923	96,499	3.46	259
Other	<u>32,706,103</u>	<u>1,424,236</u>	<u>43.35</u>	<u>2,953</u>
Total	<u>\$75,438,929</u>	<u>\$3,148,863</u>	<u>100.00%</u>	<u>6,658</u>

* Based upon the highest degree attained by the borrower.

Performance of the Existing Eligible Loans

The Existing Eligible Loans were all financed after May 1, 2018, therefore, there is only a limited amount of available historical performance information.

Information regarding cumulative default rates under the Program for Eligible Student Loans and Eligible Parent Loans for repayment cohorts from 2018 through 2023 are provided in the tables below as of the Statistical Cut-Off Date.

NC Assist Student Loan Program - Cumulative Default Rates by Calendar Year							
As of August 31, 2023							
Years in Repayment	Year Entering Repayment						Total
	2018	2019	2020	2021	2022	2023	
1	0.00%	0.00%	0.00%	0.17%	0.20%	0.00%	
2	0.00%	0.00%	2.96%	2.06%	2.22%		
3	0.00%	0.00%	9.17%	2.55%			
4	0.00%	0.59%	9.98%				
5	0.00%	0.59%					
6	0.00%						
Total Defaults	\$ -	\$ 3,052	\$ 275,063	\$ 189,927	\$ 228,710	\$ -	\$ 696,752
Borrowers Entering Repayment	1	45	162	353	434	177	1,171
Amount Entering Repayment	\$ 2,065	\$ 518,446	\$ 2,755,865	\$ 7,448,327	\$ 10,321,139	\$ 4,610,884	\$ 25,656,726

NC Assist Parent Loan Program - Cumulative Default Rates by Calendar Year							
As of August 31, 2023							
Years in Repayment	Year Entering Repayment						Total
	2018	2019	2020	2021	2022	2023	
1	0.00%	0.00%	0.00%	0.41%	0.00%	0.00%	
2	0.00%	0.00%	0.00%	0.41%	0.00%		
3	0.00%	0.00%	0.00%	0.41%			
4	0.00%	0.00%	0.00%				
5	0.00%	0.00%					
6	0.00%						
Total Defaults	\$ -	\$ -	\$ -	\$ 16,772	\$ -	\$ -	\$ 16,772
Borrowers Entering Repayment	24	116	138	186	145	135	744
Amount Entering Repayment	\$ 443,945	\$ 1,785,649	\$ 2,287,866	\$ 4,048,867	\$ 3,152,887	\$ 3,872,391	\$ 15,591,605

Of the \$713,523 in Existing Eligible Loans that have entered default status since the Program's inception, the Authority has recovered \$20,465 through June 30, 2023.

TAX MATTERS

Opinion of Bond Counsel

Certain federal tax requirements (the "Federal Tax Requirements") must be met subsequent to the initial issuance and delivery of the Series 2023A Senior Tax-Exempt Bonds in order that interest on such bonds be excluded, on and after the date of such issuance and delivery, from the gross income of the owners thereof for federal income tax purposes under the Code. The Authority has established procedures to meet the Federal Tax Requirements in the Indenture and the Program Manual. The Authority has also covenanted in the Indenture to comply with the requirements of Sections 144 and 148 of the Code. Bond Counsel is of the opinion that the procedures established as of the date hereof in the Indenture and the Program Manual are sufficient, if followed, to comply with the Federal Tax Requirements. Failure to comply with such aforementioned covenants or to carry out the procedures set forth in the Indenture and the Program Manual

may cause interest on the Series 2023A Senior Tax-Exempt Bonds to become included in gross income for federal income tax purposes retroactive from their date of issue.

In the opinion of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, as Bond Counsel, assuming that the Authority will carry out the aforementioned procedures set forth in the Program Manual and comply with the aforementioned covenants contained in the Indenture, interest on the Series 2023A Senior Tax-Exempt Bonds is excluded from gross income for federal tax purposes. Bond Counsel is also of the opinion that (a) interest on the 2023A Tax-Exempt Bonds will be treated as a preference item for purposes of the federal alternative minimum tax imposed by the Internal Revenue Code of 1986, as amended (the “Code”), and (b) for tax years after December 31, 2022, interest on the Series 2023A Tax-Exempt Bonds held by certain corporations is included in the corporation’s “adjusted financial statement of income” for purposes of computing the federal alternative minimum tax on such corporations. The Series 2023A Senior Tax-Exempt Bonds are exempt from all income taxes of the State of North Carolina.

Original Issue Premium

The Series 2023A Senior Tax-Exempt Bonds maturing on June 1, 2028 through June 1, 2033 (the “Premium Bonds”) are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds are sold and (b) the principal payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

Original Issue Discount

The initial public offering prices of the Series 2023A Senior Tax-Exempt Bonds maturing on June 1, 2043 (the “Discount Bonds”) are less than the amounts payable at maturity. An amount not less than the difference between the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) of the Discount Bonds and the amounts payable at maturity constitutes original issue discount. Under existing federal income tax law and regulations, the original issue discount on a Discount Bond is interest not includable in the gross income of an owner who purchases such Discount Bond in the original offering at the initial public offering price thereof and holds it to maturity, and such owner will not realize taxable gain upon payment of such Discount Bond at maturity. Owners who purchase Discount Bonds at a price other than the initial offering price or who do not purchase Discount Bonds in the initial public offering should consult their tax advisors with respect to the consequences of the ownership of such Discount Bonds. An owner who purchases a Discount Bond in the initial offering at the initial offering price and holds such Discount Bond to maturity is deemed under existing federal tax laws and regulations to accrue original issue discount on a constant yield basis under Section 1288 of the Code from the date of original issue. An owner's adjusted basis in a Discount Bond is increased by accrued original issue discount for purposes of determining gain or loss on sale, exchange or other disposition of such Discount Bond. Accrued original issue discount may be taken into account as an increase in the amount of tax-exempt

interest received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners and prospective purchasers of Discount Bonds should consult their own tax advisors regarding the calculation of accrued original issue discount for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the ownership or disposition of Discount Bonds.

Other Tax Consequences

Ownership or transfer of, or the accrual or receipt of interest on, the Series 2023A Senior Tax-Exempt Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Prospective purchasers of the Series 2023A Senior Tax-Exempt Bonds should consult their tax advisors as to any such possible collateral tax consequences. Except to the extent covered in their legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Series 2023A Senior Tax-Exempt Bonds.

Interest paid on tax-exempt obligations, such as the Series 2023A Senior Tax-Exempt Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the Series 2023A Senior Tax-Exempt Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the Series 2023A Senior Tax-Exempt Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Service.

ABSENCE OF CERTAIN LITIGATION

To the knowledge of the Authority, there is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2023A Senior Tax-Exempt Bonds, or in any way contesting or affecting the validity of the Series 2023A Senior Tax-Exempt Bonds, any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2023A Senior Tax-Exempt Bonds or the due existence of powers of the Authority.

LEGALITY

The legality of the authorization, issuance and sale of the Series 2023A Senior Tax-Exempt Bonds is subject to the approving opinion of Womble Bond Dickinson (US) LLP, as Bond Counsel to the Authority. The opinion of Bond Counsel will be delivered substantially in the form attached hereto as Appendix B. Certain legal matters will be passed upon for the Underwriter by its counsel, Kutak Rock LLP.

UNDERWRITING

The Series 2023A Senior Tax-Exempt Bonds are to be purchased by BofA Securities, Inc. (the “Underwriter”) pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”) between the Authority and the Underwriter. The Underwriter will purchase the Series 2023A Senior Tax-Exempt Bonds at a price equal to \$78,110,769.67 (which is equal to the par amount of the Series 2023A Senior Tax-Exempt Bonds, plus a net initial issue premium of \$1,658,843.25 and less an underwriting discount of \$523,073.58). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2023A Senior Tax-Exempt Bonds if any are purchased. The obligation of the Underwriter to purchase the Series 2023A Senior Tax-Exempt Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriter may offer and sell the Series 2023A Senior Tax-Exempt Bonds to certain dealers (including dealers depositing the Series 2023A Senior Tax-Exempt Bonds into investment trusts) and others at prices lower than the offering prices. After the initial offering, the prices of the Series 2023A Senior Tax-Exempt Bonds may change.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

BofA Securities, Inc., as the underwriter of the Series 2023A Senior Tax-Exempt Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Series 2023A Senior Tax-Exempt Bonds.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR TO THE AUTHORITY

SL Capital Strategies LLC (the “Financial Advisor”) serves as independent financial advisor to the Authority on matters relating to debt management. The Financial Advisor is a financial advisory consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2023A Senior Tax-Exempt Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2023A Senior Tax-Exempt Bonds was based on materials provided by the Authority and other sources of information believed by the Financial Advisor to be reliable. The Financial Advisor has not audited, authenticated, or otherwise verified the information provided by the Authority or the information set forth in this Official Statement or any other information available to the Authority with respect to the appropriateness, accuracy, or completeness of disclosure of such information or other information and no guarantee, warranty, or other representation is made by the Financial Advisor with respect to the accuracy and completeness of or any other matter related to such information or this Official Statement.

RATING

Prior to the issuance and delivery of the Series 2023A Senior Tax-Exempt Bonds, S&P Global Ratings (“S&P”), is expected to assign its bond rating of “A (sf)” to the Series 2023A Senior Tax-Exempt Bonds.

Such rating reflects only the views of S&P at the time such rating was given and the Authority makes no representation as to the appropriateness of the rating. An explanation of the significance of such rating can only be obtained from S&P. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2023A Senior Tax-Exempt Bonds. The rating is not a recommendation to buy or sell the Series 2023A Senior Tax-Exempt Bonds, and is not a comment as to the suitability of the Series 2023A Senior Tax-Exempt Bonds for any investor. See the caption “CERTAIN RISK FACTORS—Certain Actions May Be Permitted Without Registered Owner Approval” herein.

CONTINUING DISCLOSURE UNDERTAKING

The Authority will enter into a continuing disclosure certificate with respect to the Series 2023A Senior Tax-Exempt Bonds (the “Continuing Disclosure Certificate”) setting forth the undertaking of the Authority regarding continuing disclosure with respect to the Series 2023A Senior Tax-Exempt Bonds. The proposed form of the Continuing Disclosure Certificate is set forth in Appendix C attached hereto.

Investor Reports will be posted on a quarterly basis within 60 days after the end of each calendar quarter ending on the last day of each March, June, September and December, setting forth the information set forth in the sample report attached to the Continuing Disclosure Certificate. These quarterly Investor Reports will contain information during the period since the previous Investor Report. The Authority initially intends to post these reports on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board located at <http://emma.msrb.org> and on the investor page of the Authority’s website (or successors to such sites). The Authority reserves the right (a) to alter the format in which such periodic information is presented, or (b) to make such periodic information available either by posting as set forth in a Supplemental Indenture or by posting on a publicly accessible website.

Except as hereinafter described, the Authority is not aware of any material failure to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12 of the Securities Exchange Commission in connection with any of its previous bond issues during the preceding five years. In November 2018, the Authority failed to upload to EMMA a monthly report that it posted on its website with certain information it had undertaken to post on EMMA in connection with certain of its bond issues.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2023A Senior Tax-Exempt Bonds.

The Indenture provides that all covenants, stipulations, promises, agreements and obligations of the Authority contained in the Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any officer, director or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Series 2023A Senior Tax-Exempt Bonds or for any claim based thereon or on the Indenture against any officer or employee of the Authority or against any person executing the Series 2023A Senior Tax-Exempt Bonds.

The delivery of this Official Statement has been duly authorized by the Authority.

STATE EDUCATION ASSISTANCE AUTHORITY

/s/ Andrea R. Poole

Andrea R. Poole, Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

SUMMARY OF MASTER INDENTURE

Definitions

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

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

“*Acquisition Period*” means, for each Series of Bonds, the period beginning on the Date of Issuance for such Series of Bonds and ending on the date set forth in the related Supplemental Indenture for such Series of Bonds.

“*Act*” means Chapter 1180 of the Session of Laws of North Carolina of 1965, as amended, being Sections 116-201 to 116-209.55, inclusive, of the General Statutes of North Carolina.

“*Administration Agreement*” means the Administration Agreement, dated as of July 1, 2020, among the Authority, the Administrator and the Trustee, and any other administration agreement with any successor Administrator, each as amended from time to time.

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

“*Administrator*” means the State Education Assistance Authority and will also mean any other Person (a) with which the Authority has entered into an Administration Agreement and (b) for which the Authority has satisfied a Rating Agency Notification.

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

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

“*Authority*” means the State Education Assistance Authority, a political subdivision created and established pursuant to, and existing under, the laws of the State of North Carolina, or any successor thereto.

“*Authority Order*” means a written order signed in the name of the Authority by an Authorized Representative. Such order will conform to the requirements of the Indenture and will be delivered to the Trustee.

“*Authorized Denominations*” means the Authorized Denominations specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds.

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

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

“*Bond*” or “*Bonds*” means any bonds, notes or other debt obligations issued pursuant to the provisions of the Indenture.

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

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

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

“*Business Day*” has the meaning, with respect to any Series of Bonds, set forth in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

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

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

“*Date of Issuance*” means the date of original issuance and delivery of any Bonds to an Underwriter or other initial purchaser of Bonds from the Authority.

“*Debt Service Fund*” means the Fund by that name created in the Indenture and as described in subsection “FUNDS—Debt Service Fund” of this Appendix A, including any Accounts and Subaccounts created in the Indenture.

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

“*Debt Service Reserve Fund Requirement*” means, as of any particular day of calculation, the sum of the amounts designated in Supplemental Indentures as the Debt Service Reserve Fund Requirement for such Series of Bonds; provided, however, any such requirement may be reduced if the Authority has satisfied the Rating Agency Notification.

“*Defaulted Loan*” means, except as otherwise provided in a Supplemental Indenture, an Eligible Loan which has reached 181 days of delinquency and has been classified in the Authority’s loan files as a Defaulted Loan.

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

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

“*Eligible Loan*” means any loan made to finance or refinance post-secondary education that is (a) authorized to be made under the Act and made or financed by the Authority pursuant to the Program Manual and any Supplemental Indenture or (b) if the Authority has satisfied the Rating Agency Notification, otherwise permitted to be financed by the Authority pursuant to its Program as authorized under the Act. The Trustee has no obligation to determine whether a loan constitutes an “Eligible Loan.”

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

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

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

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

“*Favorable Opinion*” means an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Indenture and

will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds.

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

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

“*Funds*” means each of the Funds created pursuant to the Indenture as described under the caption “FUNDS” in this Appendix A.

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

“*Indenture*” means the Indenture of Trust, dated as of July 1, 2020, between the Authority and the Trustee, including all supplements and amendments thereto. The Authority intends terms and provisions of the Indenture to be a resolution in order to satisfy certain provisions of the Act including but not limited to NCGS § 116-209.6 relating to Revenues and § 116-209.9 relating to Negotiability of bonds.

“*Interest Payment Date*” means the Interest Payment Dates specified for a Series of Bonds in the Supplemental Indenture relating to such Series of Bonds.

“*Investment Securities*” means, to the extent permitted by the Act:

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

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

(c) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; Federal Home Loan Banks provided such obligation is rated “AAA” by S&P, each with a maturity of 12 months or less;

(d) repurchase agreements and reverse repurchase agreements, other than overnight repurchase agreements and overnight reverse repurchase agreements, with banks, including the

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

(e) guaranteed investment contracts providing for the investment of funds in an account or insuring a minimum rate of return on investments of such funds, which contract will:¹

(i) be an obligation of or guaranteed by an insurance company or other corporation or financial institution whose debt obligations or insurance financial strength or claims-paying ability are rated “AAA” by S&P, provided further that if there is a downgrade below “AAA” by S&P, the Authority will replace or cause to be replaced the provider within 60 days of such downgrade at no cost to the Trust Estate; and

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

(f) investment agreements or guaranteed investment contracts that are entered into on the Date of Issuance for a Series of Bonds that are issued pursuant to the provisions of the Indenture with a provider whose outstanding, short-term debt obligations are rated no lower than “A-1+” by S&P; provided further that if there is a downgrade below a long-term rating of “A” by S&P, the Authority will replace or cause to be replaced the provider within 90 days of such downgrade at no cost to the Trust Estate;²

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

¹ Amended pursuant to the Amendments (see “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Amendments to the Master Indenture” in the body of this Official Statement) to read as follows:

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

(i) be an obligation of or guaranteed by an insurance company or other corporation or financial institution whose debt obligations or insurance financial strength or claims paying ability are rated no lower than “A-” by S&P (or such other lower credit rating provided that the Authority has satisfied the Rating Agency Notification), provided further that if there is a downgrade below “A-” (or such other lower credit rating provided that the Authority has satisfied the Rating Agency Notification) by S&P, the Authority shall replace or cause to be replaced the provider within 90 days of such downgrade at no cost to the Trust Estate; and

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

² Amended pursuant to the Amendments (see “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Amendments to the Master Indenture” in the body of this Official Statement) to read as follows:

(f) [Reserved];

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

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

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

“*Monthly Report*” means a report compiled by the Trustee and the Administrator on behalf of the Authority detailing collection activity as of the last Business Day of each calendar month as described in paragraphs (b) and (c) under the caption “FUNDS—Revenue Fund” in this Appendix A, including total monthly collections with respect to the Financed Eligible Loans and investment earnings with respect to the pledged Funds and Accounts during such specified period and the application of Revenues.

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

“*Operating Fund*” means the fund by that name described under the caption “FUNDS—Creation and Continuation of Funds and Accounts” and “FUNDS—Operating Fund” in this Appendix A.

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

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

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

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

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

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

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

“*Principal Office*” means the office of the party indicated, as set forth in the Indenture.

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

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

“*Program Manual*” means any applicable Program Manual relating to the Program as in effect on the date of execution of the Indenture and as revised, amended, altered, or supplemented from time to time.

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

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

“*Rating Agency*” means any one or more nationally recognized statistical rating organizations or other comparable Persons, designated by the Authority to assign Ratings to any of the Bonds.

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

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

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

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

“*Rebate Fund*” means the Fund by that name described under the caption “FUNDS—Creation and Continuation of Funds and Accounts and—Rebate Fund” in this Appendix A, including any Accounts and Subaccounts created in the Indenture.

“*Record Date*” means the Record Date established for any Bonds pursuant to the Supplemental Indenture relating to such Bonds.

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

“*Recycling Period*” has the meaning ascribed to such term in any Supplemental Indenture.

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

“*Redemption Price*” means the total of principal, premium, if any, and interest due on any Bond redeemed pursuant to any applicable redemption provision of the Indenture and any Supplemental Indenture.

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

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

“*Residual Certificate*” means a certificate in substantially the form attached as Exhibit A to the Indenture executed by the Authority and authenticated by the Trustee evidencing an undivided interest, whether fractional or whole, in the residual interest in the Trust Estate created under the Indenture.

“*Residual Certificateholder*” means the Person in whose name the Residual Certificate is registered in the books of the Authority; provided, however, that if no Residual Certificate has been issued under the Indenture, the Authority will be deemed to be the Residual Certificateholder for purposes of the Indenture.

“*Responsible Officer*” means, with respect to the Trustee, any officer within the Principal Office of the Trustee including any vice president, assistant vice president, assistant secretary, trust officer, or any other officer of the Trustee, customarily performing functions similar to those performed by any of the above designated officers, or to whom any corporate trust matter is referred because of such person’s knowledge of and familiarity with the particular subject, and in each case with direct responsibility for the administration of the Indenture on behalf of the Trustee.

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

“*Revenue Fund*” means the Fund by that name described under the caption “FUNDS—Creation and Continuation of Funds and Accounts” and “—Revenue Fund” in this Appendix A, including any Accounts and Subaccounts created in the Indenture.

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

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

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

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

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

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

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

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

“*Senior Transaction Fees*” means (a) the Trustee Fees, (b) the Administration Fees, (c) the Standard Servicing Fees, (d) the Rating Agency Fees, and (e) Extraordinary Expenses (including any rebate analyst fees, counsel fees, audit and tax return fees and expenses of the Authority) (subject to any limitations set forth in any Supplemental Indenture).

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

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

“*Servicing Agreement*” means the Seventh Amended and Restated Contract Providing for the Performance of Certain Services and Functions for the State Education Assistance Authority made and entered into as of October 1, 2013, by and between the Authority and College Foundation, Inc., as amended from time to time, and any additional servicing agreements with any other Servicer, in each case relating to the Financed Eligible Loans, as amended from time to time.

“*Special Record Date*” means the Special Record Date established for any Bonds pursuant to the Supplemental Indenture relating to such Bonds.

“*Standard Servicing Fees*” mean any fees and expenses payable to the Servicers with respect to the servicing and collection of the Financed Eligible Loans consisting of the servicing fees, default related fees, delinquency fees, and annual privacy mailing fees, but will not include fees due as a result of the termination of a Servicing Agreement (including any deconversion fees related to Financed Eligible Loans resulting

from such termination), indemnification or other extraordinary expense items (all of which are Extraordinary Expenses).

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

“*Statutory Loan Fund*” means the trust fund authorized and established by Section 116-209.3 of the Act.

“*Statutory Sinking Fund*” means the trust fund authorized and established by Section 116-209.4 of the Act.

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

“*Subaccount*” means any additional Account which may be created and established to account for activity within any other Account by the Indenture.

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

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

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

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

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

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

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

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

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

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

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a national banking association, acting in its capacity as Trustee under the Indenture, or any successor Trustee designated pursuant to the Indenture.

“*Trustee Fees*” means the regular fees and expenses of the Trustee as described in the Indenture.

“*Underwriter*” means the underwriter or underwriters of any of the Bonds as may be specified in a Supplemental Indenture.

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

(a) with respect to any Eligible Loan, the unpaid principal amount thereof plus any accrued but unpaid interest; provided, however, a Defaulted Loan will have a Value of zero;

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

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

(d) as to investment agreements, par plus accrued interest; and

(e) as to other investments, the bid price published by a nationally recognized pricing service.

BOND DETAILS

Bond Details

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

Issuance of Bonds

(a) The Authority will have the authority, upon complying with the provisions described below under this caption “—Issuance of Bonds”, to authenticate and deliver from time to time Bonds secured by the Trust Estate on a parity with the Senior Bonds, the Senior Subordinate Bonds or the Subordinate Bonds, if any, secured under the Indenture as will be determined by the Authority.

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

(i) the Authority and the Trustee have entered into a Supplemental Indenture (which Supplemental Indenture will not require the approval of the Registered Owners of any of the Outstanding Bonds) providing the terms and forms of the proposed Series of Bonds as described under the caption “—Bond Details” above, including the designation of such Series of Bonds as Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds,

whether such Series of Bonds constitutes Taxable Bonds or Tax-Exempt Bonds (or a combination thereof), the redemption and selection for redemption provisions applicable to such Series of Bonds, and the application of the proceeds of the Bonds and any Authority contribution;

(ii) a Rating Agency Confirmation will have been received with respect to the issuance of such Series of Bonds; and

(iii) upon the issuance of the proposed Series of Bonds, an amount equal to the Debt Service Reserve Fund Requirement with respect to such Series of Bonds, if any, will be deposited into the Debt Service Reserve Fund.

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

Redemption of Bonds

Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture with respect to a Series will be redeemable, upon notice as provided in the Indenture, at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Indenture authorizing such Series. See the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions” in the body of this Official Statement.

PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS

Trust Estate

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

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

(b) all moneys and investments held in the Funds described as part of the Trust Estate in the Indenture and as described under the caption “FUNDS” of this Appendix A;

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

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

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

Parity and Priority of Lien

As they relate to the Bonds and the Registered Owners, the provisions, covenants and agreements set forth in the Indenture to be performed by or on behalf of the Authority will be for the equal benefit,

protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, will be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in the Indenture with respect to certain payment and other priorities.

Other Obligations

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

The Authority will not commingle the Funds established by the Indenture with funds, proceeds, or investment of funds relating to other issues or series of bonds issued before or after the date of the Indenture.

The Revenues and other moneys, Financed Eligible Loans, securities, evidences of indebtedness, interests, rights and properties pledged under the Indenture are and will be owned by the Authority free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, except as otherwise expressly provided in the Indenture, and all action on the part of the Authority to that end has been duly and validly taken. Except as otherwise provided in the Indenture, the Authority will not create or voluntarily permit to be created any debt, lien, or charge on the Financed Eligible Loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture; will not do or omit to do or suffer to be done or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority of such lien for the Bonds thereby secured might or could be lost or impaired; and will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the Financed Eligible Loans; provided, however, that nothing described in this paragraph will require the Authority to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof will be in good faith contested, unless thereby the same will endanger the security for the Bonds; and provided further that any lien on the Trust Estate subordinate to the lien of the Indenture (i.e., subordinate to the lien securing the Senior Bonds, the Senior Subordinate Bonds and the Subordinate Bonds) will be entitled to no payment from the Trust Estate, nor may any remedy be exercised with respect to such subordinate lien against the Trust Estate until all Bonds have been paid or deemed paid under the Indenture.

PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY

Payment of Bonds

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

The Authority will at all times maintain an office or agency where its Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Authority in respect of the Bonds or of the Indenture may be served. The Authority appointed the Trustee as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds, and for the service of such notices, presentations and demands upon the Authority.

Covenant To Perform Obligations Under the Indenture

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

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

Further Instruments and Actions

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

Administration of the Program

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

Financing, Collection and Assignment of Eligible Loans

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

Enforcement of Financed Eligible Loans

The Authority will, subject to the other provisions as described under this caption “—Enforcement of Financed Eligible Loans,” cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all terms, covenants and conditions of all Financed Eligible Loans, the Program Manual and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due the Authority thereunder. The Authority will not, except as permitted as described by the next paragraph under this caption “—Enforcement of Financed

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

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

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

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

Administration and Servicing

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

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

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

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

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

Nothing described under this caption “—Administration and Servicing” will affect the Trustee’s rights to indemnification under the Indenture as described under the caption “THE TRUSTEE—Indemnification of Trustee” below.

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

Administration and Collection of Financed Eligible Loans

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

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

- (a) the Servicer holds promissory notes evidencing Financed Eligible Loans and related documentation as bailee for and on behalf of the Trustee for purposes of perfecting the security interests of the Trustee therein; and
- (b) All sums received by the Authority or the Servicer with respect to Financed Eligible Loans will be held on behalf of the Trustee including, but not limited to, all payments of principal and interest and proceeds of the sale thereof.

Tax Covenants

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

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

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

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

No Waiver of Laws

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

Pledge of Trust Estate

The Authority will give the Trustee not less than 30 days’ prior written notice of any change in its name or in the location of its chief executive office, its chief place of business and/or the location at which it keeps the Records.

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

The Authority, in the Indenture, authorizes the Trustee from time to time to file financing statements, continuation statements and amendments thereto, relative to all or any part of the Financed Eligible Loans, the related Revenues and the pledged Funds, without the signature of the Authority (where permitted by law). Copies of any such statement or amendment will be promptly delivered to the Authority. The Trustee agrees, without further notice, to confirm with the Authority if any such filing has been or will be completed by the Authority and, if not, the Trustee will prepare, request that the Authority execute (if such execution is necessary for any such filing) and file in a timely manner all of the continuation statements referred to in the Indenture, subject to the limitations described under the caption “THE TRUSTEE—As to Trust Estate and Filings.”

The Authority will timely pay or reimburse the Trustee for any and all filing, registration and recording fees (and any refiling, re-registration and re-recording fees) and all expenses incident to the execution, delivery and/or performance of the Indenture and any agreement or instrument of further assurance furnished under the Indenture.

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

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

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

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

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

(b) the Financed Eligible Loans are instruments, including promissory notes, or payment intangibles within the meaning of the Uniform Commercial Code of the State of North Carolina.

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

(d) the Authority has caused or will have caused, within 10 days after the date of initial issuance of each Series, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Financed Eligible Loans granted to the Trustee under the Indenture pursuant to the Uniform Commercial Code of the State of North Carolina.

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

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

For the purposes of the Indenture, any Financed Eligible Loans, including electronic loans, in which the Trustee has received a pledge, will be accounted for in the Student Loan Fund.

The transactions described in the Indenture may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents will be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

The Paying Agent is appointed as the sole and exclusive agent and bailee of the Trustee solely in order to take possession and custody of the pledged Funds for the purpose of perfecting and continuing the perfection of the Trustee's security interest in the pledged Funds. The Paying Agent accepts such appointment in the Indenture, acknowledges receipt of notice of the security interest held by the Trustee in the pledged Funds and acknowledges that it is holding such pledged Funds for such purpose and solely for the Trustee's benefit.

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

Senior Transaction Fees

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

Monthly Reports; Periodic Information on the Financed Eligible Loans

The Authority will cause the Administrator and the Trustee to complete a Monthly Report as of the last Business Day of each calendar month.

In addition, the Authority will cause the Administrator to make periodic information on the Financed Eligible Loans as set forth in a Supplemental Indenture. The Authority reserves the right, however, (a) to alter the format in which such periodic information is presented, or (b) to make such periodic information available either by posting as set forth in a Supplemental Indenture and/or by posting on a publicly accessible website.

Delivery of any such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such will not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Authority's compliance with any of its covenants under the Indenture (as to which the Trustee is entitled to rely exclusively on Authority Orders).

FUNDS

Creation and Continuation of Funds and Accounts

The Indenture creates and establishes the following Funds to be held and maintained by the Trustee for the benefit of the Registered Owners and, as applicable, the Trustee:

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

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

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

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

The Student Loan Fund and Operating Fund are declared in the Indenture to be within the Statutory Loan Fund. The Revenue Fund, Capitalized Interest Fund, Debt Service Fund and Debt Service Reserve Fund are declared in the Indenture to be within the Statutory Sinking Fund.

Student Loan Fund

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

Moneys on deposit in the Student Loan Fund will be used, upon Authority Order and subject to any applicable Supplemental Indenture, to pay costs of issuance of the Bonds and, during any Acquisition Period and any Recycling Period, as set forth in a Supplemental Indenture, to finance or refinance Eligible Loans. Any such Authority Order will state that such proposed use of moneys in the Student Loan Fund is in compliance with the provisions of the Indenture. If the Authority determines that all or any portion of such moneys cannot be so used, then an Authorized Representative of the Authority may by Authority Order direct the Trustee that such moneys will be transferred to the Tax-Exempt Retirement Account or the Taxable Retirement Account, as applicable, of the Debt Service Fund and used to redeem Bonds in accordance with any Supplemental Indenture. See the caption “THE 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions—Mandatory Redemption From Unexpended Proceeds” in the body of this Official Statement.

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

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

If (a) on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund) to make the transfers described in paragraphs (b)(i)-(ix) or (c)(i) through (ix) under the caption “—Revenue Fund” below; or (b) on a Bond Payment Date, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund) to make the payments due on Tax-Exempt Bonds or Taxable Bonds on such Bond Payment Date, an amount equal to any such deficiency will be transferred directly from the Student Loan Fund (but only from cash or Investment Securities and not from Financed Eligible Loans or from amounts necessary for the financing of Approved Undisbursed Loans, which aggregate principal amount, if any, of such Approved Undisbursed Loans will have been certified by an Authorized Officer of the Authority to the Trustee on or prior to the last day of an Acquisition Period or Recycling Period, as applicable, with respect to a Series of Bonds) to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but if such amounts on deposit in the Student Loan Fund constitute the proceeds of a Series of Tax-Exempt Bonds, only upon receipt by the Authority and the Trustee of a Favorable Opinion) as directed by and in accordance with the applicable Monthly Report or Authority Order. To the extent that amounts are available within an Account of the Student Loan Fund, (i) amounts on deposit in the Tax-Exempt Account of the Student Loan Fund will be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Student Loan Fund, and (ii) amounts on deposit in the Taxable Account of the Student Loan Fund will be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Student Loan Fund.

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

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

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

- (a) an Authority Order stating the sale price and directing that Financed Eligible Loans be sold, transferred or otherwise disposed of and delivered:
 - (i) to any Person, whose name will be specified; or

(ii) to the trustee under another indenture securing bonds issued by the Authority whose name will be specified in such Authority Order; and

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

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

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

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

Further, Financed Eligible Loans will also be sold, transferred or otherwise disposed of by the Trustee as follows: (y) the sale to a Servicer of any Financed Eligible Loans which it is required to purchase pursuant to a Servicing Agreement as a result of servicing errors, and (z) pursuant to an Authority Order in which the Authority determines that such disposition of Financed Eligible Loans from the Trust Estate is necessary in order to avoid the occurrence of an Event of Default under the Indenture, in such amount and at such times and prices as may be specified in such Authority Order. The Trustee, following receipt of the foregoing and of a certificate of an Authorized Officer of the Authority indicating that such purchaser or transferee is one of the entities described in clause (a) above, if applicable, will deliver such Financed Eligible Loans free from the lien of the Indenture upon the receipt of the purchase price or consideration specified in the Authority Order, in compliance with the foregoing. The proceeds to be received upon any disposition may consist of cash, Investment Securities and/or Eligible Loans. The Trustee will deposit the proceeds of any such sale, transfer or other disposition into the Account with respect to which such Financed Eligible Loans were attributable, if applicable, as directed in such Authority Order.

Revenue Fund

(a) The Trustee will deposit into the Tax-Exempt Account of the Revenue Fund all Revenues derived from Financed Eligible Loans, or portions thereof, on deposit in the Tax-Exempt Account of the Student Loan Fund, Revenues derived from proceeds of Tax-Exempt Bonds on deposit in the Student Loan Fund and all other Revenue derived from moneys or assets on deposit

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

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

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

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

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

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

(v) on a pro rata basis, if necessary, to the Tax-Exempt Account of the Debt Service Reserve Fund the amount, if any, required to restore the Tax-Exempt Account of the Debt Service Reserve Fund to its allocable portion of the Debt Service Reserve Fund Requirement with respect thereto, with any separate Account established in the Indenture receiving its pro rata share of such replenishment, if necessary, based upon the amount disbursed from such Account and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required as described in clause (c)(v) of this subsection;

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

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

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

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

Debt Service Fund to the extent and in the manner described under the caption “—Debt Service Fund—Tax-Exempt Principal Account,” to provide for the payment of cumulative mandatory sinking fund installments of Subordinate Tax-Exempt Bonds not funded under clause (A) of this clause (ix) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Taxable Account of the Revenue Fund for such purpose, to make the transfers required as described in clause (c)(ix)(B) of this subsection;

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

(xi) (A) at the option of the Authority and upon receipt by the Trustee of an Authority Order or (B) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of April and October), to the Taxable Retirement Account or the Tax-Exempt Retirement Account of the Debt Service Fund for Principal Reduction Payments or the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to Principal Reduction Payments or redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Authority by Authority Order) (see the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions” in the body of this Official Statement);

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

(xiii) at the option of the Authority and upon receipt by the Trustee of an Authority Order (but only on the last Business Day of the calendar months of May and November), to the Residual Certificateholder to the extent permitted by the Indenture.

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

(i) to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund to make the transfers required as described in clause (b)(i) of this subsection, to the Rebate Fund, upon receipt of an Authority Order and if necessary to comply with any Tax Document with respect to rebate or Excess Earnings;

(ii) on a pro rata basis, if necessary, to the Operating Fund for the payment of Senior Transaction Fees allocable to the Taxable Bonds to the extent and in the manner described under the caption “—Operating Agreement” below upon receipt of an Authority Order directing the same and, to the extent there are insufficient moneys available in the

Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required as described in clause (b)(ii) of this subsection;

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

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

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

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

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

make the transfers required as described in clause (b)(vii)(A) of this subsection; and (B) second, on a pro rata basis, if necessary, to the credit of the Taxable Principal Account of the Debt Service Fund to the extent and in the manner described in subsection “—Debt Service Fund—Taxable Principal Account” below, to provide for the payment of cumulative mandatory sinking fund installments of Senior Subordinate Taxable Bonds not funded under clause (A) of this clause (vii) on a mandatory sinking fund payment date and, to the extent there are insufficient moneys available in the Tax-Exempt Account of the Revenue Fund for such purpose, to make the transfers required as described in clause (b)(vii)(B) of this subsection;

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

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

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

(xi) (A) at the option of the Authority and upon receipt by the Trustee of an Authority Order or (B) as required by a Supplemental Indenture (but only on the last Business Day of the calendar months of April and October), to the Taxable Retirement Account or the Tax-Exempt Retirement Account of the Debt Service Fund, as directed by an Authority Order, for Principal Reduction Payments or the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to Principal Reduction Payments or redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular Series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Authority by Authority Order) (see the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions” in the body of this Official Statement);

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

(xiii) at the option of the Authority and upon receipt by the Trustee of an Authority Order (but only on the last Business Day of the calendar months of May and November), to the Residual Certificateholder to the extent permitted by the Indenture as described under the caption “—Transfers to the Residual Certificateholder” below.

Capitalized Interest Fund

The Trustee will deposit to the Tax-Exempt Account or the Taxable Account of the Capitalized Interest Fund the amount, if any, specified in each Supplemental Indenture, and any other moneys of the Authority designated by the Authority for deposit therein pursuant to an Authority Order. If (a) on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund to make the transfers required by the Indenture as described under clauses (b)(i) through (ix) under the caption “—Revenue Fund” above or clauses (c)(i) through (ix) under the caption “—Revenue Fund” above; or (b) on a Bond Payment Date, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund to make the payments due on Tax-Exempt Bonds or Taxable Bonds on such Bond Payment Date, an amount equal to any such deficiency will be transferred directly from the Capitalized Interest Fund to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but if such amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund constitute the proceeds of a Series of Tax-Exempt Bonds, only upon receipt by the Authority and the Trustee of a Favorable Opinion) as directed by and in accordance with the applicable Monthly Report or Authority Order. To the extent that amounts are available within an Account of the Capitalized Interest Fund, (i) amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund will be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Capitalized Interest Fund, and (ii) amounts on deposit in the Taxable Account of the Capitalized Interest Fund will be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Capitalized Interest Fund.

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

Debt Service Fund

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

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

With respect to each Series of Tax-Exempt Bonds on which interest is paid at least monthly, the Trustee in accordance with the applicable Monthly Report will deposit to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Tax-Exempt Bonds during the following calendar month. With respect to each Series of Tax-Exempt Bonds on which interest is paid at intervals less frequently than monthly, the Trustee will make monthly deposits to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month preceding each Interest Payment Date for such Series of Tax-Exempt Bonds equal to 120% of the interest to accrue (or, with respect to Tax-Exempt Bonds bearing interest at a variable rate, anticipated to accrue) on such Tax-Exempt Bonds during the succeeding calendar month plus, to the extent any previous monthly deposit was less than the provided amount for such month in accordance with the applicable Monthly Report, the amount of such deficiency, in each case, until the full amount due on the next Interest Payment Date is deposited to the Tax-Exempt Interest Account for such Series of Tax-Exempt Bonds (except that if there are fewer than six calendar months between the delivery of the Tax-Exempt Bonds of a Series to the initial purchasers thereof and the first Interest Payment Date with respect to such Series of Tax-Exempt Bonds, then the Trustee will make equal monthly deposits to the credit of the Tax-Exempt Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report beginning with the calendar month following the month in which such Series of Tax-Exempt Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Tax-Exempt Interest Account for the next succeeding Interest Payment Date is on deposit by the last Business Day of the next April and October). With respect to a Series of Tax-Exempt Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in the applicable Monthly Report and based upon the Supplemental Indenture authorizing such Series of Tax-Exempt Bonds.

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

Except as described in (g) of this subsection, amounts transferred to the Tax-Exempt Interest as described in paragraph (b)(iii) under the caption “—Revenue Fund” above will be used solely for the payment of interest on Senior Tax-Exempt Bonds, amounts transferred to the

Tax-Exempt Interest Account as described in paragraph (b)(vi) under the caption “—Revenue Fund” above will be used solely for the payment of interest on Senior Subordinate Tax-Exempt Bonds, and amounts transferred to the Tax-Exempt Interest Account as described under paragraph(b)(viii) hereof will be used solely for the payment of interest on Subordinate Tax-Exempt Bonds.

(b) ***Tax-Exempt Principal Account.*** The Trustee will deposit to the credit of the Tax-Exempt Principal Account: (i) that portion of the proceeds from the sale of the Authority’s bonds, if any, to be used to pay principal of Tax-Exempt Bonds if so directed by the Authority, and (ii) all amounts required to be transferred from the Funds and Accounts described in this subsection (b).

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

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

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

Except as described in paragraph (g) of this subsection, amounts transferred to the Tax-Exempt Principal Account as described in paragraph (b)(iv) under the caption “—Revenue

Fund” above will be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Tax-Exempt Bonds, amounts transferred to the Tax-Exempt Principal Account as described in paragraph (b)(vii) under the caption “—Revenue Fund” above will be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Subordinate Tax-Exempt Bonds, and amounts transferred to the Tax-Exempt Principal Account as described in paragraph (b)(ix) under the caption “—Revenue Fund” above will be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Subordinate Tax-Exempt Bonds, as set forth in the Authority Order or Monthly Report.

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

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

With respect to each Series of Taxable Bonds on which interest is paid at least monthly, the Trustee will in accordance with the applicable Monthly Report deposit to the credit of the Taxable Interest Account on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Taxable Bonds during the following calendar month. With respect to each Series of Taxable Bonds on which interest is paid at intervals less frequently than monthly, the Trustee will make monthly deposits to the credit of the Taxable Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report preceding each Interest Payment Date for such Series of Taxable Bonds equal to 120% of the interest to accrue (or, with respect to Taxable Bonds bearing interest at a variable rate, anticipated to accrue) on such Taxable Bonds during the succeeding calendar month plus, to the extent any previous monthly deposit was less than the provided amount for such month, the amount of such deficiency, in each case, until the full amount due on the next Interest Payment Date is deposited to the Taxable Interest Account for such Series of Taxable Bonds (except that if there are fewer than six calendar months between the delivery of the Taxable Bonds of a Series to the initial purchasers thereof and the first Interest Payment Date with respect to such Series of Taxable Bonds, then the Trustee will make equal monthly deposits to the credit of the Taxable Interest Account on the last Business Day of each calendar month in accordance with the applicable Monthly Report beginning with the calendar month following the month in which such Series of Taxable Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Taxable

Interest Account for the next succeeding Interest Payment Date is on deposit by the last Business Day of the next April and October). With respect to a Series of Taxable Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in accordance with the applicable Monthly Report and based on the Supplemental Indenture authorizing such Series of Taxable Bonds.

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

Except as described in paragraph (g) of this subsection, amounts transferred to the Taxable Interest Account as described in paragraph (c)(iii) under the caption “—Revenue Fund” above will be used solely for the payment of interest on Senior Taxable Bonds, and amounts transferred to the Taxable Interest Account as described in paragraph (c)(vi) under the caption “—Revenue Fund” above will be used solely for the payment of interest on Senior Subordinate Taxable Bonds, and amounts transferred to the Taxable Interest Account as described in paragraph (c)(viii) under the caption “—Revenue Fund” above will be used solely for the payment of interest on Subordinate Taxable Bonds.

(e) ***Taxable Principal Account.*** The Trustee will deposit to the credit of the Taxable Principal Account: (i) that portion of the proceeds from the sale of the Authority’s bonds, if any, to be used to pay principal of Taxable Bonds if so directed by the Authority, and (ii) all amounts required to be transferred from the Funds and Accounts described in this paragraph (e).

To provide for the payment of each installment of principal on a Series of Taxable Bonds due at the Stated Maturity thereof or on a mandatory sinking fund redemption date therefor, the Trustee in accordance with the applicable Monthly Report will make substantially equal monthly deposits to the credit of the Taxable Principal Account on the last Business Day of the first 10 of the 12 calendar months preceding such Stated Maturity or mandatory sinking fund redemption date, to aggregate the full amount of such installment within such 10 calendar month period (except that if there are fewer than 12 calendar months between the delivery of such Series of Taxable Bonds to the initial purchasers thereof and the first Stated Maturity or mandatory sinking fund redemption date with respect to such Series of Taxable Bonds, then the Trustee will in accordance with the applicable Monthly Report make equal monthly deposits to the credit of the Taxable Principal Account on the last Business Day of each calendar month beginning with the calendar month following the month in which such Series of Taxable Bonds is delivered to the initial purchasers such that the amount required to be on deposit in the Taxable Principal Account for the next succeeding Stated Maturity or mandatory sinking fund redemption date is on deposit by the last Business Day of the next April and October, as applicable). In making the deposits required to be deposited and credited to the Taxable Principal Account, all other deposits and credits otherwise

made or required to be made to the Taxable Principal Account will, to the extent available for such purpose, be taken into consideration and allowed for, provided however that the Trustee will not be responsible for such considerations and will rely solely upon the Monthly Report in making deposits under the Indenture.

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

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

Except as described in (g) of this subsection, amounts transferred to the Taxable Principal Account as described in paragraph (c)(iv) under the caption “—Revenue Fund” described of this Appendix A will be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Taxable Bonds, amounts transferred to the Taxable Principal Account as described in paragraph (c)(vii) under the caption “—Revenue Fund” described of this Appendix A will be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Senior Subordinate Taxable Bonds, and amounts transferred to the Taxable Principal Account as described in paragraph (c)(ix) under the caption “—Revenue Fund” will be used solely for the payment of principal at Stated Maturity or on a mandatory sinking fund redemption date on Subordinate Taxable Bonds, as set forth in the Authority Order or Monthly Report.

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

(g) ***Reallocation of Amounts on Deposit in the Debt Service Fund.*** If, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Debt Service Reserve Fund, there are insufficient amounts on deposit in any Account or

Subaccount of the Debt Service Fund to pay principal or interest on a Senior Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount (first, from any Accounts or Subaccount established for Subordinate Bonds, second, from any Accounts or Subaccount established for Senior Subordinate Bonds and, third, from any Accounts or Subaccount established for Senior Bonds), not required to make a payment on any other Senior Bonds on such Bond Payment Date to make the payment due on such Senior Bond on such Bond Payment Date. If there are no Senior Bonds Outstanding and, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Debt Service Reserve Fund, there are insufficient amounts on deposit in the any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Senior Subordinate Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount (first, from any Accounts or Subaccount established for Subordinate Bonds and, second, from any Accounts or Subaccount established for Senior Subordinate Bonds), not required to make a payment on any other Senior Subordinate Bonds on such Bond Payment Date to make the payment due on such Senior Subordinate Bond on such Bond Payment Date. If there are no Senior Bonds or Senior Subordinate Bonds Outstanding and, after all required transfers from the Revenue Fund, the Capitalized Interest Fund, the Student Loan Fund and the Debt Service Reserve Fund, there are insufficient amounts on deposit in the any Account or Subaccount of the Debt Service Fund to pay principal or interest on a Subordinate Bond on a Bond Payment Date, the Trustee is authorized to use any amounts on deposit in any other Account or Subaccount of the Debt Service Fund, on a pro rata basis from each other Account or Subaccount based upon the amounts in such other Account or Subaccount, not required to make a payment on any other Subordinate Bonds on such Bond Payment Date to make the payment due on such Subordinate Bond on such Bond Payment Date. To the extent there are still insufficient amounts in the Debt Service Fund to make the full payments of principal and interest due on the Senior Bonds (or, if there are no Senior Bonds Outstanding, on the Senior Subordinate Bonds or, if there are no Senior Bonds or Senior Subordinate Bonds Outstanding, on the Subordinate Bonds) on such Bond Payment Date, the Bonds to be paid will be allocated a pro rata share of the amounts on deposit in the Debt Service Fund based upon the amounts due and owing on such Bonds on such Bond Payment Date. Any amounts within the Debt Service Fund that were reallocated from one Series of Bonds to be used to pay another Series of Bonds as described in this paragraph (g) will be added to the amounts required to be deposited with respect to such Series of Bonds for which previously set aside amounts were used to pay another Series of Bonds as described in paragraphs (a) through (f) of this subsection and as described under the caption “—Revenue Fund” on the next monthly distribution date.

Debt Service Reserve Fund

(a) The Trustee will deposit to the Tax-Exempt Account or the Taxable Account of the Debt Service Reserve Fund the amount, if any, specified in each Supplemental Indenture and any other moneys of the Authority designated by the Authority for deposit therein pursuant to an Authority Order. If (i) on the last Business Day of any calendar month, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund and the Student Loan Fund) to make the transfers required as described in paragraphs (b)(i) through (ix) under the caption “—Revenue Fund” described of this Appendix A and paragraphs (c)(i) through (ix) under the caption “—Revenue Fund” described of this Appendix A; or (ii) on a Bond Payment Date, there are insufficient moneys in the Tax-Exempt Account or the Taxable Account of the Revenue Fund (after transfers from the Capitalized Interest Fund and the Student Loan Fund) to make the payments due on Tax-Exempt Bonds or

Taxable Bonds on such Bond Payment Date, an amount equal to any such deficiency will be transferred directly from the Debt Service Reserve Fund to the Tax-Exempt Account or Taxable Account of the Revenue Fund, as applicable and on a pro rata basis if necessary, to make such transfers (but if such amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund constitute the proceeds of a Series of Tax-Exempt Bonds, only upon receipt by the Authority and the Trustee of a Favorable Opinion) and in accordance with the applicable Monthly Report. To the extent that amounts are available within an Account of the Debt Service Reserve Fund, (a) amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund will be used to make transfers to the Tax-Exempt Account of the Revenue Fund before using amounts on deposit in the Taxable Account of the Debt Service Reserve Fund, and (b) amounts on deposit in the Taxable Account of the Debt Service Reserve Fund will be used to make transfers to the Taxable Account of the Revenue Fund before using amounts on deposit in the Tax-Exempt Account of the Debt Service Reserve Fund.

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

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

Rebate Fund

The Trustee will, upon receipt of an Authority Order and as described in paragraph (b)(i) or paragraph (c)(i) under the caption “—Revenue Fund” of this Appendix A, withdraw from the applicable Account of the Revenue Fund and deposit to the Rebate Fund an amount such that the balance held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the Computation Date. Computation of the amounts on deposit in each Fund and of the Rebate Amount will be furnished to the Trustee by or on behalf of the Authority in accordance with any Tax Document, as the same may be amended or supplemented in accordance with their terms.

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

The Trustee will, upon receipt of an Authority Order and as described in paragraph (b)(i) or paragraph (c)(i) under the caption “—Revenue Fund” of this Appendix A, withdraw from the appropriate Account of the Revenue Fund and deposit to the Rebate Fund such amount as will be required to be paid to the federal government as Excess Earnings. The Trustee will, upon receipt of an Authority Order, pay such Excess Earnings to the United States of America. Alternatively, the Authority may from time to time forgive Financed Eligible Loans to satisfy such requirement, in accordance with any Tax Document.

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

Notwithstanding anything in the Indenture to the contrary, in the event the Authority and the Trustee receives a Favorable Opinion to the effect that it is not necessary under either existing statutes and court decisions or under any then federal legislation to pay any portion of earnings on Funds held under the Indenture or Excess Earnings to the United States of America in order to assure the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds, then the provisions of this subsection need not be complied with and will no longer be effective and all or a portion of such amounts on deposit in the Rebate Fund will be transferred to the Account of the Revenue Fund designated by an Authority Order.

Operating Fund

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

The amount deposited in the Operating Fund and the schedule of deposits will be determined by the Authority or set forth in a Supplemental Indenture, and the requisition, in the form of an Authority Order provided by the Authority to the Trustee, further will include a statement that the amount requisitioned, when combined with the amount requisitioned previously in the Fiscal Year, does not exceed the limitations set forth in the Indenture or any Supplemental Indenture. The Trustee will make all payments of fees and expenses set forth in this subsection directly to the party to whom the fees and expenses are due as directed in the Authority Order. The Trustee may conclusively rely on such invoices and written requests in making payments required as described in this subsection.

The Authority covenants in the Indenture that the amount so transferred in any one Fiscal Year will not exceed the amounts permitted in the Indenture and as may be limited by a Supplemental Indenture, unless the Authority has satisfied the Rating Agency Notification with respect to such greater amounts.

Transfers to the Residual Certificateholder

No transfers from the Revenue Fund to the Residual Certificateholder may be made as described under paragraph (b)(xiii) or paragraph (c)(xiii) under the caption “—Revenue Fund” of this Appendix A if there is not on deposit in the Debt Service Reserve Fund an amount equal to at least the Debt Service Reserve Fund Requirement, and unless all conditions contained in any Supplemental Indenture are complied with and the Trustee has received (a) a certificate of an Authorized Representative of the Authority to the effect that all rebate liability as calculated pursuant to any Tax Document through the date of such transfer has been paid or deposited in the Rebate Fund and (b) a certificate of an Authorized Officer of the Authority stating that, immediately following such release, the Overall Parity Percentage (assuming that amounts in the Tax-Exempt Retirement Account or the Taxable Retirement Account of the Debt Service Fund have been used to redeem a principal amount of Bonds equal to amounts on deposit therein) will equal or exceed 145% (provided, however, that such Overall Parity Percentage may be lowered by the Authority if the Authority will have satisfied the Rating Agency Notification) and (ii) the aggregate principal amount of all Bonds Outstanding will be greater than 10% of the aggregate original principal amount of all Bonds issued pursuant to the Indenture.

Subject to compliance with the provisions described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” of this Appendix A, any amounts transferred from the Revenue Fund to the Residual Certificateholder in accordance with the Indenture will be released from the lien of the Indenture, will no longer be part of the Trust Estate will be the property of the Residual Certificateholder.

Investment of Funds Held by Trustee

The Trustee will invest money held for the credit of any Fund, Account or Subaccount held by the Trustee under the Indenture as directed in writing by an Authorized Representative of the Authority, in Eligible Accounts the funds of which Eligible Accounts will, to the fullest extent practicable and reasonable, be invested in Investment Securities which will mature or be redeemed at the option of the holder of such Investment Securities prior to the respective dates when the money held for the credit of such Fund, Account or Subaccount will be required for the purposes intended. If a Fund or Account or Subaccount no longer constitutes an Eligible Account, the Trustee will move such Fund or Account or Subaccount to another Eligible Institution such that the Fund or Account or Subaccount will again constitute an Eligible Account within 90 days of the date upon which the Fund or Account or Subaccount no longer constitutes an Eligible Account at no cost to the Trust Estate all as directed by an Authority Order. The Trustee and the Authority agree in the Indenture that unless an Event of Default has occurred and is continuing under the Indenture, in which case, the Trustee will act at the written direction of the Registered Owners in accordance with the Indenture, the Authority acting by and through an Authorized Representative will be entitled to, and will, provide written direction to the Trustee with respect to any discretionary acts required or permitted of the Trustee under any Investment Securities, and the Trustee will not take such discretionary acts without such written direction.

The Investment Securities purchased will be held by the Trustee and will be deemed at all times to be part of such Fund or Account or Subaccounts or combination thereof, and the Trustee will inform the Authority of the details of all such investments. Earnings with respect to, and any net gain on the disposition of, any such investments, except on investments contained in the Rebate Fund and the Operating Fund, will be deposited into the Revenue Fund as described in paragraph (a) under the caption “—Revenue Fund” of this Appendix A. Earnings on amounts contained in the Rebate Fund will remain in the Rebate Fund. Earnings on amounts contained in the Operating Fund will remain in the Operating Fund. Upon direction in writing from an Authorized Representative of the Authority, the Trustee will sell, or present for redemption, any Investment Securities purchased by it as an investment whenever it is necessary to provide

money to meet any payment from the applicable Fund. The Trustee will advise the Authority in writing, on or before the fifteenth day of each calendar month (or such later date as reasonably consented to by the Authority), of all investments held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month and the value thereof, and will list any investments which were sold or liquidated for less than their value at the time thereof.

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

Neither the Paying Agent nor the Trustee will in any way be held liable for the selection of Investment Securities, for determining whether an investment is in an Investment Security or an Eligible Account or by reason of any insufficiency in such Fund, Account or Subaccount resulting from any loss on any Investment Security included therein. In addition, neither the Paying Agent nor the Trustee will have any liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure by any party to provide timely written investment direction. In the absence of any written direction from the Authority, any money held for the credit of any Fund, Account or Subaccount will remain uninvested.

The Authority will retain the authority to institute, participate in and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any Investment Securities held under the Indenture, and, in general, to exercise each and every other power or right with respect to such Investment Securities 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 Investment Securities.

Purchase of Bonds

Pursuant to the Indenture and upon Authority Order, any amounts held under the Indenture which are available to redeem Bonds of a particular Stated Maturity (and interest rate, if applicable) may instead be used to purchase Bonds of such Stated Maturity (and interest rate, if applicable) at the same times and subject to the same conditions (except as to price) as apply to the Bonds of such Stated Maturity (and interest rate, if applicable) in lieu of such redemption, except that such purchases made with amounts held under the Indenture will be made only if the purchase price is less than the required Redemption Price. All Bonds purchased will be canceled and not reissued.

DEFAULTS AND REMEDIES

Events of Default Defined

For the purpose of the Indenture, the following events are defined as, and are declared to be, “Events of Default”:

- (a) default in the due and punctual payment of the principal of or interest on any of the Senior Bonds when due (other than the failure to make Principal Reduction Payments);
- (b) if no Senior Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Senior Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);

(c) if no Senior Bonds or Senior Subordinate Bonds are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Subordinate Bonds when due (other than the failure to make Principal Reduction Payments);

(d) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Authority, other than an Administrator Default with respect to the Authority, to be kept, observed, and performed contained in the Indenture or in the Bonds, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the Trustee to the Authority; and

(e) the occurrence of an Event of Bankruptcy with respect to the Authority.

Except as described under the caption “THE TRUSTEE—Indemnification of Trustee” in this Appendix A, the Trustee will not be required to take notice, or be deemed to have knowledge, of any default or Event of Default.

Any notice provided to be given to the Authority with respect to any default will be deemed sufficiently given if sent by first-class mail with postage prepaid to the Person to be notified, addressed to such Person at the post office address as shown in the Indenture or such other address as may thereafter be given as the principal office of the Authority in writing to a Responsible Officer of the Trustee by an Authorized Officer of the Authority. Subject to the provisions described under the caption “—Remedy on Default; Possession of Trust Estate” below, the Trustee may give any such notice in its discretion and will give such notice if requested to do so in writing by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds at the time Outstanding (or, in the case of an Event of Default under paragraph (d) of this subsection, only upon the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding and the written consent of the Registered Owners of a majority of the collective aggregate principal amount of each of the Senior Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds).

Remedy on Default; Possession of Trust Estate

Upon the happening and continuance of any Event of Default, the Trustee, personally or by its attorneys or agents, may (but in the case of an Event of Default described in paragraph (d) under the caption “—Events of Default Defined” above, only upon the written direction of 100% of the Registered Owners of the Highest Priority Bonds then Outstanding and the written consent of the Registered Owners of a majority of the collective aggregate principal amount of each of the Senior Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds) enter into and upon and take possession of such portion of the Trust Estate as is in the custody of others, and all property comprising the Trust Estate, and each and every part of the Indenture, and exclude the Authority and its agents, servants, and employees wholly therefrom, and have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Authority or otherwise, as they will deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Authority and use all of the then existing Trust Estate for that purpose, and collect and receive all charges, income and Revenue of the same and of every part thereof, and after deducting therefrom all expenses incurred under the Indenture (including any Extraordinary Expenses) and all other proper outlays in the Indenture authorized, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Trustee will apply the rest and residue of the money received by the Trustee as follows:

(a) if the principal of none of the Bonds has become due: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest in default on the Senior Bonds, in order of the maturity of the installments thereof, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fourth, to the payment of the interest in default on the Senior Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Subordinate Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and fifth, to the payment of the interest in default on the Subordinate Bonds, in order of the maturity of the installments of such interest, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest is in default, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference.

(b) if the principal of any of the Bonds will have become due, other than by declaration of acceleration: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest in default on the Senior Bonds, in the order of the maturity of the installments thereof, with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest will be in default; fourth, to the payment of the principal of all Senior Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fifth, to the payment of the interest in default on the Senior Subordinate Bonds, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior Subordinate Bonds on which such interest will be in default, as the case may be; sixth, to the payment of the principal of all Senior Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; seventh, to the payment of the interest in default on the Subordinate Bonds, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest will be in default, as the case may be; and eighth, to the payment of the principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference.

(c) subject to the provisions described under the caption “—Accelerated Maturity” below, if the principal of all the Bonds has become due by declaration of acceleration or otherwise: first, to the Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings; second, to the payment of Senior Transaction Fees and Subordinate Transaction Fees due and owing, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; third, to the payment of the interest and principal of all Senior Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; fourth, to the payment of the interest and principal of all Senior Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or

preference; fifth, to the payment of the interest and principal of all Subordinate Bonds then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; and, sixth, any remainder to the Residual Certificateholder.

Remedies on Default; Sale of Trust Estate

Upon the happening and continuation of any Event of Default and if the principal of all of the Outstanding Bonds has been declared due and payable as described under the caption “—Accelerated Maturity” below, then and in every such case, and irrespective of whether other remedies authorized will have been pursued in whole or in part, the Trustee may sell, with or without entry, to the highest bidder the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, at any such place or places, and at such time or times and upon such notice and terms as may be required by law; provided, however, that no such sale will be made unless the Trustee has received an opinion of Bond Counsel stating that adequate provision has been made to assure that such transfer will not impair the Authority’s capacity to comply with its obligations relative to the restrictions upon Portfolio Yield and to the rebate of certain amounts to the federal government as such obligations would be calculated upon the date of such opinion in accordance with any Tax Document and that such transfer will not affect adversely the exclusion from federal income taxation of interest on the Tax-Exempt Bonds afforded by Section 103 of the Code. Upon such sale the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale will be a perpetual bar both at law and in equity against the Authority and all Persons claiming such properties. No purchaser at any sale will be bound to see to the application of the purchase money or to inquire as to the authorization, necessity, expediency or regularity of any such sale. The Trustee is irrevocably appointed the true and lawful attorney-in-fact of the Authority, in its name and stead, to make and execute all bills of sale, instruments of assignment and transfer and such other documents of transfer as may be necessary or advisable in connection with a sale of all or part of the Trust Estate, but the Authority, if so requested by the Trustee, will ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary or proper for the purpose which may be designated in such request. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners of the Bonds in such manner as the Trustee will determine, whether for the specific performance of any covenant, condition, agreement or undertaking in the Indenture contained, or in aid of the execution of any power in the Indenture granted, or for the enforcement of such other appropriate legal or equitable remedies as may be more effectual to protect and enforce the rights aforesaid. The Trustee will take any such action or actions if requested to do so in writing by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds at the time Outstanding. Such a sale following an Event of Default, other than a default in the payment of any principal or interest on any Bond, will also require the written consent of all the Registered Owners of the Senior Subordinate Bonds (unless the Senior Subordinate Bonds are the Highest Priority Bonds then Outstanding) and the Subordinate Bonds unless the proceeds of such a sale would be sufficient to discharge the Senior Subordinate Bonds and the Subordinate Bonds at the date of such a sale.

Appointment of Receiver

In case an Event of Default occurs, and if all of the Outstanding Bonds will have been declared due and payable and in case any judicial proceedings are commenced to enforce any right of the Trustee or of the Registered Owners under the Indenture or otherwise, then as a matter of right, the Trustee will be entitled to the appointment of a receiver of the Trust Estate and of the earnings, income or Revenue, rents, issues and profits thereof with such powers as the court making such appointments may confer.

Restoration of Position

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

Purchase of Properties by Trustee or Registered Owners

In case of any such sale of the Trust Estate, any Registered Owner, Registered Owners, committee of Registered Owners, the Administrator or the Trustee, may bid for and purchase such property and upon compliance with the terms of sale may hold, retain possession, and dispose of such property (or, in the case of the Trustee, have its nominee process or dispose, as applicable) as the absolute right of the purchaser or purchasers without further accountability and will be entitled, for the purpose of making any settlement or payment for the property purchased, to use and apply any Bonds owned by such purchasers that are secured and any interest thereon due and unpaid, by presenting such Bonds in order that there may be credited thereon the sum apportionable and applicable thereto out of the net proceeds of such sale, and thereupon such purchaser or purchasers will be credited on account of such purchase price payable to him or them with the sum apportionable and applicable out of such net proceeds to the payment of or as a credit on the Bonds so presented.

Application of Sale Proceeds

The proceeds of any sale of the Trust Estate, together with any funds at the time held by the Trustee and not otherwise designated in the Indenture for another use, will be applied by the Trustee as described under the caption “—Remedy on Default; Possession of Trust Estate” above, and then to the Authority or whomsoever is lawfully entitled thereto.

Accelerated Maturity

If an Event of Default will have occurred and be continuing, the Trustee may declare, or upon the written direction by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding, or due to the occurrence of an Event of Default in paragraph (e) under the caption “—Events of Default Defined” above, will declare, by notice (no notice will be required due to the occurrence of an Event of Default as described in paragraph (d) in subsection “—Events of Default Defined” above) in writing delivered to the Authority not later than the third Business Day succeeding such direction, declare the principal of all Bonds then Outstanding and the interest thereon immediately due and payable, anything in the Bonds or the Indenture to the contrary notwithstanding, subject, however, to the provisions described under the caption “—Waivers of Events of Default” below with respect to waivers of Events of Default; provided, however, that a declaration of acceleration upon a default as described in paragraph (d) under the caption “—Events of Default Defined” will require the consent of 100% of the Registered Owners of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding.

The Trustee will give notice thereof by first class mail, postage prepaid (or, in the case of global notes, in accordance with the depositary’s customary policies and procedures), to all Registered Owners of Outstanding Bonds; provided, however, that the giving of such notice is not considered a precondition to the Trustee declaring the entire principal amount of the Bonds then Outstanding and the interest accrued

thereon immediately due and payable. The Bonds will cease to accrue interest on the date of declaration of acceleration whether or not they are paid on such date.

Remedies Not Exclusive

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

Direction of Trustee

Upon the happening of any Event of Default, the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding, will have the right by an instrument or instruments in writing delivered to the Trustee to direct and control the Trustee as to the method of taking any and all proceedings for any sale of any or all of the Trust Estate, or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms of the Indenture to be so taken or to be discontinued or delayed; provided, however, that such Registered Owners will not be entitled to cause the Trustee to take any proceedings which in the Trustee's opinion would be unjustly prejudicial to non-assenting Registered Owners of Bonds, but the Trustee will be entitled to assume that the action requested by the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding will not be prejudicial to any non-assenting Registered Owners unless the Registered Owners of at least two-thirds of the collective aggregate principal amount of the non-assenting Registered Owners of such Highest Priority Bonds, in writing, show the Trustee how they will be prejudiced. The provisions described in this paragraph are expressly subject to the provisions described in paragraph (c) under the caption "THE TRUSTEE—Acceptance of Trust" and "—Indemnification of Trustee" of this Appendix A.

Right To Enforce in Trustee

No Registered Owner of any Bond will have any right as such Registered Owner to institute any suit, action, or proceedings for the enforcement of the provisions of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or for any other remedy under the Indenture, all rights of action under the Indenture being vested exclusively in the Trustee, unless and until such Registered Owner will have previously given to the Trustee written notice of a default under the Indenture, and of the continuance thereof, and also unless the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding will have made written request upon the Trustee and the Trustee will have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Trustee will have been offered indemnity and security satisfactory to it against the fees, costs, expenses, and liabilities (including those of its agents and counsel) to be incurred therein or thereby, which offer of indemnity will be an express condition precedent under the Indenture to any obligation of the Trustee to take any such action under the Indenture, and the Trustee for 45 days after receipt of such notification, request, and offer of indemnity, will have failed to institute any such action, suit or proceeding. It is understood and intended that no one or more Registered Owners of the Bonds will have the right in any manner whatever by his or their action to affect, disturb, or prejudice the lien of the Indenture or to enforce any right under the Indenture except in the

manner provided in the Indenture and for the equal benefit of the Registered Owners of the Bonds then Outstanding (except as provided in the Indenture with respect to certain payment and other priorities).

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of Bonds, and will do so upon the written request of the Registered Owners of a majority of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding; provided, however, that there is not waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Bonds at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Bonds, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal and premium, if any, and all fees and expenses of the Trustee, in connection with such default or otherwise incurred under the Indenture will have been paid or provided for; or (b) any default in the payment of amounts as described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” of this Appendix A. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default will have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Registered Owners of Bonds will be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission will extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

THE TRUSTEE

Acceptance of Trust

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following terms and conditions:

- (a) Except during the continuance of an Event of Default,
 - (i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee; and
 - (ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming on their face to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture, without any duty to inquire to the matters stated in the Indenture or any duty to confirm or investigate the accuracy of mathematical calculations or other facts stated in the Indenture.
- (b) In case an Event of Default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, will use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of the Indenture will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this paragraph (c) is not construed to limit the effect of paragraph (a) above;

(ii) the Trustee will not be liable for any error of judgment made in good faith, unless it is conclusively determined by a court of competent jurisdiction that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the requisite percentage of Registered Owners permitted to direct the Trustee pursuant to the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture or any other transaction documents; and

(iv) no provision of the Indenture (including but not limited to any time that the Trustee is acting as a prudent person following an Event of Default as described in paragraph (d) under the caption “—Events of Default Defined” above) will require the Trustee to expend or risk its own funds or otherwise incur any liability (financial or otherwise) in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not in the Indenture expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions described in this subsection.

Recitals of Others

The Trustee will not be responsible for any recital in the Indenture or in the Bonds (except with respect to the certificate of the Trustee endorsed on the Bonds), or for the filing or re-filing of the Indenture, or for the validity of the execution by the Authority of the Indenture or of any Supplemental Indenture or instrument of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture. The Trustee makes no representations as to the title of the Authority in the Trust Estate or as to the security afforded thereby and by the Indenture, or as to the validity, perfection, priority, or continuation of any security interest granted by the Indenture, or as to the validity or sufficiency of the Indenture or of the Bonds issued under the Indenture, and the Trustee will incur no responsibility in respect of such matters.

As to Trust Estate and Filings

The Trustee will be under no duty (a) to file or record, or cause to be filed or recorded, the Indenture or any instrument supplemental thereto; (b) to procure any further order or additional instruments of further assurance; (c) to see to the delivery to it of any personal property intended to be mortgaged or pledged under the Indenture; (d) to do any act which may be suitable to be done for the better maintenance of the lien or security of the Indenture; or (e) for giving notice of the existence of such lien, or for extending or supplementing the same or to see that any rights to Revenue and Funds intended as of the date of the

Indenture or thereafter to be transferred in trust under the Indenture are subject to the lien thereof. The Trustee will not be liable for failure of the Authority to pay any tax or taxes in respect of such property, or any part thereof, or the income therefrom or otherwise, nor will the Trustee be under any duty in respect of any tax which may be assessed against it or the Registered Owners in respect of such property or pledged Revenue and Funds. The Trustee will have no responsibility for the sufficiency, adequacy or priority of any initial filing and in the absence of written notice to the contrary by the Authority or other Authorized Representative, may conclusively rely and will be protected in relying on all information and exhibits in such initial filings for the purposes of any continuation statements.

Beyond the exercise of reasonable care in the custody thereof, the Trustee will not have any duty as to any Trust Estate in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto. Except as set forth in the Indenture, the Trustee will not be responsible for (i) perfecting, maintaining, monitoring, preserving or protecting the security interest or liens granted under the Indenture, or any agreement or instrument contemplated under the Indenture or thereby, (ii) the filing, re-filing, recording, re-recording or continuing or any document, financing statement, mortgage, assignment, notice, instrument of further assurance or other instrument in any public office at any time or times or (iii) providing, maintaining, monitoring or preserving insurance on or the payment of taxes with respect to any of the Trust Estate. Except as set forth in the Indenture, the actions described in items (i) through (iii) will be the sole responsibility of the Authority. The Trustee will be deemed to have exercised reasonable care in the custody of the Trust Estate in its possession if the Trust Estate is accorded treatment substantially equal to that which it accords its own property and will not be liable or responsible for any loss or diminution in the value of any of the Trust Estate, by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Trustee in good faith.

The Trustee will not be responsible for the existence, genuineness or value of any of the Trust Estate or for the validity, perfection, priority or enforceability of the liens in any of the Trust Estate, whether impaired by operation of law or by reason of any of any action or omission to act on its part under the Indenture, except to the extent such action or omission constitutes gross negligence or willful misconduct on the part of the Trustee (as determined by a final, nonappealable judgment by a court of competent jurisdiction), for the validity or sufficiency of the Trust Estate or any agreement or assignment contained therein, for the validity of the title to the Trust Estate, for insuring the Trust Estate or for the payment of taxes, charges, assessments or liens upon the Trust Estate or otherwise as to the maintenance of the Trust Estate. The Trustee disclaims any representation or warranty to the present and future holders of the obligations concerning the perfection of the liens granted under the Indenture or in the value of any of the Trust Estate.

Trustee May Act Through Agents

The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties by or through attorneys or agents and will not be responsible for any misconduct or negligence on the part of any such attorney or agent appointed by it with due care. The Trustee may act upon the opinion or advice of any counsel, accountant, or other expert selected by it in the exercise of reasonable care, which is full and complete authorization and protection in respect of any action or inaction based on its good faith reliance upon such opinion or advice.

Indemnification of Trustee

The Trustee will not be required to take notice, or be deemed to have knowledge, of any default or Event of Default of the Authority or any Administrator Default under the Indenture and may conclusively assume that there has been no such default or Event of Default unless and until a Responsible Officer of

the Trustee will have been specifically notified in writing at the address in the Indenture of such default or Event of Default by (a) the Registered Owners of the required percentages in principal amount of the Bonds then Outstanding in the Indenture specified, or (b) an Authorized Representative of the Authority. However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts created by the Indenture, enforce any of its rights or powers under the Indenture, or do anything else in its judgment proper to be done by it as Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee will be reimbursed or indemnified by the Registered Owners requesting such action, if any, for all fees, costs and expenses (including extraordinary out-of-pocket expenses), liabilities, outlays and counsel and agent fees and other reasonable disbursements properly incurred in connection therewith (including, but not limited to the costs of defending any claim of bringing any claim to enforce any indemnification obligation), unless such costs and expenses, liabilities, outlays and attorneys' fees and other reasonable disbursements properly incurred in connection therewith are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. In furtherance and not in limitation of the provisions described under this caption, the Trustee will not be liable for, and will be held harmless by the Authority from the Trust Estate, following any Authority Orders, instructions or other directions (including electronic communications) upon which the Trustee is authorized to rely pursuant to the Indenture or any other agreement to which it is a party. If the Authority or the Registered Owners, as appropriate, fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, (i) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and interest thereon from the Revenue Fund; and (ii) during the continuance of an Event of Default in accordance with the provisions of the Indenture described under the caption "DEFAULTS AND REMEDIES—Remedy on Default; Possession of Trust Estate" of this Appendix A. None of the provisions contained in the Indenture or any other agreement to which it is a party will require the Trustee to act or to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Registered Owners will not have offered security and/or indemnity acceptable to it or if it will have reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Before taking any action under the Indenture requested by the Registered Owners, the Trustee may require that it be furnished an indemnity bond or other indemnity satisfactory to it for the reimbursement of all fees and expenses (including, without limitation, legal fees and expenses) to which it may be put and to protect it against all liability, except liability which results from the negligence or willful misconduct of the Trustee, by reason of any action so taken by the Trustee.

Certain Rights of Trustee

The Trustee will conclusively rely on and will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, electronic communication, appraisal, opinion, report or document of the Authority or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and the Trustee will be under no duty to make any investigation as to any statement contained in any such instrument, paper or document, but may accept the same as conclusive evidence of the truth and accuracy of such statement. Before acting or refraining from acting in the administration of the Indenture, the Trustee may consult with accountants, experts and counsel, and the opinion of such counsel, accountants and experts will be full and complete authorization and protection in respect of any action taken or suffered, and in respect of any determination made by it under the Indenture in good faith and in accordance with the opinion of such counsel, accountants and experts. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bond will be conclusive and binding upon all future Registered Owners of the same Bond and Bonds issued in exchange therefor or in place thereof.

Whenever in the administration of the Indenture the Trustee reasonably deems it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the Trustee (unless other evidence is specifically prescribed in the Indenture) may require and, in the absence of bad faith on its part, may conclusively rely upon an Authority Order. Whenever in the administration of the Indenture the Trustee is directed to comply with an Authority Order, the Trustee will be entitled to act in reliance on such Authority Order.

The Trustee will not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the Authority but the Trustee may require of the Authority full information and advice as to the performance of any covenants, conditions or agreements pertaining to Financed Eligible Loans.

The Trustee will not be liable for any action taken, suffered, or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture; provided, however, that the Trustee will be liable for its negligence or willful misconduct.

The permissive right of the Trustee to take action under or otherwise do things enumerated in the Indenture will not be construed as a duty.

The Trustee is authorized, under the Indenture and other applicable provisions of the Indenture, to release its security interest in any Financed Eligible Loans in accordance with an Authority Order. The Trustee is further authorized to enter into agreements with other Persons, in its capacity as Trustee, in order to carry out or implement the terms and provisions of the Indenture.

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

The Trustee has the right to not take any action if it determines such action will result in liability to the Trustee, not be in the best interests of the Registered Owners, or is contrary to law.

The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

In no event will the Trustee be liable for failure to perform its obligations under the Indenture if such failure is a direct or proximate result of another party's failure to so perform.

Before acting or refraining from acting under the Indenture the Trustee is entitled to request and rely upon an Authority Order or Opinion of Counsel.

The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and will be enforceable by, the Trustee in each of its capacities under the Indenture (including as Transfer Agent, Paying Agent and Registrar), and each agent, custodian and other Person employed to act under the Indenture.

The Trustee may request that the Authority deliver a certificate setting forth the names of individuals and/or titles of Authorized Officers at such time to take specified actions pursuant to the Indenture.

In no event will the Trustee be responsible or liable for any failure or delay in the performance of its obligations under the Indenture arising out of or caused by, directly or indirectly, forces beyond its

control, including, without limitation, strikes, work stoppages, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services, or any other similar events outside the control of the Trustee.

Compensation of Trustee

The Authority agrees to pay to the Trustee from time to time such compensation as the Authority and the Trustee will from time to time agree in writing for all services rendered by it under the Indenture from the Trust Estate or as may be limited by the terms of the Indenture. Except as otherwise expressly provided in the Indenture, all advances, disbursements and other expenses reasonably made or incurred by the Trustee in accordance with any provision of the Indenture (including the compensation and the expenses and disbursements of its agents and counsel) will be reimbursed by the Authority from the Trust Estate. The compensation of the Trustee will not be limited to or by any provision of law in regard to the compensation of Trustees of an express trust. Except during the continuance of an Event of Default, the fees of the Trustee will be limited to those derived from the Trust Estate under the Indenture. If not paid by the Authority, the Trustee will have lien against all money held pursuant to the Indenture (other than the moneys and investments held in the Rebate Fund), (a) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds against the money and investments in the Revenue Fund for the payment of the principal thereof, premium, if any, and interest thereon, for such reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created and the exercise and performance of the powers and duties of the Trustee under the Indenture and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee); and (b) during the continuance of an Event of Default in accordance with the provisions of the Indenture described under the caption “DEFAULTS AND REMEDIES—Remedy on Default; Possession of Trust Estate” of this Appendix A.

The Authority will indemnify and hold harmless the Trustee and any director, officer, employee, or agent of the Trustee, Paying Agent, Transfer Agent and Registrar against any loss, liability, damage, claim or reasonable expense (including, without limitation, reasonable: legal fees and expenses; extraordinary expenses; fees of agents and experts; taxes (other than taxes based upon, measured by, or determined by, the income of the Trustee; and the reasonable costs of defending any claim or bringing any claim to enforce the indemnification obligations of the Authority)) incurred in connection with its actions or inactions under the Indenture, the Administration Agreement or the Bonds, other than any loss, liability, or expense incurred by reason of willful misfeasance, or negligence in the performance by the Trustee, Paying Agent, Transfer Agent, or Registrar or their agents or attorneys of the duties of the Trustee, Paying Agent, Transfer Agent, or Registrar under the Indenture but solely from the Trust Estate.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in the Indenture, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The provisions of this subsection will survive the termination of the Indenture and the resignation or removal of the Trustee.

Trustee May Own Bonds

The Trustee under the Indenture, or any successor Trustee, in its individual or other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Authority, with the same rights it

would have if it were not the Trustee. The Trustee may act as depository for, and permit any of its officers or directors to act as a member of, or act in any other capacity in respect to, any committee formed to protect the rights of the Registered Owners or to effect or aid in any reorganization growing out of the enforcement of the Bonds or of the Indenture, whether or not any such committee will represent the Registered Owners of at least two-thirds of the collective aggregate principal amount of the Outstanding Bonds.

Resignation of Trustee

The Trustee and any successor to the Trustee may resign and be discharged from the trust created by the Indenture by giving to the Authority 30 days' prior written notice, which notice will specify the date on which such resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a successor Trustee will have been appointed as described under the caption "—Successor Trustee" below (and is qualified to be the Trustee under the requirements as described under the caption "—Successor Trustee" below) and said successor Trustee has accepted such appointment in writing. If no successor Trustee has been appointed by the later of the date specified or 60 days after the receipt of the notice by the Authority, the Trustee may (a) appoint a temporary successor Trustee having the qualifications as described under the caption "—Successor Trustee" below; or (b) request a court of competent jurisdiction to (i) require the Authority to appoint a successor, as described under the caption "—Successor Trustee" below, within three days of the receipt of citation or notice by the court; or (ii) appoint a Trustee having the qualifications as described under the caption "—Successor Trustee" below. In no event may the resignation of the Trustee be effective until a qualified successor Trustee will have been selected and appointed and said successor Trustee will have accepted such appointment in writing. In the event a temporary successor Trustee is appointed as described in clause (a) above, the Authority may remove such temporary successor Trustee and appoint a successor thereto as described in subsection "—Successor Trustee" below.

Removal of Trustee

The Trustee or any successor Trustee may be removed upon 30 days' prior written notice (a) if an Event of Default has occurred and is continuing, by the Registered Owners of 100% of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding; (b) by the Authority for cause or upon the sale or other disposition of the Trustee or its trust functions; or (c) by the Authority without cause so long as no Event of Default exists or has existed within the last 30 days, upon payment to the Trustee so removed of all money then due to it under the Indenture and appointment of a successor thereto by the Authority and acceptance thereof by said successor. One copy of any such order of removal will be filed with the Authority and the other with the Trustee so removed.

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

Successor Trustee

In case at any time the Trustee or any successor Trustee will resign, be dissolved or otherwise will be disqualified to act or be incapable of acting, or in case control of the Trustee or of any successor Trustee or of its officers will be taken over by any public officer or officers, a successor Trustee may be appointed by the Authority by an instrument in writing duly authorized by resolution. In the case of any such appointment by the Authority of a successor to the Trustee, the Authority will forthwith cause notice thereof

to be sent to the Registered Owners of the Bonds at the address of each Registered Owner appearing on the bond registration books maintained by the Registrar.

Every successor Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Authority will be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein, which has a reported capital and surplus of not less than \$50,000,000, be authorized under the law to exercise corporate trust powers and be subject to supervision or examination by a federal or state authority.

Manner of Vesting Title in Trustee

Any successor Trustee appointed under the Indenture will execute, acknowledge, and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment under the Indenture, and thereupon such successor Trustee, without any further act, deed, or conveyance will become fully vested with all the estate, properties, rights, powers, trusts, duties, and obligations of its predecessors in trust under the Indenture, including all the right, title and interest in and to the Trust Estate pledged under the Indenture (except that the predecessor Trustee will continue to have the benefits to indemnification under the Indenture together with the successor Trustee), with like effect as if originally named as Trustee in the Indenture; but the Trustee ceasing to act will nevertheless, on the written request of an Authorized Representative of the Authority, or an authorized officer of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance (in form and substance reasonably satisfactory to the parties executing the same) and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title, and interest of the Trustee which it succeeds, in and to pledged Revenue and Funds and such rights, powers, trusts, duties, and obligations, and the Trustee ceasing to act also, upon like request, will pay over, assign, and deliver to the successor Trustee any money or other property or rights subject to the lien of the Indenture, including any pledged securities which may then be in its possession. Should any deed or instrument in writing from the Authority be required by the successor Trustee for more fully and certainly vesting in and confirming to such new Trustee such estate, properties, rights, powers, and duties, any and all such deeds and instruments in writing will on request be executed, acknowledged and delivered by the Authority.

In case any of the Bonds to be issued under the Indenture will have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of the Trustee or of any successor to the Trustee; and in case any of the Bonds will not have been authenticated, any successor to the Trustee may authenticate such Bonds in its own name; and in all such cases such certificate has the full force which it has anywhere in the Bonds or in the Indenture.

Right of Inspection

A Registered Owner will be permitted at reasonable times during regular business hours and in accordance with reasonable regulations prescribed by the Trustee to examine at an office of the Trustee a copy of any documents authorizing and securing a Series of Bonds or any report or instrument theretofore filed with the Trustee relating to the condition of the Trust Estate.

At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives will have the right fully to inspect all books, papers and records of the Authority, the Administrator and, to the extent provided in a Servicing Agreement, the related Servicer, pertaining to Financed Eligible Loans, and to copy or take such memoranda from and in regard thereto as may be desired.

Limitation With Respect to Examination

Except as expressly provided in the Indenture, the Trustee will be under no duty to examine any report or statement or other document required or permitted to be filed with it by or on behalf of the Authority, and the Trustee may accept the same as conclusive evidence of the truth and accuracy of any statement contained therein or as to the existence or nonexistence of any fact stated therein.

Servicing Agreements

The Trustee will upon request acknowledge the receipt of a copy of each Servicing Agreement delivered to it by the Authority. The Trustee is not responsible for servicing the Eligible Loans held or financed or refinanced under the terms of the Indenture or for the custody, safekeeping, or preservation of the Eligible Loans held or financed or refinanced under the terms of the Indenture. The Trustee has no duty to monitor or supervise the Administrator, any Servicer, or any custodian of the Eligible Loans held or financed or refinanced under the terms of the Indenture and is not responsible for any of their acts or omissions in servicing or maintaining custody of the Eligible Loans held or financed or refinanced under the terms of the Indenture.

Additional Covenants of Trustee

The Trustee, by the execution of the Indenture, covenants, represents and agrees that:

(a) it will not exercise any of the rights, duties, or privileges under the Indenture in such manner as would cause the Eligible Loans held or financed or refinanced under the terms of the Indenture to be transferred, assigned, or pledged as security to any person or entity other than as permitted by the Indenture; and

(b) it will, upon written notice from an Authorized Representative of the Authority, use its reasonable efforts to cause the Indenture to be amended (in accordance with the provisions of the Indenture described under the caption “SUPPLEMENTAL INDENTURES—Supplemental Indentures Not Requiring Consent of Registered Owners” of this Appendix A) if the Program Manual is hereafter amended so as to be contrary to the terms of the Indenture.

Merger of the Trustee, Etc.

Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee will be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee or any corporate affiliate of the Trustee succeeding to all or a portion of the corporate trust business of the Trustee, will be the successor of the Trustee under the Indenture, provided such corporation will be otherwise qualified and eligible under the Indenture, without the execution or filing of any paper or any further act on the part of any other parties to the Indenture.

Survival of Trustee’s Rights to Receive Compensation, Reimbursement and Indemnification

The Trustee’s rights to receive compensation, reimbursement and indemnification of money due and owing under the Indenture at the time of the Trustee’s resignation or removal will survive the Trustee’s resignation or removal.

Provisions Controlling as to Trustee Conduct and Liability

Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of the Trustee is subject to the provisions described under this caption “TRUSTEE.”

Statement by Trustee of Funds and Accounts and Other Matters

Not more than thirty days after the close of each Fiscal Year the Trustee will furnish the Authority, the Administrator and any Registered Owner filing with the Trustee a written request for a copy, a bank statement setting forth (to the extent applicable) in respect to such Fiscal Year, (a) all transactions relating to the receipt, disbursement and application of all moneys received by the Trustee pursuant to all terms of the Indenture, (b) the balances held by the Trustee at the end of such Fiscal Year to the credit of each Fund and Account, (c) a brief description of all moneys and Investment Securities held by the Trustee as part of the balance of each Fund and Account as of the end of such Fiscal Year, (d) the principal amount of Bonds repaid during such Fiscal Year, and (e) any other information in the Trustee’s possession which the Authority or the Administrator may reasonably request..

In addition, the Trustee will furnish the Authority and the Administrator on or before the fifth day of each calendar month a bank statement of all moneys and Investment Securities to the credit of each Fund and Account as of the last day of the preceding month.

Foreign Account Tax Compliance Act (FATCA)

In order to comply with applicable tax laws, rules and regulations (inclusive of directives, guidelines and interpretations promulgated by competent authorities) in effect from time to time (“Applicable Law”), the Authority agrees in the Indenture (a) to provide to The Bank of New York Mellon Trust Company, N.A. sufficient information about holders or other applicable parties and/or transactions (including any modification to the terms of such transactions) so The Bank of New York Mellon Trust Company, N.A. can determine whether it has tax related obligations under Applicable Law; (b) that The Bank of New York Mellon Trust Company, N.A. will be entitled to make any withholding or deduction from payments under the Indenture to the extent necessary to comply with Applicable Law for which The Bank of New York Mellon Trust Company, N.A. will not have any liability; and (c) to hold harmless The Bank of New York Mellon Trust Company, N.A. for any losses it may suffer due to the actions it takes to comply with such Applicable Law. The terms of this subsection will survive the termination of the Indenture.

SUPPLEMENTAL INDENTURES

Supplemental Indentures Not Requiring Consent of Registered Owners

The Authority and the Trustee, at the written request of the Authority, may, without the consent of or notice to any of the Registered Owners, enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

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

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

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

(d) to modify, amend or supplement the Indenture or any indenture supplemental to the Indenture in such manner as to permit the qualification of the Indenture and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental to the Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(e) to evidence the appointment of a separate or co-Trustee or a co-registrar or Transfer Agent or the succession of a new Trustee under the Indenture;

(f) to add such provisions to or to amend such provisions of the Indenture as may be necessary or desirable to assure implementation of the Program if, together with such Supplemental Indenture there is filed an Opinion of Counsel (which may be counsel to the Authority) addressed to the Authority and the Trustee to the effect that the addition or amendment of such provisions will not materially impair the existing security of the Registered Owners of any Outstanding Bonds;

(g) to make any change as will be necessary in order to obtain and maintain for any of the Bonds an investment grade Rating from a nationally recognized rating service, if along with such Supplemental Indenture there is filed a Bond Counsel's opinion addressed to the Trustee to the effect that such changes will in no way impair the existing security of the Registered Owners of any Outstanding Bonds;

(h) to make any changes necessary to comply with the Code and the regulations promulgated thereunder;

(i) to provide for the issuance of Bonds pursuant to the provisions of the Indenture as described under the caption "BOND DETAILS—Issuance of Bonds" of this Appendix A, including the creation of appropriate Funds, Accounts and Subaccounts with respect to such Bonds;

(j) with a Rating Agency Notification, in connection with the issuance of Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds, to create any additional Funds or Accounts or Subaccounts under the Indenture, including without limitation in the nature of debt service reserve or capitalized interest Funds, Accounts or Subaccounts for such Senior Bonds, Senior Subordinate Bonds or Subordinate Bonds, and to modify or amend the provisions described under paragraphs (b) and (c) under the caption "FUNDS—Revenue Fund" in connection with the foregoing; provided, that no such modification or amendment is permitted to change the amount or timing of application of Revenues or of amounts transferred to the Revenue Fund from other funds and accounts to pay principal of or interest or redemption premium, if any, on Senior Bonds;

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

(l) to amend the Indenture to provide for use of a surety bond or other financial guaranty instrument in lieu of cash and/or Investment Securities in all or any portion of the Debt Service Reserve Fund upon satisfaction of a Rating Agency Notification;

(m) with a Rating Agency Notification, to the extent required by a Supplemental Indenture, to evidence the extension of any Acquisition Period or Recycling Period;

(n) to modify any of the provisions of the Indenture in any respect whatever; provided, however, that (i) such modification will be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution of such Supplemental Indenture will cease to be Outstanding; and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the execution of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(o) to conform the terms of the Indenture to the description of such terms in an offering memorandum used in connection with the sale of any Bonds; or

(p) to make any other change (other than changes with respect to any matter requiring satisfaction of the Rating Agency Notification or the Rating Agency Confirmation unless the Bonds are not rated at the time) which, in the judgment of the Authority, is not materially adverse to the Registered Owners of any Bonds;

provided, however, that nothing described under this caption will permit, or be construed as permitting, any modification of the trusts, powers, rights, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

Supplemental Indentures Requiring Consent of Registered Owners

Exclusive of Supplemental Indentures described under the caption “—Supplemental Indentures Not Requiring Consent of Registered Owners” above and subject to the terms and provisions described in this caption, and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount of the then Outstanding Bonds affected thereby will have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures supplemental to the Indenture as will be deemed necessary and desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing described in this caption will permit, or be construed as permitting (a) without the consent of the Registered Owners of all then Outstanding Bonds affected thereby, (i) an extension of the maturity date of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, (iii) a privilege or priority of any Bond or Bonds over any other Bond or Bonds except as otherwise provided in the Indenture, (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding under the Indenture except as otherwise provided in the Indenture; or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

If at any time the Authority requests the Trustee to enter into any such Supplemental Indenture for any of the purposes described under this caption, the Trustee will, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be sent to each Registered Owner of a Bond at the address shown on the registration records. Such notice (which

will be prepared by the Authority) will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies of the Indenture are on file at the Principal Office of the Trustee for inspection by all Registered Owners. If, within 60 days, or such longer period as is prescribed by the Authority, following the sending of such notice, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture will have consented in writing to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and described in this subsection, the Indenture will be and be deemed to be modified and amended in accordance therewith. The Trustee will not be obligated to enter into any Supplemental Indenture which affects the Trustee's own rights, duties or indemnities or otherwise.

Additional Limitation on Modification of Indenture

Except with respect to the issuance of Bonds in accordance with the Indenture and pursuant to a Supplemental Indenture, no amendment to the Indenture or to the indentures supplemental will be effective unless the Trustee receives an opinion of Bond Counsel to the effect that such amendment was adopted in conformance with the Indenture and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. In addition, the Trustee will also receive an Authority Order and an Opinion of Counsel stating that such Supplemental Indenture is authorized and permitted by the Indenture and all conditions precedent have been satisfied.

GENERAL PROVISIONS

Consent of Registered Owners Binds Successors

Any request or consent of the Registered Owner of any Bonds given for any of the purposes of the Indenture will bind all future Registered Owners of the same Bond or any Bonds issued in exchange therefor or in substitution thereof in respect of anything done or suffered by the Authority or the Trustee in pursuance of such request or consent.

No Liability of Directors

It is expressly made a condition of the Indenture that any agreements, covenants, or representations contained or contained in the Indenture or contained in the Bonds do not and will never constitute or give rise to a personal or pecuniary liability or charge against the incorporators, officers, employees, agents or directors of the Authority, and in the event of a breach of any such agreement, covenant, or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Authority will arise therefrom. Nothing described in this caption, however, will relieve the Authority from the observance and performance of the several covenants and agreements on its part in the Indenture contained.

Laws Governing

The Indenture will in all respects be governed by the laws of the State of North Carolina.

Non-Business Days

Except as may otherwise be provided in the Indenture, if the date for making payment of any amount under the Indenture or on any Bond, or if the date for taking any action under the Indenture, is not a Business Day, then such payment can be made without accruing further interest or action can be taken on the next succeeding Business Day, with the same force and effect as if such payment were made when due or action taken on such required date.

Objection of Registered Owners

Anything in the Indenture to the contrary notwithstanding, whenever in the Indenture a Rating Agency Notification or a Rating Agency Confirmation is required with respect to any Proposed Action, to the extent that the Bonds no longer carry a Rating from any Rating Agency, the Authority will give notice of any Proposed Action to the Registered Owners and will be permitted to take such Proposed Action unless the Registered Owners of not less than a majority of the collective aggregate principal amount of the Highest Priority Bonds then Outstanding object to the Proposed Action, in writing, within 20 Business Days of the giving of such notice.

Rating Agency Notifications and Rating Agency Confirmations

Anything in the Indenture to the contrary notwithstanding, (a) the Authority is not required to satisfy a Rating Agency Notification or a Rating Agency Confirmation with respect to any Rating Agency which has not been designated by the Authority to provide a rating on any of the Bonds, and (b) the rating requirements with respect to Investment Securities will not apply with respect to the ratings of any Rating Agency which has not been designated by the Authority to provide a rating on any of the Bonds.

PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE

Trust Irrevocable

The trust created by the terms and provisions of the Indenture is irrevocable until the indebtedness secured by the Indenture (the Bonds and interest thereon) and all other payment obligations under the Indenture are fully paid or provision made for its payment as described under this caption “PAYMENT AND CANCELLATION OF BONDS AND SATISFACTION OF INDENTURE.”

Satisfaction of Indenture

(a) If the Authority pays, or causes to be paid, or there otherwise is paid (i) to the applicable parties, all Senior Transaction Fees and Subordinate Transaction Fees then due and owing; (ii) to the Registered Owners of the Bonds, the principal of and interest on the Bonds, at the times and in the manner stipulated in the Indenture; and (iii) to the United States of America, the amount required to be rebated in satisfaction of its obligations as described in any Tax Document, then the pledge of the Trust Estate, except the Rebate Fund, which is not pledged under the Indenture, and all covenants, agreements, and other obligations of the Authority to the Registered Owners of Bonds other than as described under the caption “PROVISIONS APPLICABLE TO THE BONDS; DUTIES OF THE AUTHORITY—Tax Covenants” of this Appendix A will thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority all such instruments (in form and substance reasonably satisfactory to the Trustee) as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver all money held by it under the Indenture to the

party entitled to receive the same under the Indenture. If the Authority pays or causes to be paid, or there is otherwise paid, to the Registered Owners of any Outstanding Bonds the principal of and interest on such Bonds, such Bonds will cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants, agreements, and obligations of the Authority to the Registered Owners thereof will thereupon cease, terminate, and become void and be discharged and satisfied.

(b) Bonds or interest installments will be deemed to have been paid within the meaning of subsection (a) of this caption if money for the payment or redemption thereof has been set aside and is being held on behalf of the Registered Owners by the Trustee at the Stated Maturity or earlier redemption date thereof. Any Outstanding Bond will, prior to the Stated Maturity or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this caption if (i) such Bond is to be redeemed on any date prior to its Stated Maturity; and (ii) the Authority will have given notice of redemption as provided in the Indenture on said date and there has been deposited with the Trustee either money in an amount which are sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal of and interest to become due on such Bond on and prior to the redemption date or Stated Maturity thereof, as the case may be, provided that with respect to the defeasance of Bonds in a variable-rate mode (the "Variable Rate Bonds") for which the interest rate cannot be determined at the time of defeasance, the Authority will have deposited funds with the Trustee sufficient to pay interest at the maximum rate allowable on the Variable Rate Bonds for the defeasance period. Notwithstanding anything in the Indenture to the contrary, however, no such deposit will have the effect described in this paragraph (b); (A) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding; (B) unless on the date of such deposit of Governmental Obligations, but only if the deposit consists of Governmental Obligations, there will be provided to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay in full the Outstanding Bonds to be redeemed or to be deemed paid as described in this paragraph (b); and (C) unless there is delivered to the Trustee an Opinion of Bond Counsel to the effect that such deposit will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on any Bond. Neither Governmental Obligations nor money deposited with the Trustee as described in this paragraph (b) nor principal or interest payments on any such Governmental Obligations will be withdrawn or used for any purpose other than, and will be held irrevocably in trust in an escrow account for, the payment of the principal of and interest on such Bonds. Any cash received from such principal of and interest on such Governmental Obligations deposited with the Trustee, if not needed for such purpose, will, to the extent practicable, be reinvested, at the direction of the Authority in an Authority Order, in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest on such Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, or pledge. Any payment for Governmental Obligations purchased for the purpose of reinvesting cash as aforesaid will be made only against delivery of such Governmental Obligations. For the purposes of this subsection, "Governmental Obligations" will mean and include only non-callable direct obligations of the Department of the Treasury of the United States of America or portions thereof (including interest or principal portions thereof). Such Governmental Obligations will be of such amounts, maturities, and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payments required in the Indenture, and which obligations have been deposited in an escrow account which is irrevocably

pledged as security for the Bonds. Such term will not include mutual funds and unit investment trusts.

(c) The provisions described in this subsection are applicable to the Bonds and any portion of the Bonds.

Cancellation of Paid Bonds

Any Bonds which have been paid or purchased by the Authority, Bonds exchanged for new Bonds, mutilated Bonds replaced by new Bonds, and any temporary Bond for which definitive Bonds have been delivered will (unless otherwise directed by the Authority by Authority Order) forthwith be cancelled by the Trustee and, except for temporary Bonds, returned to the Authority.

SUMMARY OF SERIES 2023 SUPPLEMENTAL INDENTURE

Definitions

“*Business Day*” means, with respect to the Series 2023A Senior Tax-Exempt Bonds, any day on which banks located in the cities in which the principal corporate trust offices of the Trustee are located (as of the Date of Issuance, Chicago, Illinois) are generally open for business.

“*Date of Issuance*” means, with respect to the Series 2023A Senior Tax-Exempt Bonds, December 5, 2023.

“*Interest Payment Date*” means each date on which interest is to be paid on a Series 2023A Senior Tax-Exempt Bond and is each June 1 and December 1, commencing June 1, 2024.

“*Record Date*” means, with respect to the Series 2023A Senior Tax-Exempt Bonds, the Business Day immediately preceding an Interest Payment Date.

Payments on the Series 2023A Senior Tax-Exempt Bonds

The principal of the Series 2023A Senior Tax-Exempt Bonds will be payable at the Principal Office of the Trustee, as Paying Agent, for the Series 2023A Senior Tax-Exempt Bonds, or at the Principal Office of its successor upon presentation and surrender of the Series 2023A Senior Tax-Exempt Bonds.

Interest on any Series 2023A Senior Tax-Exempt Bonds will be paid on the Interest Payment Date to the Registered Owner thereof on the Record Date. Any such interest not so timely paid or duly provided for will cease to be payable to the Registered Owner thereof at the close of business on the Record Date and will be payable to the Registered Owner thereof at the close of business on a special record date (a “Special Record Date”) for the payment of any such defaulted interest. Such Special Record Date will be fixed by the Trustee whenever money becomes available for payment of the defaulted interest, and notice of such Special Record Date will be given to the Registered Owner not less than ten days prior thereto by first-class mail to each such Registered Owner as shown on the Registrar’s registration records on the date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest, which payment date will not be more than 15 nor less than ten days after the Special Record Date.

In the event the Series 2023A Senior Tax-Exempt Bonds are in book-entry only form, principal and interest will be paid to the Securities Depository by federal funds wire transfer to a designated account

within the United States of America, all as provided for in the rules and regulations of the Securities Depository.

The Series 2023A Senior Tax-Exempt Bonds will initially be in book-entry only form. In the event the Series 2023A Senior Tax-Exempt Bonds are no longer in book-entry only form, interest will be paid (a) by federal funds wire transfer by the Trustee to any account within the continental United States upon written instruction of the Registered Owner, (b) if wire instructions have not been provided, by check or draft mailed on the Interest Payment Date by the paying agent to the Registered Owner at his or her address as it last appears on the registration records kept by the Registrar at the close of business on the regular Record Date for such Interest Payment Date, or (c) by such other customary banking arrangement acceptable to the Trustee at the request of and at the risk and expense of the Registered Owner.

If the specified date for payment of principal or interest is other than a Business Day, payment may be made on the next succeeding Business Day with the same force and effect as if made on the date specified for such payment, without additional interest.

All payments on the Series 2023A Senior Tax-Exempt Bonds will be made in lawful money of the United States of America, which on the respective dates of payment thereof is legal tender for the payment of public and private debt.

Administration Fees

Pursuant to the applicable Monthly Report or Authority Order, the Trustee will transfer from the Tax-Exempt Account or the Taxable Account of the Revenue Fund to the Operating Fund as payment for the Administration Fees pursuant to the provisions of the Indenture as described in clauses (b)(ii) and (c)(ii) under the caption “FUNDS—Revenue Fund” of this Appendix A, as applicable, an amount equal to \$100 per Financed Eligible Loan originated by the Administrator during that period unless the Authority has satisfied the Rating Agency Notification with respect to a higher amount or the use of the average daily outstanding principal balance of the Financed Eligible Loans.

Transfer of Excess Revenue

If the Overall Parity Percentage is not equal to at least the Required Overall Parity Percentage, the Trustee, pursuant to the corresponding Monthly Report, will transfer Excess Tax-Exempt Revenue and Excess Taxable Revenue derived from Financed Eligible Loans on deposit in the Tax-Exempt Account of the Revenue Fund pursuant to the Master Indenture, as described in clause (b)(xi) under the caption “FUNDS—Revenue Fund” of this Appendix A or the Taxable Account of the Revenue Fund pursuant to the Master Indenture, as described in clause (c)(xi) under the caption “FUNDS—Revenue Fund” of this Appendix A, as applicable, on the last Business Day of each April and October pursuant to the Master Indenture, as described in clauses (b)(xi) and (c)(xi) under the caption “FUNDS—Revenue Fund” of this Appendix A, to the Tax-Exempt Retirement Account of the Debt Service Fund for mandatory redemption, in an amount equal to the least amount required to increase the Overall Parity Percentage to at least the Required Overall Parity Percentage with those percentages and amount computed assuming that immediately prior to the computation, the required mandatory redemption pursuant were actually made on the Series 2023A Senior Tax-Exempt Bonds (see the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions—*Mandatory Redemption from Excess Revenue*” in the body of this Official Statement). Notwithstanding the foregoing, if the aggregate principal amount of all Bonds Outstanding under the Indenture is equal to or less than 10% of the aggregate original principal amount of all Bonds issued under the Indenture as of the last date of issuance of a Series of Bonds issued under the Indenture, then the Trustee, pursuant to the corresponding Monthly Report, will transfer all Excess Tax-Exempt Revenue and Excess Taxable Revenue on the last Business Day of each April and

October pursuant to the Master Indenture as described in clauses (b)(xi) and (c)(xi) under the caption “FUNDS—Revenue Fund” of this Appendix A to the Tax-Exempt Retirement Account or the Taxable Account of the Debt Service Fund, as applicable, and apply such transferred Excess Tax-Exempt Revenues and Excess Taxable Revenues to redeem Bonds Outstanding under the Indenture.

Any application of Excess Revenue to effect the mandatory redemption described in under this caption “—Transfer of Excess Revenue” will be made on a pro rata basis with any other Senior Bonds Outstanding under the Master Indenture subject to the same or similar mandatory redemption provisions from Excess Revenue to maintain the Required Overall Parity Percentage.

General Terms of the Program

The Authority is permitted to make changes to the Program Manual that do not adversely affect the security for the Registered Owners of the Bonds.

Restrictions on the Financing of Eligible Loans during the Acquisition Period

The following restrictions apply to the aggregate portfolio of Eligible Loans Financed during the Acquisition Period relating to the Series 2023A Senior Tax-Exempt Bonds (and do not apply to the portion of the portfolio of Eligible Loans Financed on the Date of Issuance of the Series 2023A Senior Tax-Exempt Bonds that were included in the cash flow modeling presented to the Rating Agency):

(a) With respect to the \$10,000,000 of Eligible Loans to be financed by April 1, 2024, as described under the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions—*Mandatory Redemption from Unexpended Proceeds*” in the body of this Official Statement:

(i) at least 10% of the principal balance of such Eligible Loans must be NC Parent Assist Loans.

(ii) at least 50% of the principal balance of the Eligible Loans must have FICO scores of greater than or equal to 740.

(iii) at least 50% of the principal balance of such Eligible Loans must have a cosigner.

(b) With respect to the remaining \$32,122,025 of Eligible Loans to be financed by April 1, 2025 (the end of the Acquisition Period), as described under the caption “THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions—*Mandatory Redemption from Unexpended Proceeds*” in the body of this Official Statement:

(i) at least 50% of the principal balance of the Eligible Loans must have FICO scores of greater than or equal to 740.

(ii) at least 40% of the principal balance of such Eligible Loans must have a cosigner.

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

Amendment of the Master Indenture

In connection with the issuance of the Series 2023A Tax-Exempt Bonds and pursuant to the Master Indenture, paragraphs (e) and (f) of the definition of “*Investment Securities*” is amended in the Series 2023 Supplemental Indenture to read as follows:

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

(ii) be an obligation of or guaranteed by an insurance company or other corporation or financial institution whose debt obligations or insurance financial strength or claims-paying ability are rated no lower than “A-” by S&P (or such other lower credit rating providing that the Authority has satisfied the Rating Agency Notification), provided further that if there is a downgrade below “A-” by S&P (or such lower credit rating provided that the Authority has satisfied the Rating Agency Notification), the Authority will replace or cause to be replaced the provider within 90 days of such downgrade at no cost to the Trust Estate; and

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

(f) [Reserved];



APPENDIX B

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[Form of Opinion of Bond Counsel]

December __, 2023

State Education Assistance Authority
Raleigh, North Carolina

We have acted as bond counsel to the State Education Assistance Authority, a political subdivision of the State of North Carolina (the “Authority”), in connection with the authorization and issuance of its \$76,975,000 State Education Assistance Authority Tax-Exempt Student Loan Revenue Bonds, Senior Series 2023A (the “Series 2023A Senior Tax-Exempt Bonds”). We have examined (i) the Constitution and laws of the State of North Carolina, including Part 1 of Article 23 of Chapter 116 of the North Carolina General Statutes, as amended (the “Act”), (ii) certified copies of the proceedings of the Authority authorizing the issuance, sale and delivery of the Series 2023A Senior Tax-Exempt Bonds, (iii) executed originals of Indenture of Trust, dated as of July 1, 2020 (as previously amended and supplemented, the “Master Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as further amended and supplemented by a Series 2023 Supplemental Indenture of Trust, dated as of December 1, 2023, between the Authority and the Trustee (the “Series 2023 Supplemental Indenture” and, together with Master Indenture, the “Indenture”) pursuant to which the Series 2023A Senior Tax-Exempt Bonds are issued and (iv) other proofs submitted relative to the issuance and sale of the Series 2023A Senior Tax-Exempt Bonds. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Indenture.

The Series 2023A Senior Tax-Exempt Bonds are dated as of their date of delivery. The Series 2023A Senior Tax-Exempt Bonds are issued for the purposes of providing funds to the Authority, together with other available funds, to (a) finance certain Eligible Loans previously made by the Authority in anticipation of the issuance of the Series 2023A Senior Tax-Exempt Bonds, (b) finance additional Eligible Loans, (c) finance a deposit to the Debt Service Reserve Fund created pursuant to the Indenture, (d) finance a deposit to the Capitalized Interest Fund created pursuant to the Indenture, and (e) pay the costs of issuance of the Series 2023A Senior Tax Exempt Bonds.

The Authority has heretofore issued one prior series of Bonds under the Master Indenture (the “Existing Bonds”). The Master Indenture also provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional Bonds. The Existing Bonds, the Series

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2023A Senior Tax-Exempt Bonds and any such additional Bonds are herein collectively referred to as the “Bonds.”

The Series 2023A Senior Tax-Exempt Bonds are subject to redemption prior to their maturity at the times, in the manner and upon the terms set forth in the Indenture.

The Series 2023A Senior Tax-Exempt Bonds are subject to the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder, that must be met subsequent to the issuance and delivery of the Series 2023A Senior Tax-Exempt Bonds in order that interest on the Series 2023A Senior Tax-Exempt Bonds be excluded, on and after the date of such issuance and delivery, from the gross income of the owners thereof for federal income tax purposes under the Code. The Authority has covenanted in the Indenture to comply with the requirements of the Code. Our opinion in paragraph 6 below with respect to the treatment of interest on the Series 2023A Senior Tax-Exempt Bonds for purposes of federal income taxation is rendered on the assumption that the Authority will carry out this covenant contained in the Series 2023A Senior Tax-Exempt Bonds.

From such examination, we are of the opinion, as of the date hereof and under existing law, that:

1. The Authority has been duly created as a political subdivision of the State of North Carolina with good, right and lawful authority to carry out the program of financing the Eligible Loans and to perform its obligations under the terms and conditions of the Master Indenture and the Series 2023 Supplemental Indenture.
2. The Authority has duly authorized, executed and delivered the Master Indenture and the Series 2023 Supplemental Indenture and such Indentures constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their terms.
3. The Series 2023A Senior Tax-Exempt Bonds are valid and binding limited obligations of the Authority secured by a valid pledge in the manner and to the extent set forth in the Indenture, enforceable in accordance with their terms.
4. The Indenture creates the valid and binding pledge it purports to create of the (a) the Revenues (other than Revenues deposited in the Rebate Fund or the Operating Fund or otherwise released from the lien of the Trust Estate as provided in the Indenture); (b) all moneys and investments held in the Funds created under the Indenture (other than the Rebate Fund and the Operating Fund); (c) the Financed Eligible Loans; (d) the rights of the Authority in and to the Administration Agreement and any and all Servicing Agreements, as the same relate to the Financed Eligible Loans, to secure the payment of the Bonds in accordance with the terms thereof, subject to the provisions of the Indenture permitting the disposition, use and payment thereof for or to the purposes and on the terms and conditions of the Indenture. Such pledge shall become effective with respect to the assets and revenues so pledged immediately upon the receipt thereof by the Authority in the manner provided in the Indenture.
5. The Series 2023A Senior Tax-Exempt Bonds do not constitute a debt, liability or obligation of the State of North Carolina or of any political subdivision thereof, or a pledge of the faith and credit of said State or of any such political subdivision, but shall be payable solely from the Revenues and other funds provided therefor.



6. Assuming that the Authority will comply with the covenants with respect to the Code contained in the Indenture and other certificates, manuals and documents, interest on the Series 2023A Senior Tax-Exempt Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2023A Senior Tax-Exempt Bonds is treated as a preference item in computing the alternative minimum tax imposed by the Code, and, for tax years after December 31, 2022, interest on the Series 2023A Senior Tax-Exempt Bonds held by certain corporations is included in the corporation's "adjusted financial statement of income" for purposes of computing the federal alternative minimum tax on such corporations. The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states, and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Series 2023A Senior Tax-Exempt Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

7. Interest on the Series 2023A Senior Tax-Exempt Bonds is exempt from all income taxes of the State of North Carolina.

The rights of the owners of the Series 2023A Senior Tax-Exempt Bonds and the enforceability thereof and of the Master Indenture and Series 2023 Supplemental Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the **STATE EDUCATION ASSISTANCE AUTHORITY**, a political subdivision of the State of North Carolina (the “Authority”), in connection with the issuance by the Authority of its \$76,975,000 Tax-Exempt Student Loan Revenue Bonds, Senior Series 2023A (the “Bonds”). The Bonds are being issued pursuant to Sections 116-201 to 116-209.104, inclusive, of the General Statutes of North Carolina, as it may be amended from time to time (the “Act”). The Bonds are being issued in accordance with the provisions of and pursuant to the Indenture of Trust, dated as of July 1, 2020 (as previously amended and supplemented, the “Trust Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and the Series 2023A Supplemental Indenture of Trust, dated as of December 1, 2023 (the “Supplemental Indenture” and together with the Trust Indenture, the “Indenture”), between the Authority and the Trustee.

The Authority undertakes, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the Owners and Beneficial Owners and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5) and for the Authority to undertake to provide certain additional continuing disclosure information for the benefit of the Owners and Beneficial Owners.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Authority pursuant to, and as described in, Section 3 of this Disclosure Certificate.

“*Beneficial Owners*” means, collectively, those persons that (a) have the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries); or (b) are treated as owners of any Bonds for federal income tax purposes (each, a “Beneficial Owner”).

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. As of the date of this Certificate, information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Financial Obligation*” means (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either clause (a) or (b) above. The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“*Fiscal Year*” means the period commencing on July 1 of each calendar year and ending on June 30 of the immediately succeeding calendar year or such other annual period as the Authority shall have adopted as its fiscal year.

“*Material Events*” means any of the events listed in Section 5(b) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board and its lawful successors.

“*Owners*” means, collectively, the registered owners of the Bonds (each, an “*Owner*”).

“*Participating Underwriter*” means BofA Securities, Inc. and any other original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Quarterly Report*” means a report setting forth as of the most recent calendar quarter the information regarding the Authority and the Financed Eligible Loans as is described in Exhibit A hereto.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*SEC*” means the Securities and Exchange Commission and its lawful successors.

Section 3. Provision of Annual Reports.

(a) The Authority shall, not later than six months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2024, file with EMMA an Annual Report that is consistent with the requirements of this Section 3.

(b) The Annual Report is to contain or incorporate by reference the annual audited financial statements of the Authority. The annual audited financial statements shall be prepared in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. If the Authority’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the audited financial statements for previous years, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(c) If the Authority fails to timely file an Annual Report as undertaken in this Section 3, the Authority will file on EMMA a notice of its failure to provide the required annual financial information, on or before the date specified in the written agreement or contract.

Section 4. Quarterly Reports.

(a) Except as hereinafter provided, within 60 days after the end of each calendar quarter ending on the last day of each March, June, September and December, the Authority shall file with EMMA a Quarterly Report. Each Quarterly Report will contain information that updates from the prior Quarterly Report filed pursuant to this Section 4.

Notwithstanding the foregoing, the Authority may (a) alter the format in which such quarterly information is presented, or (b) make such quarterly information available either by posting it on EMMA or on another publicly accessible website.

(b) If the Authority fails to timely file a Quarterly Report as undertaken in this Section 4, the Authority will file on EMMA a notice of its failure to provide the required annual financial information, on or before the date specified in the written agreement or contract.

Section 5. Reporting of Material Events.

(a) If a Material Event occurs, the Authority shall file a notice of the occurrence of the Material Event on EMMA within 10 business days of the occurrence thereof.

(b) Each of the following events is a “Material Event”:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
- (vii) modifications to rights of the owners of Beneficial Owners of the Bonds;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds if the Authority shall conclude that the event is material or if the value of the property, released, substituted or sold exceeds \$500,000 in any one year or \$2,000,000 in the aggregate;
- (xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Authority;

(xiii) consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional Trustee or the change of name of the Trustee, if material;

(xv) incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

Section 6. Format of Filing; Notice of Failure to Timely File Annual Report or Quarterly Report; Termination of Reporting Obligation.

(a) All information filed on EMMA as hereby undertaken shall be accompanied by identifying information as prescribed by the MSRB for filings on EMMA.

(b) The obligations of the Authority under this Disclosure Certificate shall terminate upon the redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Material Event under Section 5(a) hereof.

Section 7. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate; provided that the following conditions are satisfied:

(i) if the amendment or waiver relates to the provisions of Section 3 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(ii) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver either (A) is approved by the Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of a majority of the collective aggregate principal amount of the Bonds then Outstanding affected thereby; or (B) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners.

(b) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the next Quarterly Report or Annual Report shall include a description of such amendment or waiver, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Material Event under Section 5(a); and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Quarterly Report, Annual Report, or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Quarterly Report, Annual Report, or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate the Authority shall not have any obligation under this Agreement to update such information or include it in any future Quarterly Report, Annual Report, or notice of occurrence of a Material Event.

Section 9. Failure To File a Report or Notice. Pursuant to Section 5.09 of the Supplemental Indenture, the Authority has covenanted and agreed that it will comply with and carry out or cause to be carried out all of the provisions of this Disclosure Certificate. In the event of a failure of the Authority to comply with any provision of the covenant set forth above, the Trustee may (and, at the request of the owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with the provisions of this Disclosure Certificate. However, a default with respect to the provisions of this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the remedy in the event of any failure of the Authority to comply with the provisions of this Disclosure Certificate shall be the actions referred to above.

Section 10. Notices.

(a) Any notices or communications to or among any of the parties to this Disclosure Certificate may be given as follows:

To the Authority: State Education Assistance Authority
P.O. Box 41349
3120 Poplarwood Court
Raleigh, NC 27629
Phone: (919) 248-4695
E-mail: erozakis@ncseaa.edu, lkarkanawi@ncseaa.edu
Attention: Chief Financial Officer

(b) Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Participating Underwriter, and the Owners, and shall create no rights in any other person or entity.

Section 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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WITNESS MY HAND as of this 5th day of December, 2023.

STATE EDUCATION ASSISTANCE
AUTHORITY, a political subdivision of the
State of North Carolina

By _____
Authorized Officer

EXHIBIT A
FORMAT FOR QUARTERLY REPORTS
(Attached)

North Carolina State Education Assistance Authority

Student Loan Revenue Bonds

2020 Master Trust

Series 2020A and 2023A

Quarterly Report:

**North Carolina State Education Assistance Authority
2020 Master Trust
Student Loan Revenue Bonds, Series 2020A and 2023A
Quarterly Report**

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I. Principal Parties to the Transaction

Issuer	North Carolina State Education Assistance Authority
Servicer	College Foundation, Inc.
Trustee, Paying Agent and Registrar	The Bank of New York Mellon Trust Company, N.A.

II. Trust Parameters

A. SUMMARY

Aggregate Outstanding Principal Balance
 Number of Borrowers
 Average Outstanding Principal Balance per Borrower
 Accrued Interest to be Capitalized
 Accrued Interest Due
 Total Accrued Interest
 Number of Loans
 Average Outstanding Principal Balance per Loan
 Weighted Average Annual Interest Rate
 Weighted Average Original Term (Months)
 Weighted Average Remaining Term (Months)
 Weighted Average FICO Credit Score

B. Debt Characteristics

Series	CUSIP	Rate	Original Balance	Beginning Balance	Interest Accrual	Principal Paid	Ending Princ. Bal.	% of Securities	Maturity
2020A	658262 GJ3	5.000%	750,000.00				\$ -	#DIV/0!	6/1/2025
2020A	658262 GK0	5.000%	2,000,000.00				\$ -	#DIV/0!	6/1/2026
2020A	658262 GL8	5.000%	2,700,000.00				\$ -	#DIV/0!	6/1/2027
2020A	658262 GM6	5.000%	3,000,000.00				\$ -	#DIV/0!	6/1/2028
2020A	658262 GN4	5.000%	2,800,000.00				\$ -	#DIV/0!	6/1/2029
2020A	658262 GP9	3.125%	15,200,000.00				\$ -	#DIV/0!	6/1/2039
2023A		5.250%	1,300,000.00				\$ -	#DIV/0!	6/1/2028
2023A		5.250%	2,300,000.00				\$ -	#DIV/0!	6/1/2029
2023A		5.250%	8,400,000.00				\$ -	#DIV/0!	6/1/2030
2023A		5.250%	8,950,000.00				\$ -	#DIV/0!	6/1/2031
2023A		5.250%	9,000,000.00				\$ -	#DIV/0!	6/1/2032
2023A		5.250%	9,000,000.00				\$ -	#DIV/0!	6/1/2033
2023A		5.250%	38,025,000.00				\$ -	#DIV/0!	6/1/2043

# II. Trust Parameters (continued)		
C. Balance Sheet of Trust Estate		
1/0/1900		
i.	Student Loan Principal Balance	
ii.	Borrower Accrued Interest	
iii.	Student Loan Tax Exempt	
iv.	Revenue Fund	
v.	Capitalized Interest Fund	
vi.	Debt Service Principal	
vii.	Debt Service Tax Emp	
vii.	Det Service Tax Exempt Retirement	
viii.	Debt Service Reserve Fund	
ix.	Operating	
x.	Total Assets	-
xi.	Bond Outstanding	\$ -
xii.	Bond Accrued Interest	
xiii.	Other Liabilities	
xiv.	Total Liabilities	-
xv.	Parity Percentage	#DIV/0!

III. Student Loan Default Summary		
A. Student Loan Defaults		
i.	Principal Balance of Student Loans Upon Transfer into Trust Estate	
ii.	Principal Balance of Student Loans paid out of the Trust	
iii.	Interest Capitalized to Date on Student Loans Since Transfer into Trust Estate	
iv.	Total Principal Required to be Paid on Student Loans	
v.	Principal Balance of Student Loans Defaulting During Period	
vi.	Cumulative Principal Balance of Defaulted Student Loans	
vii.	Cumulative Default Rate	#DIV/0!
viii.	Recovery of Defaulted Student Loans	
ix.	Cumulative Default Rate, Net of Recoveries	#DIV/0!

IV. Funds and Account Activity**A. Funds and Accounts**

	Beg Balance	Quarterly Activity	End Balance 1/0/1900
Student Loan Fund	\$ -		\$ -
Revenue Fund			-
Capitalized Interest Fund			-
Debt Service Fund-Interest			-
Debt Service Fund-Principal	-		-
Debt Service Fund-Retirement			-
Debt Service Reserve Fund			-
Rebate Fund	-		-
Operating Fund			-
Total Balances	\$ -	\$ -	\$ -

B. Funds Remitted: Operating Fund

Servicing Fees	
Trustee Fees	
Administrator Fees	
Other	
Total	\$ -

V. Distributions				
A. Waterfall Activity				
				Remaining Balance
Total Available Funds				
i.	First: To the Rebate Fund			\$ -
ii.	Second: To the Operating Fund			\$ -
iii.	Third: To the Tax-Exempt Interest Account of the Debt Service Fund			\$ -
iv.	Fourth: To the Tax-Exempt Principal Account of the Debt Service Fund			\$ -
v.	Fifth: To the Tax-Exempt Account of the Debt Service Reserve Fund			\$ -
vi.	Sixth: To the Tax-Exempt Interest Account of the Debt Service Fund			\$ -
vii.	Seventh: To the Tax-Exempt Principal Account of the Debt Service Fund			\$ -
viii.	Eighth: To the Tax-Exempt Interest Account of the Debt Service Fund			\$ -
ix.	Ninth: To the Tax-Exempt Principal Account of the Debt Service Fund			\$ -
x.	Tenth: To the Tax-Exempt Account of the Student Loan Fund			\$ -
xi.	Eleventh: To the Retirement Account of the Debt Service Fund			\$ -
xii.	Twelfth: To the Operating Fund	\$	-	\$ -
xiii.	Thirteenth: Released from Indenture	\$	-	\$ -
Balance Revenue Fund at Quarter End				* \$ -
* This represents funds deposited on the last day of the month				

VI. Portfolio Characteristics

Distribution of the Loans by Loan Type

Rate Type Description	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
-----------------------	-------------------	------------------	-----------------------------------	-----------------

NC Assist Parent Loan				
NC Assist Student Loan				
	\$0	\$0	100.00%	0

Distribution of the Loans Among Undergraduate and Graduate Students

Program	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
---------	-------------------	------------------	-----------------------------------	-----------------

Undergrad				
Graduate				
	\$0	\$0	100.00%	0

Distribution of the Loans by Loan Status

Status	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
--------	-------------------	------------------	-----------------------------------	-----------------

Repayment				
School				
Grace				
Deferment				
Forbearance				
	\$0	\$0	100.00%	-

VI. Portfolio Characteristics (continued)

Distribution of the Loans by School Type				
School Type	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
In-state 4-Year Private				
In-state 4-Year Public				
Out-of-State Private				
Out-of-State Public				
In-state 2-Year Public				
In-state 2-Year Private				
	\$0	\$0	100.00%	-

Distribution of the Loans by Remaining Term				
Remaining Term Category	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
61 - 72				
73 - 84				
85 - 96				
97 - 108				
109 - 120				
	\$0	\$0	100.00%	-

Delinquency Rates of the Loans in Repayment				
Delinquency	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
<= 30				
31 - 60				
61 - 90				
91 - 120				
121 - 150				
151 - 180				
	\$0	\$0	100.00%	-

VI. Portfolio Characteristics (continued)

Distribution of the Loans by FICO Score Range				
FICO	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
700 - 739				
740 - 779				
780 +				
	\$0	\$0	100.00%	-

Loans With Co-signor and Loans Without Co-signor				
Cosigned	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
No				
Yes				
	\$0	\$0	100.00%	-

Distribution of the Loans by Remaining School Term				
School Term in Months Remaining	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
<= 12				
13 - 24				
25 - 36				
37 - 48				
49 - 60				
> 60				
	\$0	\$0	100.00%	-

VI. Portfolio Characteristics (continued)

Loans in Repayment Utilizing ACH				
Utilized	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
No				
Yes				
	\$0	\$0	100.00%	-

Distribution of the Loans by Residence of the Borrower				
State	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
NC				
Other				
	\$0	\$0	100.00%	-

Loans by Outstanding Principal Balance				
Principal Per Loan	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
< \$5,000				
\$5,000 - \$9,999.99				
\$10,000 - \$14,999.99				
\$15,000 - \$19,999.99				
\$20,000 - \$24,999.99				
\$25,000 - \$29,999.99				
\$30,000 - \$34,999.99				
\$35,000 - \$39,999.99				
\$40,000 - \$44,999.99				
\$45,000 - \$49,999.99				
\$50,000 - \$59,999.99				
\$60,000 - \$69,999.99				
\$70,000 - \$79,999.99				
\$80,000 - \$89,999.99				
\$90,000 - \$100,000.00				
	\$0	\$0	100.00%	-

VI. Portfolio Characteristics (continued)

Loans by School				
School Name	Principal Balance	Accrued Interest	% of Loans by Outstanding Balance	Number of Loans
Duke University				
University of North Carolina - Charlotte				
North Carolina State University				
Campbell University				
East Carolina University				
Meredith College				
Lenoir-Rhyne University				
Appalachian State University				
Elon University				
University of North Carolina -Wilmington				
Other				
	\$0	\$0	100%	-

**Originally Projected Outstanding Balances of the
2020A Senior Series Term Bond Maturing 6/1/2039**

Payment Period	0% CPR 11.0 Yrs	4% CPR 9.8 Yrs	8% CPR 8.7 Yrs	12% CPR 7.8 Yrs	16% CPR 7.1 Yrs	Actual
Closing	100%	100%	100%	100%	100%	100%
12/1/2020	100%	100%	100%	100%	100%	100%
6/1/2021	100%	100%	100%	99%	99%	81%
12/1/2021	100%	100%	100%	99%	98%	68%
6/1/2022	100%	100%	100%	98%	97%	52%
12/1/2022	100%	100%	99%	97%	95%	38%
6/1/2023	100%	100%	97%	94%	91%	26%
12/1/2023	100%	100%	96%	92%	88%	
6/1/2024	95%	88%	83%	78%	74%	
12/1/2024	95%	88%	83%	78%	74%	
6/1/2025	91%	83%	75%	67%	61%	
12/1/2025	88%	78%	69%	61%	53%	
6/1/2026	85%	72%	61%	51%	43%	
12/1/2026	85%	72%	61%	51%	42%	
6/1/2027	84%	68%	55%	43%	33%	
12/1/2027	84%	68%	55%	43%	33%	
6/1/2028	84%	68%	55%	43%	33%	
12/1/2028	84%	68%	55%	43%	33%	
6/1/2029	84%	68%	55%	43%	33%	
12/1/2029	84%	68%	55%	43%	33%	
6/1/2030	78%	62%	50%	41%	33%	
12/1/2030	67%	53%	41%	32%	26%	
6/1/2031	60%	46%	36%	28%	22%	
12/1/2031	51%	39%	30%	23%	17%	
6/1/2032	44%	33%	25%	19%	14%	
12/1/2032	36%	27%	20%	15%	11%	
6/1/2033	30%	22%	16%	12%	9%	
12/1/2033	19%	14%	10%	7%	5%	
6/1/2034	0%	0%	0%	0%	0%	


**Originally Projected Outstanding Balances of the
2023A Senior Series Term Bond Maturing 6/1/2043**

Payment Period	0% CPR	4% CPR	8% CPR	12% CPR	16% CPR	Actual
Closing	100%	100%	100%	100%	100%	100%
12/1/2023						
6/1/2024						
12/1/2024						
6/1/2025						
12/1/2025						
6/1/2026						
12/1/2026						
6/1/2027						
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6/1/2035						
12/1/2035						
6/1/2036						
12/1/2036						
6/1/2037						
12/1/2037						
6/1/2038						
12/1/2038						
6/1/2039						

APPENDIX D

FINANCIAL STATEMENTS OF THE AUTHORITY

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The logo for DEANDORTON features the word "DEANDORTON" in a blue, sans-serif font. The letters are contained within a blue rectangular frame that has a thick bottom bar and a thin top bar. The top bar is slightly offset to the right, creating a small gap between the top of the letters and the top bar.

DEANDORTON

Financial Statements

for

**NORTH CAROLINA STATE EDUCATION
ASSISTANCE AUTHORITY**

June 30, 2023

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Report of Independent Auditors

The Officers and Directors
North Carolina State Education Assistance Authority
Raleigh, North Carolina

Report on the Audit of The Financial Statements

Opinion

We have audited the financial statements of the North Carolina State Education Assistance Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial statements of the Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 9, Schedule of Proportionate Share of the Net Pension Liability and Schedule of Authority Contributions (Pension) on pages 47 and 48, and Schedule of Proportionate Share of the Net Other Postretirement Benefits Liability (Asset) and Schedule of Authority Contributions (OPEB) on pages 51 and 52 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Dean Dotson Allen Ford, PLLC

Raleigh, North Carolina
September 28, 2023

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Management's Discussion and Analysis
June 30, 2023

The Management's Discussion and Analysis of the financial performance of the North Carolina State Education Assistance Authority (the Authority) is required supplementary information. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2023. We encourage readers to consider this information in conjunction with the Authority's financial statements which follow.

FINANCIAL HIGHLIGHTS

Net Position -- The assets of the Authority exceeded its liabilities at fiscal years ending June 30, 2023 and 2022 by approximately \$568.5 and \$632.8 million, respectively, (presented as "net position"). Of this amount, approximately \$435.3 and \$106.9 million, respectively, was reported as "unrestricted net position." Unrestricted net position represents the amount available to be used to administer the State's grant and loan programs.

Decrease in Net Position -- The Authority's total net position decreased by approximately \$64.3 million (10.16%) in fiscal year 2023 and decreased by approximately \$7.6 million (1.19%) in fiscal year 2022.

During fiscal year 2023, the Authority sold its remaining Federal Family Education Loan Program (FFELP) portfolio and retired the bonds and notes that were used to finance these loans. The loans were sold on November 1, 2022 at 97% of book value to National Education Loan Network, Inc. (Nelnet) resulting in a loss of \$19.6 million. This loss is reflected in Investment Earnings (Losses) on the financial statements. Additionally, the notes and bonds had original issue discounts (OID) that had not been fully amortized. Once the notes and bonds were paid off the remaining OID was written off resulting in an additional expense of \$15.9 million.

Funding for the NC Scholarship Program began in fiscal year 2023. The NC Scholarship Program combines the previously existing UNC Need Based Scholarship Program, the Community College Grant Program, and the Education Lottery Scholarship (ELS) into one consolidated scholarship program. The new program is forward funded and is reflected as Deferred Inflows of Resources, Net on the financial statements. The program is intended to simplify the process for students as they explore options to help pay for higher education at one of the State's public higher education institutions (UNC and Community Colleges). Fiscal year 2023 was the last year for ELS; however, the funding for the program was received in fiscal year 2022. There was no current year funding for ELS to offset current year expenditures, resulting in a one-time decrease of \$33 million to net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the North Carolina State Education Assistance Authority's financial statements. The Authority's financial statements include four components: 1) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to Financial Statements. Pursuant to the provisions of Governmental Accounting Standards Board

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Management's Discussion and Analysis
June 30, 2023

(GASB) Statement 84, *Fiduciary Activities*, the financial statements also include Fiduciary Fund Statements for the Aubrey Lee Brooks Foundation, a North Carolina not-for-profit organization. Per the criteria detailed in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, the Authority is presented as a nonmajor component unit in the State of North Carolina Annual Comprehensive Financial Report (ACFR) by the State Auditor's Office and the Office of the State Controller. The financial statements contained herein report information pertaining to the Authority.

The financial statements provide a broad view of the Authority's operations in a manner similar to private-sector business. The statements provide both short-term and long-term information about the Authority's financial position, which assists in assessing the Authority's economic condition at the end of each fiscal year. These statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if the cash involved has not been received or paid.

The Statement of Net Position presents all of the Authority's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in the Authority's net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Cash Flows presents a reconciliation of cash and cash equivalents between the beginning of a year and the end of a year. This statement assists in assessing the Authority's ability to generate future net cash flows, ability to meet obligations as they come due, reasons for differences in operating income and cash flows from operations, and the effect of noncash transactions.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Management's Discussion and Analysis
June 30, 2023

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. The Authority's net position totaled approximately \$568.5 million as of June 30, 2023, compared to approximately \$632.8 million as of June 30, 2022.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Condensed Statement of Net Position

	<u>2023</u>	<u>2022</u>
Current Assets	\$ 715,884,129	\$ 721,603,956
Noncurrent Assets	3,950,000,370	4,113,388,484
Capital Assets	<u>2,927,700</u>	<u>3,641,247</u>
Total Assets	\$ <u>4,668,812,199</u>	\$ <u>4,838,633,687</u>
Current Liabilities	\$ 314,230,648	\$ 355,421,813
Noncurrent Liabilities	<u>3,608,504,679</u>	<u>3,719,255,521</u>
Total Liabilities	<u>3,922,735,327</u>	<u>4,074,677,334</u>
Deferred Inflows of Resources, Net	<u>177,533,146</u>	<u>131,150,569</u>
Net Investment in Capital Assets	2,081,675	1,985,115
Restricted for Educational Assistance Programs	131,175,046	523,900,419
Unrestricted	<u>435,287,005</u>	<u>106,920,250</u>
Total Net Position	<u>568,543,726</u>	<u>632,805,784</u>
Total Liabilities and Net Position	\$ <u>4,668,812,199</u>	\$ <u>4,838,633,687</u>

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Management's Discussion and Analysis
June 30, 2023

Of the Authority's \$568.5 million in net position, approximately \$131.2 million is classified as restricted due to external restrictions (outside of the state) from bond holders and the U.S. Department of Education (USDE) on how the funds can be used. Approximately \$2.1 million of the net position reflects the Authority's investment in capital assets such as equipment, data processing systems and intangible assets. The remaining amount of net position is used to manage State grant and loan programs and is classified as unrestricted. With the sale of the FFELP portfolio the classification of the previously related net position changed from restricted to unrestricted. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the Authority is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

The Authority's net position decreased by approximately \$64.3 million or 10.16% during the year ended June 30, 2023 and decreased by approximately \$7.6 million or 1.19% during the year ended June 30, 2022.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	<u>2023</u>	<u>2022</u>
REVENUES:		
Operating Revenues:		
Interest Earnings on Loans	\$ 21,553,012	\$ 33,508,640
Miscellaneous	<u>15,222,258</u>	<u>14,721,490</u>
Total Operating Revenues	<u>36,775,270</u>	<u>48,230,130</u>
Nonoperating Revenues:		
State Aid	48,031,975	78,481,975
Grants	300,064,730	212,736,325
Investment Earnings	<u>(5,486,525)</u>	<u>4,061,017</u>
Total Nonoperating Revenues	<u>342,610,180</u>	<u>295,279,317</u>
Total Revenues	<u>379,385,450</u>	<u>343,509,447</u>
EXPENSES:		
Operating Expenses:		
Services	39,337,674	38,800,373
Interest	26,819,779	12,309,816
Student Loan Service Cancellations	20,654,201	23,725,500
Depreciation and Amortization	1,096,760	733,427
Other Expenses	<u>2,693,011</u>	<u>4,061,818</u>
Total Operating Expenses	<u>90,601,425</u>	<u>79,630,934</u>
Nonoperating Expenses:		
Grants, Aid and Subsidies	<u>353,046,083</u>	<u>271,523,754</u>
Total Expenses	<u>443,647,508</u>	<u>351,154,688</u>
CHANGES IN NET POSITION	(64,262,058)	(7,645,241)
NET POSITION--Beginning of Year	<u>632,805,784</u>	<u>640,451,025</u>
NET POSITION--End of Year	<u>\$ 568,543,726</u>	<u>\$ 632,805,784</u>

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Management's Discussion and Analysis
June 30, 2023

Approximately 9.7% of the Authority's total revenues came from interest earnings and other miscellaneous revenue on resources invested in student loans under various education programs originated by or assigned to the Authority. Approximately 91.7% resulted from grants that include federal and State designated funds for student assistance. The State funds were distributed to the Authority pursuant to State law for the purpose of providing education grants to North Carolina residents. Lastly, approximately (1.4)% resulted from investment earnings on cash, cash equivalents, and short-term and long-term investments of \$14.1 million netted with the \$19.6 million loss from the sale of the FFELP portfolio.

The Authority's expenses cover a range of services. Approximately 8.9% of the Authority's total expenses were for personnel costs, fees paid to others in exchange for administration of education assistance programs, collection costs related to student loans, and fees for professional and specialized services incurred by the Authority to maintain and enhance its information dissemination program on planning, applying, and paying for higher education.

Approximately 6.0% of expenses were for interest incurred on bonds issued by the Authority in order to fund student loans, 79.6% were associated with grants, aid and subsidies, and 4.7% were for student loan service cancellations related to certain state sponsored loan programs.

The decrease in net position for the year ended June 30, 2023, is primarily attributed to the loss on the sale of the FFELP portfolio and the related write off of the OID on the associated bonds as well as the change in the funding model for the ELS.

DEBT ADMINISTRATION

All long-term indebtedness represents special obligations of the Authority and does not constitute a debt, liability, or obligation of the State of North Carolina. Bond Series 2020A is secured by certain loans of the Authority which are not insured by the federal government.

The Authority's total bond debt decreased by approximately \$652.6 million (97.6%) and approximately \$136.5 million (16.9%) during the fiscal years 2023 and 2022, respectively. The majority of the 2023 decrease was attributable to the Authority's net repayment of debt, as a result of the sale of the FFELP portfolio.

Additional information on the Authority's debt obligations can be found in Note 7 of the Notes to Financial Statements.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Management's Discussion and Analysis
June 30, 2023

ECONOMIC FACTORS

Due to the declining portfolio balance, the Authority sold all its remaining FFELP loans to Nelnet in November, 2022. The Authority used the proceeds from the loan sale to redeem the outstanding notes and bonds associated with the FFELP portfolio (Private Placement Bonds, 2015-1; Student Loan Backed Notes, 2010-1, 2011-1, 2011-2, 2012-1 and 2013-1) as well as the Private Placement Bonds 2008-1. The Authority continues to serve as the Guaranty Agency for the FFELP loans that were sold to Nelnet.

Due to the economic crisis created by COVID-19, the USDE has directed the Authority, as a FFELP guaranty agency, to refund all involuntary payments on defaulted loans and relive rehabilitated and consolidation loans. These directives have resulted in lost revenue to the Authority. USDE has permitted the Authority to recoup its lost revenue from March 13, 2020, until the end of the payment pause from the Federal Fund. Through June 30, 2023, the Authority has received approximately \$9.0 million in lost revenue reimbursements.

In recent years, the Authority, in collaboration with College Foundation, Inc., has developed and launched services for colleges and universities and loan products for students and parents. As required by North Carolina General Statute 116-204, the Authority, with the assistance of College Foundation, Inc., administers a coordinated and centralized system for determining residency for tuition and State-funded financial aid. In 2018, the Authority began to offer N.C. Student Assist Loans and N.C. Parent Assist Loans to help students and their families bridge the gap between the cost of attendance and other financial aid. The loans have competitive interest rates with no origination fees. In July 2020, the Authority issued Tax-Exempt Revenue Bonds to provide loan capital for the N.C. Assist Loan Program (see Note 7 of the Notes to Financial Statements). The proceeds from these bonds have been fully expended and the Authority is currently using its balance sheet to purchase NC Assist Loans. The Authority expects these services and its new loan programs to generate revenue over time.

Meanwhile, the North Carolina General Assembly continues to fund, modify, and assign programs to the Authority that are designed to support nonpublic K12 education. Appropriations for the Opportunity Scholarship Program that provides scholarships to enable low and moderate income families to enroll their children in the nonpublic schools of their choice are slated to increase over the next biennium. Additionally, appropriations for the Personal Education Student Accounts for Children with Disabilities Program will increase as well. The Authority expects the administrative income for these programs to cover the expenses incurred in operating the programs in the foreseeable future.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Management's Discussion and Analysis
June 30, 2023

The General Assembly established the NC Scholarship Program in fiscal year 2023. The NC Scholarship Program combines the previously existing UNC Need Based Scholarship Program, the Community College Grant Program, and the ELS into one consolidated scholarship program. The new program is forward funded and is reflected as Deferred Inflows of Resources, Net on the financial statements. The program is intended to simplify the process for students as they explore options to help pay for higher education at one of the State's public higher education institutions (UNC and Community Colleges). The Authority is responsible for running the program and will receive administrative income to cover its costs.

The Authority is the sponsor of the North Carolina National College Savings Program (Program). The Program includes the Vanguard 529 Investment Pools that have a value of approximately \$3.3 billion as of June 30, 2023. Additionally, the Program includes an Advisory 529 through Morgan Stanley. Through June 30, 2023 the Advisory 529 Plan had a value of approximately \$574 million. Assets held on behalf of participants in the Program totaled approximately \$3.8 billion.

ADDITIONAL INFORMATION

This discussion and analysis is intended to provide additional information regarding the activities of the Authority. If you have questions about the report or need additional financial information, contact Elizabeth I. Rozakis, Chief Financial Officer, North Carolina State Education Assistance Authority, P.O. Box 41349, Raleigh, North Carolina 27629, (919) 248-4695, erozakis@ncseaa.edu, or visit the Authority's website at www.ncseaa.edu.

FINANCIAL STATEMENTS

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Statement of Net Position
Proprietary Fund
June 30, 2023

ASSETS

CURRENT ASSETS:

Restricted Cash and Cash Equivalents	\$	577,584,497
Restricted Investments		97,411,954
Receivables:		
Accounts Receivable		6,675,415
Intergovernmental Receivables		4,674,764
Interest Receivable		8,820,442
Due From Component Unit		3,143,917
Notes Receivable		16,304,864
Prepaid Items		1,268,276
Total Current Assets		<u>715,884,129</u>

NONCURRENT ASSETS:

Restricted Cash and Cash Equivalents		129,741,064
Restricted Investments		3,664,211,808
Notes Receivable		156,047,498
Total Noncurrent Assets		<u>3,950,000,370</u>

CAPITAL ASSETS:

Capital Assets		16,224,763
Accumulated Depreciation		<u>(13,297,063)</u>
Net Capital Assets		<u>2,927,700</u>

Total Assets	\$	<u><u>4,668,812,199</u></u>
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The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accounts Payable and Accrued Liabilities:	
Accounts Payable	\$ 53,044,426
Accrued Payroll	115,635
Interest Payable	57,214
Lease Payable	174,452
Subscription (SBITA) Payable	93,474
Due to IRC Section 529 Plan Participants	256,747,648
Bonds Payable	3,945,000
Accrued Employee Expenses	52,799
Total Current Liabilities	<u>314,230,648</u>

NONCURRENT LIABILITIES:

Due to IRC Section 529 Plan Participants	3,588,477,297
Net Bonds Payable	12,013,908
Lease Payable	482,614
Subscription (SBITA) Payable	95,485
Accrued Employee Expenses	679,762
Net Other Postemployment Benefits Liability	4,401,634
Net Pension Liability	2,353,979
Total Noncurrent Liabilities	<u>3,608,504,679</u>

Total Liabilities	<u>3,922,735,327</u>
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DEFERRED INFLOWS OF RESOURCES, NET

Deferred Inflows--Nonexchange Transactions, Net	<u>177,533,146</u>
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NET POSITION:

Net Investment in Capital Assets	2,081,675
Restricted for Educational Assistance Programs	131,175,046
Unrestricted	435,287,005
Total Net Position	<u>568,543,726</u>

Total Liabilities and Net Position	<u>\$ 4,668,812,199</u>
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NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2023

OPERATING REVENUES:	
Interest Earnings on Loans	\$ 21,553,012
Miscellaneous	15,222,258
Total Operating Revenues	<u>36,775,270</u>
OPERATING EXPENSES:	
Personal Services	6,405,923
Supplies and Materials	372,338
Services	32,931,751
Interest	26,819,779
Depreciation and Amortization	1,096,760
Student Loan Service Cancellations	20,654,201
Other Expenses	2,320,673
Total Operating Expenses	<u>90,601,425</u>
Operating Loss	<u>(53,826,155)</u>
NONOPERATING REVENUES (EXPENSES):	
State Aid	48,031,975
Noncapital Grants	299,721,244
Federal Grants	343,486
Investment Earnings (Losses)	(5,486,525)
Grants, Aid and Subsidies	<u>(353,046,083)</u>
Total Nonoperating Revenues (Expenses)	<u>(10,435,903)</u>
Changes in Net Position	(64,262,058)
NET POSITION--Beginning of Year	<u>632,805,784</u>
NET POSITION--End of Year	<u>\$ 568,543,726</u>

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Borrowers and Others	\$ 580,010,023
Collection of Loans from Students and Others	804,373,591
Payments to Employees and Fringe Benefits	(5,364,105)
Payments to Vendors and Suppliers	(23,495,972)
Loans Issued to Students	(89,841,403)
Payments of Operating Interest Expense	(11,272,757)
Net Cash Provided by Operating Activities	<u>1,254,409,377</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Repayment of Bond Principal and Leases (net)	(668,157,261)
State Aid	48,031,975
Noncapital Grants	299,721,244
Federal Grants	343,486
Grants, Aid and Subsidies	(353,046,083)
Net Cash Used by Noncapital Financing Activities	<u>(673,106,639)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of Capital Assets	(383,213)
Net Cash Used by Capital and Related Financing Activities	<u>(383,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from the Sale and Maturities of Investments	1,262,455,878
Investment Earnings (Losses)	(5,179,373)
Purchase of Investments	(1,721,758,403)
Net Cash Used by Investing Activities	<u>(464,481,898)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	116,437,627
CASH AND CASH EQUIVALENTS--Beginning of Year	<u>590,887,934</u>
CASH AND CASH EQUIVALENTS--End of Year	<u>\$ 707,325,561</u>
SUMMARY OF CASH AND CASH EQUIVALENTS:	
Current Restricted Cash and Cash Equivalents	\$ 577,584,497
Noncurrent Restricted Cash and Cash Equivalents	129,741,064
	<u>\$ 707,325,561</u>

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2023

RECONCILIATION OF OPERATING LOSS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	\$ (53,826,155)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation and Amortization	1,096,760
Original Issue Discount Expensed	15,547,022
Student Loan Principal Repayments	760,596,870
Student Loans Issued	(63,358,529)
Student Loan Cancellations and Write-offs	21,326,267
Allowances and Uncollectible Accounts	897,443
Capitalized Interest and Other	(5,828,674)
(Increase) Decrease in Assets:	
Accounts Receivable	1,120,705
Intergovernmental Receivables	(438,924)
Interest Receivable	26,777,745
Due from Component Unit	(33,683)
Prepaid Items	3,481,724
Increase (Decrease) in Liabilities:	
Accounts Payable and Interest Payable	8,647,066
Accrued Payroll, Net Pension and OPEB Liabilities	1,078,736
Due to IRC Section 529 Plan Participants	490,979,345
Accrued Employee Expenses	(36,918)
Increase in Deferred Inflows	<u>46,382,577</u>
Net Cash Provided by Operating Activities	<u>\$ 1,254,409,377</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:	
Cash Paid During the Year for Interest	\$ 12,766,135
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Decrease in Fair Market Value of Investments	\$ 319,565

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

ASSETS

Cash and Cash Equivalents	\$	738
Purchased Interest		2,448
Investments:		
Partnerships		19,269,796
Bonds		3,387,733
Mutual Funds		6,240,109
Stocks		4,284,361
Collateralized Loan Obligations		293,258
Treasury Notes		<u>706,694</u>
Total Assets	\$	<u><u>34,185,137</u></u>

NET POSITION

Restricted For:		
Individuals/Other Organizations	\$	<u>34,185,137</u>
Total Net Position	\$	<u><u>34,185,137</u></u>

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2023

ADDITIONS	
Investment Activity:	
Investment Income	\$ 3,012,966
Investment Expenses	<u>(158,270)</u>
Net Investment Income	<u>2,854,696</u>
DEDUCTIONS	
Withdrawals and Distributions	<u>707,008</u>
Increase in Fiduciary Net Position	2,147,688
NET POSITION--Beginning of Year	<u>32,037,449</u>
NET POSITION--End of Year	<u><u>\$ 34,185,137</u></u>

The accompanying notes are an integral part of the financial statements.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies

A. Organization and Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, clarifies the types of relationships that affect the determination of component units in the financial reporting entity. As a result of GASB No. 61, the North Carolina State Education Assistance Authority (the Authority) is presented as a nonmajor component unit in the State of North Carolina Annual Comprehensive Financial Report (ACFR) by the State Auditor’s Office and the Office of the State Controller.

The Authority is a legally separate authority created to provide a system of financial assistance, consisting of grants, loans, work-study or other employment, and other aids, to qualified students to obtain an education. The Authority is governed by a nine-member board of directors. The seven appointed members of the Board consists of four members appointed by the Governor and three members appointed by the UNC-BOG (including a member of a nonpublic K12 school that receives state-funded scholarships on behalf of eligible students), and two of whom serve ex-officio by virtue of their positions with the N.C. Community College System and the University of North Carolina System. The State provides program subsidies to the Authority; therefore, a financial burden/relationship exists between the State and the Authority.

The accompanying financial statements present all funds subject to the direct administrative authority and responsibility of the Authority. These funds are as follows:

1. Student Aid Funds
2. North Carolina Student Loan Fund
3. Guaranteed Student Loan Revenue Bond Fund
4. Principal Fellows Program
5. Golden LEAF Scholars Program
6. North Carolina National College Savings Program (529 Plan)
7. Guaranty Reserve Funds
8. Education Lottery Scholarship Fund
9. Child Welfare Postsecondary Support Program
10. National Board for Professional Teaching Standards Loan Program
11. Forgivable Education Loans for Service Program
 - Also includes collections from the following programs no longer in operation:
 - Student Loan Program for Health, Science and Mathematics
 - North Carolina Nurse Scholarship Loan Program
 - North Carolina Masters Nurse Scholarship Loan Program
 - North Carolina Nurse Education Scholarship Loan Program
 - Social Workers Scholarship Loan Program
 - Millennium Teacher Scholarship Loan Program
 - Future Teachers of North Carolina Scholarship Loan Program
 - Physical Education/Coaching Scholarship Loan Program
 - Prospective Teacher/Teacher Assistant Scholarship Loan Program
 - Board of Governor’s Dental Scholarship Loan Program
 - Board of Governor’s Medical Scholarship Loan Program
 - Graduate Nurse Scholarship Loan Program
 - Optometry Scholarship Loan Program
 - Teaching Fellows Scholarship Loan Program
12. North Carolina Teaching Fellows (STEM and Special Education Licensure) Loan Program
13. North Carolina School of Science and Math and the UNC School of Arts Tuition Grant
14. Opportunity Scholarship (K-12)
15. Personal Education Student Account Program (K-12)
16. NC Scholarship

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

A special restricted trust fund is used to insure loans to students by eligible lenders according to the provisions of the Higher Education Act of 1965, as amended.

B. Basis of Presentation:

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and GASB Statement No. 84, *Fiduciary Activities*, require the presentation of both proprietary and fiduciary fund financial statements. See below for a description of each fund.

Proprietary Fund: This fund accounts for the Authority's primary activities and is presented as a single column on the accompanying proprietary fund financial statements.

Fiduciary Fund: This fund accounts for the Authority's fiduciary activities, which are considered custodial funds. The assets and activities for the Aubrey Lee Brooks Foundation, an endowment that the Authority provides central administration for, are included in this fund.

C. Basis of Accounting:

The financial statements of the Authority have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange, include state appropriations and certain grants. Revenues are recognized as soon as all eligibility requirements imposed by the provider have been met.

The Authority is administratively housed in the University of North Carolina - System Office (UNC-SO) for organizational, staffing, and budgetary purposes. Financial transactions are maintained on the University of North Carolina at Chapel Hill's ConnectCarolina system, an integrated management system based on Oracle's PeopleSoft.

Accounting records for funds with state appropriated budgets are maintained on the cash basis of accounting. The cash basis records are adjusted as of the end of the fiscal year in order to prepare accrual basis financial statements.

The Statement of Net Position includes a self-balancing set of assets, liabilities, net deferred inflows of resources, and net position that report the financial position of the Authority at the end of the fiscal year ended June 30, 2023. The Statement of Revenues, Expenses, and Changes in Net Position identifies activities which changed net position balances during the fiscal year.

D. Cash and Cash Equivalents:

This classification includes deposits held by the State Treasurer in the Short-Term Investment Fund (STIF), cash on deposit with trustees/custodians, and cash held within the Fiduciary Fund. The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty. Additional information regarding cash and cash equivalents is provided in Note 2.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
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1. Summary of Significant Accounting Policies (Continued)

E. Investments:

This classification includes funds invested in an Internal Revenue Code (IRC) Section 529 Savings Plan, which is maintained by the Authority. The Plan enables residents of any state to invest funds to pay for qualified education expenses of their designated beneficiaries on a flexible basis with certain tax benefits in accordance with federal tax law. Also included are funds invested in the UNC Investment Fund LLC, investments with trustees/custodians, and investments held within the Fiduciary Fund. Additional information regarding investments is provided in Note 2.

All investments are carried at estimated fair values as provided by the respective fund managers of these investments. The fund managers review and evaluate the fair values valuation methods and assumptions used in determining the fair value of the investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. Such differences could be material. Additional information regarding the fair value measurement of investments is provided in Note 3.

F. Receivables:

Provision for expenses and losses on receivables is made in amounts required to maintain an adequate allowance to cover receivables paid through service cancellations and bad debts. At year end, the allowance is adjusted by management based on review of the receivables.

G. Capital Assets:

Capital assets are stated at cost at date of acquisition. The Authority capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year except for internally generated computer software which is capitalized when the value or cost is \$1,000,000 or greater and other intangible assets which are capitalized when the value or cost is \$100,000 or greater. Right-to-use lease and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease payables are capitalized as a right-to-use asset when the lease asset has a cost of \$5,000 or greater and an estimated useful life of more than one year. Subscription liabilities are capitalized as a right-to-use asset when the underlying subscription asset has a cost of \$10,000 or greater and an estimated useful life of more than one year. Amortization for right-to-use lease and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

H. Restricted Assets:

Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. The Authority's restricted assets represent assets whose use is restricted by external parties, by law through constitutional provisions, or by enabling legislation of other governments.

I. Accounting and Reporting of Fiduciary Activities:

Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, custodial funds that are normally expected to be received and disbursed within a 3-month period or otherwise do not meet the fiduciary activity criteria defined by GASB Statement No. 84 continue to be reported in the Statement of Net Position as funds held for others and as operating activities in the Statement of Cash Flows. The IRC Section 529 Savings Plan falls under this provision.

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1. Summary of Significant Accounting Policies (Continued)

The Aubrey Lee Brooks Foundation endowed funds to a trust to provide scholarships to students in certain counties in North Carolina to attend one of three UNC schools. The Authority provides central administration for managing the trust and determining scholarship eligibility. Pursuant to the provisions of GASB Statement No. 84, *Fiduciary Activities*, the Authority's control over the Brooks Foundation assets requires the activities of the Foundation to be included as a Fiduciary Fund within the Authority's financial statements.

J. Noncurrent Long-Term Liabilities:

Noncurrent long-term liabilities include principal amounts of long-term debt and other long-term liabilities that will not be paid within the next fiscal year. Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Long-term debt is comprised of bonds payable (direct public borrowings). Other long-term liabilities include amounts due to participants in the North Carolina National College Savings Program, net other postemployment benefits (OPEB) liability, net pension liability, accrued employee expenses, capital lease payable, and subscription (SBITA) liabilities.

Original issue discounts and premiums are deferred and amortized over the life of the debt using the straight-line method and are a component of bonds payable.

The net pension liability represents the Authority's proportionate share of the collective net pension liability reported in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*. This liability represents the Authority's portion of the collective total pension liability less the fiduciary net position of the Teachers' and State Employees' Retirement System. See Note 9 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to pensions.

The net OPEB liability represents the Authority's proportionate share of the collective net OPEB liability reported in the State of North Carolina's 2022 *Annual Comprehensive Financial Report*. This liability represents the Authority's portion of the collective total OPEB liability less the fiduciary net position of the Retiree Health Benefit Fund. See Note 10 for further information regarding the Authority's policies for recognizing liabilities, expenses, deferred outflows of resources, and deferred inflows of resources related to OPEB.

K. Compensated Absences:

The Authority's policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment. When classifying compensated absences into current and noncurrent, leave is considered taken using a last in, first out method. Also, any accumulated vacation leave in excess of 30 days at year-end is converted to sick leave. Under this policy, the accumulated vacation leave for each employee at June 30th equals the leave carried forward at the previous December 31st, plus the leave earned, less the leave taken between January 1st and June 30th.

In addition to the vacation leave described above, compensated absences include the accumulated unused portion of the special annual leave bonuses awarded by the North Carolina General Assembly. The bonus leave balance on December 31st is retained by employees and transferred into the next calendar year. It is not subject to the limitation on annual leave carried forward described above and is not subject to conversion to sick leave.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (Continued)

There is no liability for unpaid accumulated sick leave because the Authority has no obligation to pay sick leave upon termination or retirement. However, additional service credit for retirement pension benefits is given for accumulated sick leave upon retirement.

L. Deferred Inflows (Net) of Resources:

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority has forward funded state aid and noncapital grants, and net deferred outflows related to pensions and OPEB that are included in this category as follows:

Forward Funded State Aid and Noncapital Grants	\$ 179,864,523
Pensions	(1,908,902)
OPEB	<u>(422,475)</u>
	<u>\$ 177,533,146</u>

M. Net Position:

The Authority's net position is classified as follows:

Proprietary Fund:

Investment in Capital Assets: This represents the Authority's total investment in capital assets and capital leases, net of outstanding liabilities related to those capitalized assets and capitalized leases.

Restricted for Educational Assistance Programs: This classification includes resources for which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted: This classification includes resources derived from State Support programs. While the funds are considered unrestricted at the State level as the legislature can enact statutes to change the purpose and expenditure of the funds, the Authority is currently required by State legislation to use the funds for specific programs.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the Authority. Both restricted and unrestricted net position include consideration of deferred outflows of resources and deferred inflows of resources. See Note 1.L. for further information regarding deferred inflows (net) of resources that had a significant effect on unrestricted net position.

Fiduciary Fund:

Restricted: Fiduciary net position includes resources held in a custodial capacity for other organizations that are not available for alternative use by the Authority.

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STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies (Concluded)

N. Revenue and Expense Recognition:

The Authority classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as interest earned on loans and borrower recoveries and fees. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and State appropriations that represent subsidies to the Authority, as well as investment earnings, are considered nonoperating since these are either investing, capital, or noncapital financing activities.

O. Income Taxes:

The Authority is a political subdivision of the State of North Carolina. Accordingly, exemption from state and local taxation is provided by Chapter 116, Article 23 of the North Carolina General Statutes. IRC Section 115 provides exemption from federal income taxes.

P. Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of allowance for service cancellations and doubtful accounts, and the calculation of current and noncurrent notes receivable, due to IRC Section 529 plan participants, and bonds payable.

2. Deposits and Investments

Unless specifically exempt, the Authority is required by North Carolina General Statute 147-77 to deposit moneys received with the State Treasurer or with a depository institution in the name of the State Treasurer. In addition, General Statute 116-36.1 requires the Authority to deposit its institutional trust funds with the State Treasurer.

At June 30, 2023, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$544,695,589, which represents the Authority's equity position in the State Treasurer's STIF. The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 0.7 years as of June 30, 2023. Assets and shares of the STIF are valued at fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the North Carolina Department of State Treasurer Investment Program's separately issued audit report. This separately issued audit report can be obtained from the Department of State Treasurer, 3200 Atlantic Avenue, Raleigh, NC 27604 or can be accessed from the Department of State Treasurer's website at <https://www.nctreasurer.com/> in the Investment Management section.

NORTH CAROLINA
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2. Deposits and Investments (Continued)

Cash on hand at June 30, 2023 was \$707,326,299. The carrying amount of the Authority's and its fiduciary's deposits not with the State Treasurer at June 30, 2023 was \$162,630,710. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority has a deposit policy for custodial credit risk. As of June 30, 2023, none of the Authority's deposits were exposed to custodial credit risk.

North Carolina General Statutes 147-69.1(c) and 147-69.2, which are applicable to the Authority, authorize the State Treasurer to invest in the following: obligations of or fully guaranteed by the United States; obligations of certain federal agencies; repurchase agreements; obligations of the State of North Carolina; certificates of deposit and other deposit accounts of specified institutions; prime quality commercial paper; asset-backed securities with specified ratings, specified bills of exchange or time drafts, and corporate bonds/notes with specified ratings; general obligations of other states; general obligations of North Carolina local governments; and obligations of certain entities with specified ratings.

In accordance with bond resolutions, bond proceeds and debt service funds are invested in obligations that will by their terms mature on or before the date funds are expected to be required for expenditure or withdrawal.

Investments totaled \$3,795,805,713 at June 30, 2023. The majority of these investments, \$3,682,627,973 as of June 30, 2023, related to the IRC Section 529 Plan.

At June 30, 2023, the Authority's investments include \$75,734,511, which represents the Authority's equity position in the UNC Investment Fund, LLC (UNC Investment Fund). The UNC Investment Fund is an external investment pool that is not registered with the Securities and Exchange Commission, does not have a credit rating, and is not subject to any regulatory oversight. Investment risks associated with the UNC Investment Fund are included in audited financial statements of the UNC Investment Fund, LLC which may be obtained from UNC Management Company, Inc., 1400 Environ Way, Chapel Hill, NC 27517.

Non-Pooled Investments:

Non-Pooled Investments are subject to the following risks as defined by GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No.3*:

Interest Rate Risk: Interest rate risk is the risk the Authority may face should interest rate variances affect the fair value of investments. The Authority does not have a formal investment policy that addresses interest rate risk.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

2. Deposits and Investments (Continued)

The following table presents investments by type and investments subject to interest rate risk at June 30, 2023, for the Authority's non-pooled investments:

	Total	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Investments Subject to Interest Rate Risk:					
U.S. Treasuries	\$ 706,694	\$ 376,459	\$ 109,935	\$ 220,300	\$
Money Market Mutual Funds	3,613,185	3,613,185			
Marketable Debt Securities	3,387,733	309,181	2,335,633	714,261	28,658
Collateralized Loan Obligations	<u>293,258</u>	<u>293,258</u>			
Total Investments Subject to Interest Rate Risk	<u>\$ 8,000,870</u>	<u>\$ 4,592,083</u>	<u>\$ 2,445,568</u>	<u>\$ 934,561</u>	<u>\$ 28,658</u>
Investments Not Subject to Interest Rate Risk:					
Exchange Traded Funds	\$ 3,166,103				
Common Stock	4,284,361				
Investments in Limited Partnerships	19,269,796				
Other Mutual Funds	<u>2,722,099</u>				
Total Investments Not Subject to Interest Rate Risk	<u>29,442,359</u>				
Total Non-Pooled Investments	<u>\$ 37,443,229</u>				

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority has formally adopted investment policies for credit risk stating that certain investment obligations shall bear one of the two highest ratings by nationally recognized rating services.

As of June 30, 2023, the Authority's non-pooled investments had the following credit quality distribution for securities with credit exposure:

	Amount	AAA Aaa	AA Aa	A	BBB Baa	BB/Ba and Below	Unrated
U.S. Treasuries	\$ 706,694	\$	\$ 706,694	\$	\$	\$	\$
Money Market Mutual Funds	3,613,185	351,907					3,261,278
Marketable Debt Securities	3,387,733		248,665	528,754	2,348,516	261,798	
Collateralized Loan Obligations	<u>293,258</u>	<u>293,258</u>					
Total	<u>\$ 8,000,870</u>	<u>\$ 645,165</u>	<u>\$ 955,359</u>	<u>\$ 528,754</u>	<u>\$ 2,348,516</u>	<u>\$ 261,798</u>	<u>\$ 3,261,278</u>

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

2. Deposits and Investments (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a formal policy that addresses custodial credit risk.

At June 30, 2023, the Authority's non-pooled investments were exposed to custodial credit risk as follows:

Investments Not Categorized:	
Money Market Mutual Funds	\$ <u>3,613,185</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Authority does not have a formal policy that addresses concentration of credit risk. The Authority places no limit on the amount that may be invested in any one issuer. As of June 30, 2023, the Authority had no non-pooled investments in any one issuer that equaled more than 5% of the Authority's total non-pooled investments.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Authority has formally adopted investment policies for foreign currency risk stating that foreign investments must be denominated in U.S. dollars or the securities must be traded solely on an exchange based in the United States. As of June 30, 2023, the Authority had no non-pooled investments exposed to foreign currency risk.

Total Non-Pooled Investments:

The following table presents the fair value of the Authority's total investments not invested in pooled investments:

Debt Securities:	
U.S. Treasuries	\$ 706,694
Money Market Mutual Funds	3,613,185
Marketable Debt Securities	3,387,733
Collateralized Loan Obligations	<u>293,258</u>
Total Debt Securities	\$ <u>8,000,870</u>
Other Securities:	
Exchange Traded Funds	3,166,103
Common Stock	4,284,361
Investments in Limited Partnership	19,269,796
Other Mutual Funds	<u>2,722,099</u>
Total Other Securities	<u>29,442,359</u>
Total Non-Pooled Investments	\$ <u>37,443,229</u>

NORTH CAROLINA
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Notes to Financial Statements
June 30, 2023

2. Deposits and Investments (Concluded)

Reconciliation of Deposits and Investments:

A reconciliation of deposits and investments for the Authority as of June 30, 2023 is as follows:

	Proprietary Fund	Fiduciary Fund	Total
Deposits with Private Financial Institutions	\$ 162,629,972	\$ 738	\$ 162,630,710
Deposits in the Short-Term Investment Fund	544,695,589		544,695,589
Non-Pooled Investments	3,261,278	34,181,951	37,443,229
Pooled Investments:			
529 Plan Investments	3,682,627,973		3,682,627,973
UNC Investment Fund	<u>75,734,511</u>		<u>75,734,511</u>
Total Deposits and Investments	<u>\$ 4,468,949,323</u>	<u>\$ 34,182,689</u>	<u>\$ 4,503,132,012</u>
Deposits:			
Current:			
Restricted Cash and Cash Equivalents	\$ 577,584,497	\$ 738	\$ 577,585,235
Noncurrent:			
Restricted Cash and Cash Equivalents	<u>129,741,064</u>		<u>129,741,064</u>
Total Deposits	<u>\$ 707,325,561</u>	<u>\$ 738</u>	<u>\$ 707,326,299</u>
Investments:			
Current:			
Restricted Investments	\$ 97,411,954	\$ 34,181,951	\$ 131,593,905
Noncurrent:			
Restricted Investments	<u>3,664,211,808</u>		<u>3,664,211,808</u>
Total Investments	<u>3,761,623,762</u>	<u>34,181,951</u>	<u>3,795,805,713</u>
Total Deposits and Investments	<u>\$ 4,468,949,323</u>	<u>\$ 34,182,689</u>	<u>\$ 4,503,132,012</u>

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

3. Fair Value Measurements

To the extent available, the Authority's investments are recorded at fair value as of June 30, 2023. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis.

- Level 1: Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2: Investments with inputs – other than quoted prices included with Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3: Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment. The Authority does not hold any Level 3 investments as of June 30, 2023.

The following tables summarizes the Authority's proprietary and fiduciary investments, including deposits in the Short-Term Investment Fund (STIF), within the fair value hierarchy at June 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments by Fair Value Level:			
U.S. Treasuries	\$ 706,694	\$ 706,694	\$
Money Market Mutual Funds	3,613,185	3,613,185	
Common Stock	4,284,361	4,284,361	
Mutual Funds	2,722,099	2,722,099	
Exchange Traded Funds	3,166,103	3,166,103	
Marketable Debt Securities	3,387,733	3,387,733	
Collateralized Loan Obligations	293,258	293,258	
Investments in Limited Partnerships	<u>19,269,796</u>	<u>14,252,678</u>	<u>5,017,118</u>
Total Investments Leveled by Fair Value	<u>\$ 37,443,229</u>	<u>\$ 32,426,111</u>	<u>\$ 5,017,118</u>
Investments as a Position in an External Investment Pools:			
Short-Term Investment Fund	544,695,589		
Vanguard 529 Plan	3,108,550,097		
Morgan Stanley 529 Plan	574,077,876		
UNC Investment Fund	<u>75,734,511</u>		
Total Investments in External Investment Pools	<u>4,303,058,073</u>		
Total Investments Measured at Fair Value	<u>\$ 4,340,501,302</u>		

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

3. Fair Value Measurements (Concluded)

Ownership interest in the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Authority's position in the pool is measured and reported at fair value and the STIF is not required to be categorized within the fair value hierarchy.

Vanguard 529 Plan investments consist of 15 separate investment Portfolios, each of which is invested in one or more Vanguard mutual funds and/or the Vanguard Short-Term Reserve Account, an internal investment pool.

Morgan Stanley 529 Plan investments consist of 13 investment Options, consisting of portfolios representing different risk-level models, ranging from conservative allocations (Conservative Fixed Income) to aggressive allocations (Opportunistic Growth). Each MS 529 Fund in turn invests its assets in one or more of nine Morgan Stanley Pathway Funds ("Pathway Funds"). The Pathway Funds provide exposure to different asset classes utilizing various investment managers selected by an affiliate of Morgan Stanley to create a diversified portfolio.

Ownership interest in the UNC Investment Fund is determined on a market unit valuation basis each month and in accordance with the UNC Investment Fund's operating procedures. Valuation of the underlying assets is performed by the custodian. Pool investments are measured at fair value in accordance with GASB Statement No. 72. The Authority's position in the pool is measured and reported at fair value and the UNC Investment Fund is not required to be categorized under the fair value hierarchy.

4. Receivables

The gross receivables and related allowances for service cancellations and doubtful accounts on student loans at June 30, 2023 were:

	<u>Total</u>	<u>Current</u>	<u>Noncurrent</u>
Gross Student Loan Receivables	\$ 292,103,466	\$ 136,055,968	\$ 156,047,498
Allowance for Service Cancellations and Doubtful Accounts	<u>(119,751,104)</u>	<u>(119,751,104)</u>	<u></u>
Net Notes Receivable	<u>\$ 172,352,362</u>	<u>\$ 16,304,864</u>	<u>\$ 156,047,498</u>

5. Capital Assets

A summary of capital assets for the year ended June 30, 2023 is presented as follows:

Capital Assets	\$ 16,224,763
Accumulated Depreciation	<u>(13,297,063)</u>
Net Capital Assets	<u>\$ 2,927,700</u>

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2023 were as follows:

Accounts Payable	\$ 53,044,426
Accrued Payroll	<u>115,635</u>
	<u>\$ 53,160,061</u>

7. Noncurrent Liabilities

A. Changes in Noncurrent Liabilities:

A summary of changes in noncurrent liabilities for the year ended June 30, 2023 is presented as follows:

	Balance July 1, 2022	Additions/ Adjustments	Reductions	Balance June 30, 2023	Current Portion
Due to IRC Section 529 Plan Participants	\$ 3,354,245,598	\$ 756,922,907	\$ 265,943,560	\$ 3,845,224,945	\$ 256,747,648
Net Bonds Payable:					
Direct Placement	101,882,811		101,882,811		
Direct Borrowing	566,704,293		550,745,385	15,958,908	3,945,000
Accrued Employee Expenses	769,479		36,918	732,561	52,799
Capital Lease Payable	828,066		171,000	657,066	174,452
Subscription (SBITA) Payable	250,605	35,891	97,537	188,959	93,474
Net Pension Liability	634,961	1,719,018		2,353,979	
Net OPEB Liability	<u>4,917,293</u>		<u>515,659</u>	<u>4,401,634</u>	
Total Noncurrent Liabilities	<u>\$ 4,030,233,106</u>	<u>\$ 758,677,816</u>	<u>\$ 919,392,870</u>	<u>\$ 3,869,518,052</u>	<u>\$ 261,013,373</u>

B. Net Bonds Payable:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
Direct Placement:				
Taxable Guaranteed Student Loan Revenue				
Private Placement Bonds 2008-1 Series:				
LIBOR Indexed:				
Series A-2				
Due 9/01/37 (Variable Rate)	\$ 63,400,000		\$ 63,400,000	
Original Issue Discount	<u>(1,793,467)</u>		<u>(1,793,467)</u>	
	<u>61,606,533</u>		<u>61,606,533</u>	
Tax-Exempt Student Loan Backed Notes,				
Private Placement Bonds, 2015-1 Series:				
LIBOR Indexed:				
Series A-1				
Due 11/25/25 (Variable Rate)	27,676,278		27,676,278	
Series A-2				
Due 11/25/28 (Variable Rate)	<u>12,600,000</u>		<u>12,600,000</u>	
	<u>40,276,278</u>		<u>40,276,278</u>	
Total Direct Placement	<u>\$ 101,882,811</u>		<u>\$ 101,882,811</u>	

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7. Noncurrent Liabilities (Continued)

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>
Direct Borrowing:				
Taxable Student Loan Backed Notes, 2010-1 Series:				
LIBOR Indexed:				
Tranche A-1 (Sold at 97.4%)				
Due 7/25/41 (Variable Rate)	\$ 105,970,718	\$	\$ 105,970,718	\$
Original Issue Discount	<u>(4,828,136)</u>	<u> </u>	<u>(4,828,136)</u>	<u> </u>
	<u>101,142,582</u>	<u> </u>	<u>101,142,582</u>	<u> </u>
Taxable Student Loan Backed Notes, 2011-1 Series:				
LIBOR Indexed:				
Tranche A-3 (Sold at 93.9%)				
Due 10/25/41 (Variable Rate)	115,599,845		115,599,845	
Original Issue Discount	<u>(6,043,758)</u>	<u> </u>	<u>(6,043,758)</u>	<u> </u>
	<u>109,556,087</u>	<u> </u>	<u>109,556,087</u>	<u> </u>
Taxable Student Loan Backed Notes, 2011-2 Series:				
LIBOR Indexed:				
Tranche A-3 (Sold at 94.1%)				
Due 7/25/36 (Variable Rate)	102,368,740		102,368,740	
Original Issue Discount	<u>(3,006,987)</u>	<u> </u>	<u>(3,006,987)</u>	<u> </u>
	<u>99,361,753</u>	<u> </u>	<u>99,361,753</u>	<u> </u>
Taxable Student Loan Backed Notes, 2012-1 Series:				
LIBOR Indexed:				
Tranche A (Sold at 99.8%)				
Due 7/25/39 (Variable Rate)	125,930,810		125,930,810	
Original Issue Discount	<u>(244,135)</u>	<u> </u>	<u>(244,135)</u>	<u> </u>
	<u>125,686,675</u>	<u> </u>	<u>125,686,675</u>	<u> </u>
Taxable Student Loan Backed Notes, 2013-1 Series:				
LIBOR Indexed:				
Due 12/26/39 (Variable Rate)	<u>110,683,826</u>	<u> </u>	<u>110,683,826</u>	<u> </u>
Tax-Exempt Student Loan Revenue Bonds, 2020A Series:				
Fixed Rate:				
Due 6/01/25 (5.0%) (Sold at 113.7%)	750,000			750,000
Due 6/01/26 (5.0%) (Sold at 115.5%)	2,000,000			2,000,000
Due 6/01/27 (5.0%) (Sold at 117.1%)	2,700,000			2,700,000
Due 6/01/28 (5.0%) (Sold at 118.7%)	3,000,000			3,000,000
Due 6/01/29 (5.0%) (Sold at 120.2%)	2,800,000			2,800,000
Due 6/01/39 (3.125%) (Sold at 98.9%)	7,915,000		3,945,000	3,970,000
Original Issue Premium	<u>1,108,370</u>	<u> </u>	<u>369,462</u>	<u>738,908</u>
	<u>20,273,370</u>	<u> </u>	<u>4,314,462</u>	<u>15,958,908</u>
Total Direct Borrowing	<u>566,704,293</u>	<u> </u>	<u>550,745,385</u>	<u>15,958,908</u>
Total Net Bonds Payable	<u>\$ 668,587,104</u>	<u>\$</u>	<u>\$ 652,628,196</u>	<u>\$ 15,958,908</u>

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7. Noncurrent Liabilities (Concluded)

C. Pledged Revenues:

The Authority has collateralized \$26,663,631 in student loans receivable and \$383,300 in reserves to repay \$15,220,000 bonds payable at June 30, 2023. These guaranteed bonds payable were issued in fiscal year June 30, 2021. Proceeds from the bonds issued were utilized to finance student loans. The bonds are payable through fiscal year 2029 and are paid down from cash collections on student loans receivable, interest earnings on loans and investments, and unexpended bond proceeds. In addition to cash collections on student loans receivable, all net available revenues are expected to be pledged to meet annual principal and interest payments on the bonds. For the current fiscal year, principal and interest paid and total net available revenues were \$4,721,328 and \$4,551,499, respectively. The total principal and interest remaining to be paid on the bonds is \$17,837,259.

D. Annual Requirements:

The annual requirements to pay principal and interest on bonds outstanding at June 30, 2023 are as follows:

Year	Direct Borrowing	
	Principal	Interest
2024	\$ 3,945,000	\$ 632,041
2025	775,000	570,010
2026	2,000,000	528,125
2027	2,700,000	433,333
2028	3,000,000	301,250
2029-2033	2,800,000	152,500
Total Requirements	\$ 15,220,000	\$ 2,617,259

E. Terms of Debt Agreements:

All long-term indebtedness represents obligations of the Authority and is not deemed to constitute a debt, liability, or obligation of the State of North Carolina. The 2020A Series Bonds are secured by private student loans. The Tax-Exempt Student Loan Revenue Bonds 2020A Series are fixed rate serial and term debt instruments due June 1, 2039. The serial bonds bear an interest rate of 5%, and the term bonds bear an interest rate of 3.125%.

F. Sale of FFELP Portfolio:

During fiscal year 2023, the Authority sold its remaining FFELP portfolio and retired the bonds and notes that were used to finance these loans. The sale of these loans resulted in a loss of \$19.6 million, which is reflected in Investment Earnings (Losses) on the financial statements. Additionally, the notes and bonds had OID that had not been fully amortized, resulting in \$15.9 million reflected in Interest Expense on the financial statements.

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8. Leases and Subscription-Based Information Technology Arrangements

A. Lessee Arrangements:

The Authority entered into a commercial lease agreement in March 2022 with the College Foundation, Inc. (CFI) for use of the building and basement located at 3120 Poplarwood Court in Raleigh, N.C. Lease liabilities and the right-to-use leased assets are recorded based on the present value of expected receipts over the term of the lease. The expected payments are discounted using the interest rate stated per the lease contract, or the Authority's estimated incremental borrowing rate if there is no stated contractual interest rate. The Authority's lease term is for five years at a monthly rate of \$15,500. The lease has been capitalized based on a 2% imputed interest rate. At June 30, 2023 the total lease liability was \$657,066, of which the current portion was \$174,452.

B. Subscription-Based Information Technology Arrangements (SBITAs):

The Authority enters SBITAs for the right to use information technology software and cloud computing arrangement (network) assets. Subscription liabilities and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the respective SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract, or the Authority's estimated incremental borrowing rate if there is no stated contractual interest rate. The Authority has two SBITAs: one with a three-year term at an annual rate of \$12,219, and another with a two and one-half-year term at an annual rate of \$85,318. The SBITAs have been capitalized based on a 2.15% imputed interest rate. At June 30, 2023 the total SBITA liability was \$188,959, of which the current portion was \$93,474.

C. Annual Requirements:

The annual requirements to pay principal and interest on leases and SBITAs at June 30, 2023 are as follows:

<u>Year</u>	<u>Lease Liabilities</u>		<u>SBITA Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 174,452	\$ 11,548	\$ 93,474	\$ 4,063
2025	177,973	8,027	95,485	2,053
2026	181,566	4,434		
2027	123,075	925		
Total Requirements	<u>\$ 657,066</u>	<u>\$ 24,934</u>	<u>\$ 188,959</u>	<u>\$ 6,116</u>

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9. Pension Plans

A. Defined Benefit Plan:

Plan Administration: The State of North Carolina administers the Teachers' and State Employees' Retirement System (TSERS) plan. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide pension benefits for general employees and law enforcement officers (LEOs) of the State, general employees and LEOs of its component units, and employees of Local Education Agencies (LEAs) and charter schools not in the reporting entity. Membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the LEAs and charter schools that elect to join the Retirement System. Benefit provisions are established by General Statute 135-5 and may be amended only by the North Carolina General Assembly.

Benefits Provided: TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of membership service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of membership service. Survivor benefits are available to eligible beneficiaries of general members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The TSERS Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed by the consulting actuary. The sum of those two rates developed under the funding policy is the actuarially determined contribution rate (ADC). The TSERS Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The Authority's contractually-required contribution rate for the year ended June 30, 2023 was 17.38% of covered payroll. Plan members' contributions to the pension plan were \$224,383, and the Authority's contributions were \$649,963 for the year ended June 30, 2023.

The TSERS plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
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9. Pension Plans (Continued)

TSERS Basis of Accounting: The financial statements of the TSERS plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TSERS plan, and additions to/deductions from the TSERS plan's fiduciary net position have been determined on the same basis as they are reported by TSERS.

Methods Used to Value TSERS Investment: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the retirement systems. The State Treasurer maintains various investment portfolios in its External Investment Pool. TSERS and other pension plans of the State of North Carolina participate in the Long-Term Investment, the Fixed Income Investment, Equity Investment, Real Estate Investment, Alternative Investment, Opportunistic Fixed Income Investment, and Inflation Sensitive Investment portfolios. The Fixed Income Asset Class includes the Long-Term Investment and Fixed Income Investment portfolios. The Global Equity Asset Class includes the Equity Investment portfolio. The investment balance of each pension trust fund represents its share of the fair market value of the net pension of the various portfolios within the External Investment Pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2022 *Annual Comprehensive Financial Report*.

Net Pension Liability: The Authority reported a liability of \$2,353,979 at June 30, 2023 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total pension liability to June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the present value of future salaries for the Authority relative to the projected present value of future salaries for all participating employers, actuarially determined. As of June 30, 2022, the Authority's proportion was approximately .016%, which was an increase of 0.002% from its proportion measured as of June 30, 2021, which was approximately .014%.

Actuarial Assumptions: The following table presents the actuarial assumptions used to determine the total pension liability for the TSERS plan at the actuarial valuation date:

Valuation Date	12/31/2021
Inflation	2.50%
Salary Increases*	3.25% - 8.05%
Investment Rate of Return**	6.50%

* Salary increases include 3.25% inflation and productivity factor.

**Investment rate of return includes inflation assumption
and is net of pension plan investment expense.

TSERS currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

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9. Pension Plans (Continued)

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

Future ad hoc Cost of Living Adjustment amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.1 %
Global Equity	6.5 %
Real Estate	5.9 %
Alternatives	7.5 %
Opportunistic Fixed Income	5.0 %
Inflation Sensitive	2.7 %

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for The Bond Index Pool as of June 30, 2022 is 0.78%.

Discount Rate: The discount rate used to measure the total pension liability was calculated at 6.50% for the December 31, 2021 valuation. The discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTH CAROLINA
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9. Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the plan at June 30, 2022 calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

Net Pension Liability		
1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
\$ <u>4,161,955</u>	\$ <u>2,353,979</u>	\$ <u>861,640</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended June 30, 2023, the Authority recognized pension expense of \$622,590. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to TSERS from the following sources:

Employer Balances of Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions by Classification

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ 10,249	\$ 32,085
Change of Assumptions	185,720	
Net Difference Between Projected and Actual Earnings on Plan Investments	773,141	
Change in Proportion and Differences Between Authority's Contributions and Proportionate Share of Contributions	333,044	11,129
Contributions Subsequent to the Measurement Date	649,963	
	\$ 1,952,117	\$ 43,214

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to TSERS will be recognized as pension expense as follows:

Schedule of the Net Amount of the Authority's Balances of Deferred Outflows of Resources
and Deferred Inflows of Resources that will be Recognized in Pension Expense

Year		
2024	\$	374,803
2025		364,659
2026		148,856
2027		370,622
2028		-
	\$	1,258,940

NORTH CAROLINA
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9. Pension Plans (Concluded)

B. Defined Contribution Plan:

The Optional Retirement Program (ORP) is a defined contribution pension plan that provides retirement benefits with options for payments to beneficiaries in the event of the participant's death. Administrators of the Authority may join the ORP instead of TSERS. The ORP is administered by the UNC System.

Benefits are provided by means of contracts issued and administered by the privately-operated Teachers' Insurance and Annuity Association and Fidelity Investments. Participants' eligibility and contributory requirements are established in General Statute 135-5.1 and may be amended only by the North Carolina General Assembly. Participants are always fully vested in their own contributions to the plan and their investment earnings. Participants are fully vested in the Authority's contributions and earnings after five years of participating in the ORP.

Participants contribute 6% of compensation and the Authority contributes 6.84%. For the year ended June 30, 2023, the Authority had a total payroll of \$4,642,828, of which \$804,374 was covered under ORP. Total employee and employer contributions for pension benefits for the year ended June 30, 2023 were \$48,262 and \$55,019, respectively. The amount of pension expense recognized in the current year related to ORP is equal to the employer contributions.

10. Other Postemployment Benefits

The Authority participates in two postemployment benefit plans, the Retiree Health Benefit Fund and the Disability Income Plan of North Carolina, that are administered by the State of North Carolina as pension and other employee benefit trust funds. Each plan's financial information, including all information about the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position, is included in the State of North Carolina's fiscal year 2022 *Annual Comprehensive Financial Report*. An electronic version of this report is available on the North Carolina Office of the State Controller's website at <https://www.osc.nc.gov/> or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

A. Summary of Significant Accounting Policies and Plan Asset Matters:

Basis of Accounting: The financial statements of these plans were prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan. For purposes of measuring the net other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of each plan, and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the plans.

Methods Used to Value Plan Investments: Pursuant to North Carolina General Statutes, the State Treasurer is the custodian and administrator of the other postemployment benefits funds. The State Treasurer maintains various investment portfolios in its External Investment Pool. The Retiree Health Benefit Fund participates in the External Investment Pool. The Disability Income Plan of North Carolina is invested in the Short-Term Investment Portfolio of the External Investment Pool and the Bond Index External Investment Pool. The investment balance of each other employee benefit trust fund represents its share of the fair market value of the net position of the various portfolios within the pool. Detailed descriptions of the methods and significant assumptions regarding investments of the State Treasurer are provided in the 2022 *Annual Comprehensive Financial Report*.

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Notes to Financial Statements
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10. Other Postemployment Benefits (Continued)

B. Plan Descriptions:

1. Health Benefits:

Plan Administration: The State of North Carolina administers the North Carolina State Health Plan for Teachers and State Employees, referred to as the State Health Plan (the Plan), a healthcare plan exclusively for the benefit of employees of the State, the University of North Carolina System, community colleges, and certain other component units. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate. Health benefit programs and premium rates are determined by the State Treasurer upon approval of the Plan Board of Trustees.

The Retiree Health Benefit Fund (RHBF) has been established by Chapter 135-7, Article 1 of the General Statutes as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of eligible former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments that are not part of the State's financial reporting entity also participate.

By statute, RHBF is administered by the Board of Trustees of the TSERS. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the Plan. The State Treasurer, with the approval of the Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the Plan.

Benefits Provided: Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees as described in Note 11. The plan options change when the former employees become eligible for Medicare. The benefits provided include medical and pharmacy coverage for employees and their dependents. Non-Medicare eligible members have two self-funded options administered by the State Health Plan while Medicare members have three options, including one self-funded option and two fully-insured Medicare Advantage/Prescription Drug Plan options. Self-funded medical and pharmacy claims costs are shared between the covered member and the State Health Plan. If the self-funded plan is elected by a Medicare eligible member, the coverage is secondary to Medicare. Fully-insured claims include cost sharing from covered members with the remaining balance paid by the fully-insured carrier.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina and retirees of TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' ORP, and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the North Carolina General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the North Carolina General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's total noncontributory premium. Employees first hired on or after October 1, 2006 and members of the North Carolina General Assembly first taking office on or after February 1, 2007 with five but less than 10 years of retirement service credit are eligible for coverage on a fully contributory basis.

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10. Other Postemployment Benefits (Continued)

Section 35.21 (c) & (d) of Session Law 2017-57 repealed retiree medical benefits for employees first hired on or after January 1, 2021. The legislation amended Chapter 135, Article 3B of the General Statutes to require that retirees must earn contributory retirement service in the TSERS (or in an allowed local system unit), the CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

Contributions: Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis, are determined by the North Carolina General Assembly in the Appropriations Act. The Authority's contractually-required contribution rate for the year ended June 30, 2023 was 6.89% of covered payroll. The Authority's contributions to the RHBF were \$ 313,088 for the year ended June 30, 2023.

In fiscal year 2021, the State Health Plan (the Plan) transferred \$187.0 million to RHBF as a result of cost savings to the Plan over a span of six years. For financial reporting purposes, the transfer was recognized as a nonemployer contributing entity contribution. The contribution was allocated among the RHBF employers and recorded as noncapital contributions. For the fiscal year ended June 30, 2023, the Authority recognized noncapital contributions for RHBF of \$33,430.

2. Disability Income:

Plan Administration: As discussed in Note 11, short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain participating component units and LEAs which are not part of the State's reporting entity, and the Authority Employees' ORP. By statute, DIPNC is administered by the Department of State Treasurer and the Board of Trustees of TSERS.

Benefits Provided: Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, while the employee is disabled and does not meet the TSERS conditions for unreduced service retirement. An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or the Authority Employees' ORP, earned within 96 months prior to becoming disabled or cessation of salary continuation, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS; and (6) the employee must terminate employment as a permanent, full-time employee. A general employee is eligible to receive an unreduced retirement benefit from TSERS after: (1) reaching the age of 65 and completing five years of membership service; (2) reaching the age of 60 and completing 25 years of creditable service; or (3) completing 30 years of creditable service, at any age.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

10. Other Postemployment Benefits (Continued)

For employees who had five or more years of membership service as of July 31, 2007, during the first 36 months of the long-term disability period, the monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one-twelfth of the annual longevity payment and local supplements to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits, by an amount equal to the monthly primary Social Security retirement benefit to which the employee might be entitled should the employee be at least age 62, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled, but the benefits payable shall be no less than \$10 a month. After the first 36 months of the long-term disability, the long-term benefit is calculated in the same manner as described above except the monthly benefit is reduced by an amount equal to a monthly primary Social Security disability benefit to which the participant or beneficiary might be entitled had Social Security disability benefits been awarded. When an employee qualifies for an unreduced service retirement allowance from TSERS, the benefits payable from DIPNC will cease, and the employee will commence retirement under TSERS or the Authority Employees' ORP.

For employees who had less than five years of membership service as of July 31, 2007, and meet the requirements for long-term disability on or after August 1, 2007, benefits are calculated in the same manner as described above except that after the first 36 months of the long-term disability, no further long-term disability benefits are payable unless the employee has been approved and is in receipt of primary Social Security benefits.

Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases.

Contributions: Although DIPNC operates on a calendar year, disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Act by the North Carolina General Assembly and coincide with the State's fiscal year. The Authority's contractually-required contribution rate for the year ended June 30, 2023 was .10% of covered payroll. The Authority's contributions to DIPNC were \$4,544 for the year ended June 30, 2023.

C. Net OPEB Liability:

Retiree Health Benefit Fund: At June 30, 2023, the Authority reported a liability of \$4,397,689 for its proportionate share of the collective net OPEB liability for RHBF. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The Authority's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Authority relative to the projected present value of future salaries for all participating employers, actuarially determined. As of June 30, 2022, the Authority's proportion was approximately .018%, which was an increase of .004% from its proportion measured at June 30, 2021, which was approximately .014%.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

10. Other Postemployment Benefits (Continued)

Disability Income Plan of North Carolina: At June 30, 2023, the Authority reported a liability of \$3,945 for its proportionate share of the collective net OPEB liability for DIPNC. The net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, and update procedures were used to roll forward the total OPEB liability to June 30, 2022. The Authority's proportion of the net OPEB liability was based on a projection of the present value of future salaries for the Authority relative to the projected present value of future salaries for all participating employers, actuarially determined. As of June 30, 2022, the Authority's proportion was approximately .013%, which was an increase of .002% from its proportion measured at June 30, 2021, which was approximately .011%.

Actuarial Assumptions: The total OPEB liabilities for RHBF and DIPNC was determined by actuarial valuations as of December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liabilities were then rolled forward to June 30, 2022 utilizing update procedures incorporating the actuarial assumptions.

	Retiree Health Benefit Fund	Disability Income Plan of N.C.
Valuation Date	12/31/2021	12/31/2021
Inflation	2.50%	2.50%
Salary Increases*	3.25% - 8.05%	3.25% - 8.05%
Investment Rate of Return**	6.50%	3.00%
Healthcare Cost Trend Rate - Medical***	6.00% grading down to 5.00% by 2027	N/A
Healthcare Cost Trend Rate - Prescription Drug***	9.50% grading down to 5.00% by 2031	N/A
Healthcare Cost Trend Rate - Medicare Advantage***	0.00% through 2025, 5.00% thereafter	N/A
Healthcare Cost Trend Rate - Administrative***	3.00%	N/A

* Salary increases include 3.25% inflation and productivity factor.

**Investment rate of return is net of OPEB plan investment expense, including inflation.

***Disability Income Plan of NC eliminated employer reimbursements from the Plan
(which included State Health Plan premiums) effective July 1, 2019.

N/A - Not Applicable

The OPEB plans currently use mortality tables that vary by age, gender, employee group (i.e. teacher, other educational employee, general employee, or law enforcement officer) and health status (i.e. disabled or not disabled). The current mortality rates are based on published tables and studies that cover significant portions of the U.S. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The projected long-term investment returns and inflation assumptions are developed through a review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. DIPNC is primarily invested in the Bond Index Investment Pool as of June 30, 2022.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

10. Other Postemployment Benefits (Continued)

Best estimates of real rates of return for each major asset class included in RHBF's target asset allocation as of June 30, 2022 (the measurement date) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	1.1 %
Global Equity	6.5 %
Real Estate	5.9 %
Alternatives	7.5 %
Opportunistic Fixed Income	5.0 %
Inflation Sensitive	2.7 %

The information in the preceding table is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized. The long-term expected real rate of return for the Bond Index Investment Pool as of June 30, 2022 is 0.78%.

Actuarial valuations of the plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The results of the valuations fluctuate from year to year as actual experience differs from assumptions. This includes demographic experiences (i.e., mortality and retirement) that differ from expected. This also includes financial experiences (i.e., member medical costs and contributions) that vary from expected trends. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions used for RHBF are consistent with those used to value the pension benefits of TSERS where appropriate. These assumptions are based on the most recent pension valuations available. The discount rate used for RHBF reflects a pay-as-you-go approach.

Projections of benefits for financial reporting purposes of the plans are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Historically, the benefits have been funded solely by employer contributions applied equally to all retirees. Currently, as described above, benefits are dependent on membership requirements.

The actuarial methods and assumptions used for DIPNC include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Prior to July 1, 2019, employers received a reimbursement from DIPNC for employer costs, including the employer's share of the State Health Plan premiums, incurred during the second six months of the first year of a member's short-term disability coverage. With the elimination of the reimbursement to employers, State Health Plan premiums are no longer reimbursed by DIPNC for the benefits that were effective on or after July 1, 2019.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

10. Other Postemployment Benefits (Continued)

The actuarial assumptions used in the December 31, 2021 valuations were generally based on the results of an actuarial experience study prepared as of December 31, 2019, as amended for updates to certain assumptions (such as the long-term investment return, medical claims, and medical trend rate assumptions) implemented based on annual reviews that have occurred since that experience study.

Discount Rate: The discount rate used to measure the total OPEB liability for RHBF was 3.54% at June 30, 2022 compared to 2.16% at June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments to current plan members. As a result, a municipal bond rate of 3.54% was used as the discount rate used to measure the total OPEB liability. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

The discount rate used to measure the total OPEB liability for DIPNC was 3.08% at June 30, 2022 compared to 3.0% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from plan members would be made at the current contribution rate and that contributions from employers would be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members. In order to develop the blended discount rate of 3.08%, 3.0% was used during the period that the plan was projected to have a fiduciary net position, and a municipal bond rate of 3.54% was used during the period that the plan was projected to have no fiduciary net position. The 3.54% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the Authority's proportionate share of the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

Net OPEB Liability			
	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
RHBF	\$ <u>5,180,239</u>	\$ <u>4,397,689</u>	\$ <u>3,758,971</u>
	1% Decrease (2.08%)	Current Discount Rate (3.08%)	1% Increase (4.08%)
DIPNC	\$ <u>4,857</u>	\$ <u>3,945</u>	\$ <u>3,030</u>

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

10. Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the plans, as well as what the plans' net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Net OPEB Liability		
	1% Decrease (Medical - 4.00-5.00%, Pharmacy - 4.00-8.50%, Med Advantage - 0.00-4.00%, Administrative - 2.00%)	Current Healthcare Cost Trend Rates (Medical - 5.00-6.00%, Pharmacy - 5.00-9.50%, Med Advantage - 0.00-5.00%, Administrative - 3.00%)	1% Increase (Medical - 6.00-7.00%, Pharmacy - 6.00-10.50%, Med Advantage - 0.00-6.00%, Administrative - 4.00%)
RHBF	\$ <u>3,620,189</u>	\$ <u>4,397,689</u>	\$ <u>5,403,242</u>

Effective with the actuarial valuation as of December 31, 2021, the liability for the State's potential reimbursement of costs incurred by employers was removed because the reimbursement by DIPNC was eliminated for disabilities on or after July 1, 2019. Thus sensitivity to changes in the healthcare cost trend rates is no applicable for the DIPNC.

OPEB Expense: For the year ended June 30, 2023, the Authority recognized OPEB expense as follows:

RHBF	\$ 320,551
DIPNC	<u>6,313</u>
Total OPEB Expense	<u>\$ 326,864</u>

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Employer Balances of Deferred Outflows of Resources Related to OPEB by Classification		
	<u>RHBF</u>	<u>DIPNC</u>	<u>Total</u>
Differences Between Actual and Expected Experience	\$ 30,527	\$ 4,422	\$ 34,949
Changes of Assumptions	(1,649,400)	(477)	(1,649,877)
Net Difference Between Projected and Actual Earnings on Plan Investments	38,082	4,172	42,254
Changes in Proportion and Differences Between Authority's Contributions and Proportionate Share of Contributions	1,674,308	3,209	1,677,517
Contributions Subsequent to the Measurement Date	<u>313,088</u>	<u>4,544</u>	<u>317,632</u>
	<u>\$ 406,605</u>	<u>\$ 15,870</u>	<u>\$ 422,475</u>

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

10. Other Postemployment Benefits (Concluded)

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liabilities related to RHBF and DIPNC in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Schedule of the Net Amount of the Authority's Balances of Deferred Outflows of Resources
and Deferred Inflows of Resources that will be Recognized in OPEB Expense

Year	RHBF	DIPNC
2024	\$ 99,356	\$ 2,788
2025	7,324	3,078
2026	(23,930)	2,034
2027	10,768	1,652
2028	(1)	627
Thereafter	-	1,147
Total	\$ 93,517	\$ 11,326

11. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year.

A. Employee Benefit Plans:

1. State Health Plan:

Authority employees are provided comprehensive major medical care benefits. Coverage is funded by contributions to the State Health Plan (Plan), a discretely presented component unit of the State of North Carolina. The Plan is funded by employer and employee contributions. Certain plans also require contributions from employees. The State Health Plan has contracted with third parties to process claims. See Note 10, Other Postemployment Benefits, for additional information regarding retiree health benefits.

2. Death Benefit Plan of North Carolina:

Term life insurance (death benefits) of \$25,000 to \$50,000 is provided to eligible workers who enroll in the Teachers' and State Employees' Retirement System. This Death Benefit Plan is administered by the State Treasurer and funded via employer contributions. The employer contribution rate was 0.13% for the current fiscal year.

3. Disability Income Plan:

Short-term and long-term disability benefits are provided to Authority employees through the DIPNC, part of the State's Pension and Other Employee Benefit Trust Funds. Short-term benefits are paid by the Authority for up to twelve months. The Board of Trustees of the DIPNC may extend the short-term disability benefits for up to an additional twelve months. During the extended period of short-term disability benefits, payments are made directly by the DIPNC to the beneficiary. As discussed in Note 10, long-term disability benefits are payable as other postemployment benefits from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

11. Risk Management (Concluded)

B. Other Risk Management and Insurance Activities:

1. Automobile, Fire, and Other Property Losses:

The Authority is required to maintain all risk coverage on all state-owned buildings and contents through the State Property Fire Insurance Fund (Fund), an internal service fund of the State. Fire and lightning coverage is provided at no cost to the Authority for operations supported by the State's General Fund. Other operations not supported by the State's General Fund are charged for the fire and lightning coverage. Coverage for all remaining risks for all buildings is charged to the Authority. Losses covered by the Fund are subject to a \$5,000 per occurrence deductible.

2. Public Officers' and Employees' Liability Insurance:

The risk of tort claims of up to \$1,000,000 per claimant is retained under the authority of the State Tort Claims Act. In addition, the State provides excess public officers' and employees' liability insurance up to \$2,000,000 per claim and \$10,000,000 in the aggregate per fiscal year via contract with private insurance companies. The Authority pays the premium, based on a composite rate, directly to the private insurer.

3. Employee Dishonesty and Computer Fraud:

The Authority is protected for losses from employee dishonesty and computer fraud. This coverage is with a private insurance company and is handled by the North Carolina Department of Insurance. Agencies are charged a premium by the private insurance company. Coverage limit is \$5,000,000 per occurrence. The private insurance company pays 90% of each loss less a \$100,000 deductible.

4. Statewide Workers' Compensation Program:

The North Carolina Workers' Compensation Program provides benefits to workers injured on the job. All employees of the State and its component units are included in the program. When an employee is injured, the Authority's primary responsibility is to arrange for and provide the necessary treatment for work related injury. The Authority is responsible for paying medical benefits and compensation in accordance with the North Carolina Workers' Compensation Act. The Authority retains the risk for workers' compensation.

Additional details on the state-administered risk management programs are disclosed in the State of North Carolina's *Annual Comprehensive Financial Report*, issued by the Office of the State Controller.

5. Cyber and Breach Response Insurance:

The Authority is protected for losses from cyber and data breach. This coverage is with a private insurance company. Coverage limit is \$3,000,000 for related losses.

12. Adoption of New Accounting Standards

For the year ended June 30, 2023, the Authority implemented the following pronouncement issued by GASB:

- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*
This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Financial Statements
June 30, 2023

13. Net Position Restatement

As of July 1, 2022, the Authority implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Net position was not restated due to the implementation; however, assets and liabilities were restated as a result of the implementation. See Note 7 for details on the restated balances related to subscription (SBITA) liabilities. Capital assets were restated by an offsetting amount.

14. Subsequent Events

Subsequent events have been evaluated through September 28, 2023, which is the date the financial statements were available to be issued.

The Authority contacted the USDE in April 2023 to request that its Guaranty Agency functions be transferred to another entity. On May 1, 2023, the USDE approved the request, and they designated Education Credit Management Corporation (ECMC) as the replacement Guaranty Agency. The Authority and ECMC have been working to transfer the functions and are on schedule to complete the transfer on November 1, 2023. As such, the Authority will cease Guaranty Agency functions on October 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years *

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Authority's proportionate share percentage of collective net pension liability	0.016%	0.014%	0.012%	0.013%
Authority's proportionate share of TSERS collective net pension liability	\$ 2,353,979	\$ 634,961	\$ 1,407,553	\$ 1,357,035
Authority's covered payroll	\$ 3,241,972	\$ 2,684,772	\$ 2,400,732	\$ 2,379,219
Authority's proportionate share of the net pension liability as a percentage of covered payroll	72.61%	23.65%	58.63%	57.04%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	94.86%	85.98%	87.56%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.013%	0.014%	0.011%	0.013%	0.014%	0.014%
\$ 1,330,133	\$ 1,075,117	\$ 1,053,292	\$ 482,209	\$ 163,432	\$ 163,432
\$ 2,352,372	\$ 2,300,394	\$ 2,044,547	\$ 2,131,189	\$ 2,208,847	\$ 2,209,421
56.54%	46.74%	51.52%	22.63%	7.40%	7.40%
87.61%	89.51%	87.32%	94.64%	98.24%	90.60%

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SCHEDULE OF AUTHORITY CONTRIBUTIONS (PENSION)

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Required Supplementary Information
Schedule of Authority Contributions (Pension)
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 649,963	\$ 531,035	\$ 396,809	\$ 311,375
Contributions in relation to the contractually determined contribution	<u>649,963</u>	<u>531,035</u>	<u>396,809</u>	<u>311,375</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Authority's covered payroll	\$ 3,739,715	\$ 3,241,972	\$ 2,684,772	\$ 2,400,732
Contributions as a percentage of covered payroll	17.38%	16.38%	14.78%	12.97%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 292,406	\$ 253,586	\$ 229,579	\$ 187,076	\$ 195,004	\$ 191,949
<u>292,406</u>	<u>253,586</u>	<u>229,579</u>	<u>187,076</u>	<u>195,004</u>	<u>191,949</u>
\$ <u><u>2,379,219</u></u>	\$ <u><u>2,352,372</u></u>	\$ <u><u>2,300,394</u></u>	\$ <u><u>2,044,547</u></u>	\$ <u><u>2,131,189</u></u>	\$ <u><u>2,208,847</u></u>
12.29%	10.78%	9.98%	9.15%	9.15%	8.69%

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Required Supplementary Information
Schedule of Authority Contributions (Pension)
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2023

1. Changes of Benefit Terms

Teachers' and State Employees' Retirement System:

Cost of Living Increase

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
N/A	N/A	N/A	N/A	1.00%	N/A	N/A	N/A	1.00%	N/A

Beginning in fiscal year 2015, with the implementation of GASB Statement No. 68, the above table reflects Cost of Living Increases (COLA's) in the period of the legislative session of Board of Trustees meeting when it was passed. The COLA is effective July 1 of that period and the fiscal year end liability is affected at June 30 of that year because the COLA is included in the actuarial assumptions used to calculate the plan net pension liability.

Effective July 1, 2017, the definition of law enforcement officer related to Teachers' and State Employees' Retirement System (TSERS) members was changed by the General Assembly to include Probation/Parole officers for retirement benefit purposes. The change includes officers with respect to service rendered on or after July 1, 2017 and provides for unreduced retirement at age 55 with five years of service as a law enforcement officer or reduced retirement at 50 with 15 years of service as a law enforcement officer.

Effective July 1, 2017, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of July 1, 2016 received a 1% cost-of-living adjustment. Retirees and beneficiaries of retirees with retirement effective dates between July 1, 2016 and before June 30, 2017 received a prorated amount. These benefit enhancements reflect legislation enacted by the North Carolina General Assembly.

In December 2021 for the fiscal year ended June 30, 2022, retirees and beneficiaries of deceased retirees receiving benefits from the TSERS as of September 1, 2021, received a one-time-cost-of-living supplement payment, equal to 2% of the beneficiary's annual retirement allowance.

Benefit recipients of the TSERS will receive a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid by October 2022, as granted by the North Carolina General Assembly for the fiscal year ended June 30, 2023. The one-time supplement does not change the ongoing monthly benefits, and absent additional action by the governing authorities, the payments will not recur in future years.

2. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

An actuarial valuation is performed for each year for the plan. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results. See Note 9 for more information on the specific assumptions for the plan. The actuarially determined contributions for those items with covered payroll were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Required Supplementary Information
Schedule of Authority Contributions (Pension)
Cost-Sharing, Multiple-Employer, Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2023

3. Changes of Assumptions

In January 2021, the actuarial assumptions for the TSERS were updated to more closely reflect actual experience.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined the TSERS experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Board of Trustees of the TSERS adopted a number of new actuarial assumptions and methods. The most notable changes to the assumptions include updates to the mortality tables and the mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience.

The discount rate for the TSERS was lowered from 7.00% to 6.50% effective for the December 31, 2020 valuation, with the resulting effect on minimum actuarially determined employer contribution rates (or amounts) to be gradually recognized over a five-year period beginning July 1, 2022.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2022 Annual Comprehensive Financial Report.

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SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability (Asset)
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Seven Fiscal Years *

	2023	2022	2021
Retiree Health Benefit Fund			
Authority's proportionate share percentage of collective net OPEB liability (asset)	0.01852%	0.01591%	0.01508%
Authority's proportionate share of collective net OPEB liability (asset)	\$ 4,397,689	\$ 4,919,144	\$ 4,183,850
Authority's covered payroll	\$ 4,012,485	\$ 3,743,190	\$ 3,518,790
Authority's proportionate share of the net OPEB liability as a percentage of covered payroll	109.60%	131.42%	118.90%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	10.58%	7.72%	6.92%

Disability Income Plan of North Carolina

Authority's proportionate share percentage of collective net OPEB liability (asset)	0.01326%	0.01133%	0.01647%
Authority's proportionate share of collective net OPEB liability (asset)	\$ 3,945	\$ (1,851)	\$ (8,102)
Authority's covered payroll	\$ 4,012,485	\$ 3,743,190	\$ 3,518,790
Authority's proportionate share of the net OPEB liability (asset) as a percentage of covered payroll	0.10%	(0.05%)	(0.23%)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	90.34%	105.18%	115.57%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
0.01498%	0.01542%	0.01168%	0.00968%
\$ 4,740,014	\$ 4,392,925	\$ 3,829,724	\$ 4,211,129
\$ 3,507,443	\$ 3,382,627	\$ 3,148,955	\$ 2,832,617
135.14%	129.87%	121.62%	148.67%
4.40%	4.40%	3.52%	2.41%
<hr/>			
0.01096%	0.01109%	0.01172%	0.01042%
\$ (4,729)	\$ (3,369)	\$ (7,163)	\$ (6,471)
\$ 3,507,443	\$ 3,382,627	\$ 3,148,955	\$ 2,832,617
(0.13%)	(0.10%)	(0.23%)	(0.23%)
113.00%	108.47%	116.23%	116.06%
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SCHEDULE OF AUTHORITY CONTRIBUTIONS (OPEB)

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Required Supplementary Information
Schedule of Authority Contributions (OPEB)
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
Last Ten Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Retiree Health Benefit Fund				
Contractually required contribution	\$ 313,088	\$ 252,385	\$ 250,045	\$ 227,666
Contributions in relation to the contractually determined contribution	<u>313,088</u>	<u>252,385</u>	<u>250,045</u>	<u>227,666</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Authority's covered payroll	\$ 4,544,089	\$ 4,012,485	\$ 3,743,190	\$ 3,518,790
Contributions as a percentage of covered payroll	6.89%	6.29%	6.68%	6.47%

Disability Income Plan of North Carolina

Contractually required contribution	\$ 4,544	\$ 3,611	\$ 3,369	\$ 3,519
Contributions in relation to the contractually determined contribution	<u>4,544</u>	<u>3,611</u>	<u>3,369</u>	<u>3,519</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Authority's covered payroll	\$ 4,544,089	\$ 4,012,485	\$ 3,743,190	\$ 3,518,790
Contributions as a percentage of covered payroll	0.10%	0.09%	0.09%	0.10%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 219,917	\$ 204,649	\$ 183,498	\$ 158,627	\$ 153,413	\$ 146,021
<u>219,917</u>	<u>204,649</u>	<u>183,498</u>	<u>158,627</u>	<u>153,413</u>	<u>146,021</u>
\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
\$ 3,507,443	\$ 3,382,627	\$ 3,148,955	\$ 2,832,617	\$ 2,794,390	\$ 2,704,091
6.27%	6.05%	5.83%	5.60%	5.49%	5.40%

\$ 4,910	\$ 4,736	\$ 11,966	\$ 11,614	\$ 11,457	\$ 11,898
<u>4,910</u>	<u>4,736</u>	<u>11,966</u>	<u>11,614</u>	<u>11,457</u>	<u>11,898</u>
\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
\$ 3,507,443	\$ 3,382,627	\$ 3,148,955	\$ 2,832,617	\$ 2,794,390	\$ 2,704,091
0.14%	0.14%	0.38%	0.41%	0.41%	0.44%

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Required Supplementary Information
Schedule of Authority Contributions (OPEB)
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2023

1. Changes of Benefit Terms

Effective January 1, 2016, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for three of five options of the Retiree Health Benefit Fund (RHBF). Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2017, benefit terms related to copays, coinsurance maximums, out-of-pocket maximums, and deductibles were changed for two of five options of the RHBF. Most of the changes were an increase in the amount from the previous year.

Effective January 1, 2019, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for one of four options of the RHBF. Out-of-pocket maximums increased while certain specialist copays decreased related to option benefits.

Effective January 1, 2020, benefit terms related to copays, out-of-pocket maximums, and deductibles were changed for the 70/30 PPO option of the RHBF. Only the copays were adjusted for 80/20 PPO option of the RHBF.

Effective January 1, 2021, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

Effective January 1, 2022, the structure of employer contributions to the RHBF was altered by legislation. Previously, non-Medicare-eligible retirees had the same employer contribution rates as active employees. As a result of the legislative changes, non-Medicare-eligible retirees have the same employer contribution rate as Medicare-eligible retirees.

Beginning with the Disability Income Plan of North Carolina (DIPNC) actuarial valuation as of December 31, 2017, the valuation included a liability for the State's potential reimbursement of costs incurred by employers for income benefits and health insurance premiums during the second six months of the first year of the employee's short-term disability benefit period. Effective with the actuarial valuation as of December 31, 2021, the liability was removed from the actuarial valuation because the reimbursement from DIPNC was eliminated for disabilities occurring on or after July 1, 2019.

2. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

An actuarial valuation is performed for each plan each year. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning six months preceding the date of the valuation results for the RHBF. The actuarially determined contribution rates in the Schedule of Authority Contributions are calculated by the actuary as a projection of the required employer contribution for the fiscal year beginning 18 months following the date of the valuation results for the DIPNC. See Note 10 for more information on the specific assumptions for each plan. The actuarially determined contributions were determined using the actuarially determined contribution rate from the actuary and covered payroll as adjusted for timing differences and other factors such as differences in employee class. Other actuarially determined contributions are disclosed in the schedule as expressed by the actuary in reports to the plans.

NORTH CAROLINA
STATE EDUCATION ASSISTANCE AUTHORITY
Notes to Required Supplementary Information
Schedule of Authority Contributions (OPEB)
Cost-Sharing, Multiple-Employer, Defined Benefit OPEB Plans
For the Fiscal Year Ended June 30, 2023

3. Changes of Assumptions

Consistent with the prior years, for the actuarial valuation measured as of June 30, 2022 for the RHBF, a number of actuarial assumptions were reviewed and updated. The discount rate for the RHBF was updated to 3.54% from 2.16% as of June 30, 2021. This update was to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end. Medical and prescription drug claims costs were changed based on most recent experience, and medical and prescription drug trend rates were changed to the current schedule. Enrollment assumptions were updated to model expected migrations among RHBF plan options over the next five years. The terms of the Pharmacy Benefits Management contract effective January 1, 2023 were incorporated into the valuation.

For the actuarial valuation measured as of June 30, 2022 for DIPNC, the discount rate was updated to 3.08% from 3.00% as of June 30, 2021. This was a result of an update to reflect the Bond Buyer 20-year General Obligation Index as of fiscal year end, combined with the determination that the plan's fiduciary net position was not projected to be available to make all projected future benefit payments to the current plan members.

In 2020, the North Carolina Retirement Systems' consulting actuaries performed the quinquennial investigation of each retirement system's actual demographic and economic experience (known as the "Experience Review"). The Experience Review provides the basis for selecting the actuarial assumptions and methods used to determine plan liabilities and funding requirements. The most recent experience review examined each plan's experience during the period between January 1, 2015, and December 31, 2019. Based on the findings, the Boards of Trustees of the TSERS and the Committee on Actuarial Valuation of Retired Employees' Health Benefits adopted a number of new actuarial assumptions and methods for the RHBF and the DIPNC. The most notable changes to the assumptions include updates to the mortality tables and mortality improvements. These assumptions were adjusted to be based on the Pub-2010 mortality tables reflecting the mortality projection scale MP-2019, released by the Society of Actuaries in 2019. In addition, the assumed rates of retirement, salary increases, and rates of termination from active employment were updated to more closely reflect actual experience. Also, in 2020, disability rates were adjusted to the non-grandfathered assumptions used in the TSERS actuarial valuation to better align with the anticipated incidence of disability.

For the DIPNC actuarial valuation as of December 31, 2018, for individuals who may become disabled in the future, the Social Security disability income benefit (which is an offset to the DIPNC benefit) was updated to be based on assumed Social Security calculation parameters in the year of the disability. The assumed costs related to the Patient Protection and Affordable Care Act regarding the Health Insurance Provider Fee for the fully insured plans and Excise Tax were removed when those pieces were repealed in December 2019 and first recognized in the 2020 OPEB report.

The Notes to Required Supplementary Information reflect the most recent available information included in the State of North Carolina's 2022 Annual Comprehensive Financial Report.

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APPENDIX E

WEIGHTED AVERAGE LIFE ANALYSIS OF THE SERIES 2023A SENIOR TAX-EXEMPT TERM BONDS

The following information with respect to the Series 2023A Senior Tax-Exempt Term Bonds has been prepared by the Underwriter in consultation with the Authority. No representation is made by the Authority, the Underwriter or any of their respective agents concerning the actual average life of the Series 2023A Senior Tax-Exempt Term Bonds or the Financed Eligible Loans and how it compares to the various forward-looking average life estimates herein.

Prospective purchasers of the Series 2023A Senior Tax-Exempt Term Bonds are urged to base their decisions whether to purchase the Series 2023A Senior Tax-Exempt Term Bonds upon the purchaser's own determinations about anticipated rates of prepayments with respect to the Financed Eligible Loans and the estimated weighted average life of the Series 2023A Senior Tax-Exempt Term Bonds.

Prepayments of loans may be measured by a prepayment standard or model. The model used herein is the constant prepayment rate ("CPR") model. CPR represents a constant rate of prepayment on the Financed Eligible Loans each month relative to the then outstanding aggregate principal balance of the Financed Eligible Loans in repayment status for the life of such Financed Eligible Loans.

The tables below indicate the Weighted Average Life ("WAL") of the entire Series 2023A Senior Tax-Exempt Term Bonds based on the assumption that Financed Eligible Loans allocable to the Series 2023A Senior Tax-Exempt Bonds prepay at the respective indicated percentages of CPR (the "CPR Prepayment Assumption Rates"). It is unlikely that the Financed Eligible Loans will prepay at any of the CPR Prepayment Assumption Rates presented, and the timing of changes in the rate of prepayments actually experienced on the Financed Eligible Loans is unlikely to follow the pattern described for the CPR Prepayment Assumption Rates presented.

Each Weighted Average Life is likely to vary, perhaps significantly, from that set forth in the table below due to the differences between the actual rate of prepayments on the related Financed Eligible Loans and the assumptions described herein.

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Estimated Weighted Average Life of Series 2023A Senior Tax-Exempt Term Bonds at Various Percentages of CPR

CPR	0%	4%	8%	12%	16%
Estimated WAL (years)	9.8	8.2	6.8	5.6	4.4
First Pay Date	6/1/2024	6/1/2024	6/1/2024	6/1/2024	6/1/2024
Last Pay Date	6/1/2037	12/1/2036	12/1/2036	6/1/2036	6/1/2034
Closing Date	100%	100%	100%	100%	100%
June 1, 2024	97%	95%	94%	93%	91%
June 1, 2025	96%	94%	90%	86%	83%
June 1, 2026	96%	94%	89%	85%	80%
June 1, 2027	94%	84%	76%	68%	61%
June 1, 2028	89%	76%	63%	53%	43%
June 1, 2029	80%	62%	46%	32%	21%
June 1, 2030	76%	56%	40%	25%	13%
June 1, 2031	74%	53%	36%	22%	10%
June 1, 2032	72%	52%	36%	22%	10%
June 1, 2033	71%	52%	36%	22%	10%
June 1, 2034	56%	43%	33%	22%	0%
June 1, 2035	38%	28%	18%	13%	0%
June 1, 2036	16%	8%	3%	0%	0%
June 1, 2037	0%	0%	0%	0%	0%

Weighted average lives (WALs) are influenced by, among other things, the initial parity percentage, cash releases, actual prepayments, bond interest rates, bond redemptions, reinvestment income, the future path of interest rates, loan interest rates and borrower repayment plans selected, the amount and timing of loans financed, borrower delinquencies and defaults, default recoveries, program expenses, allocation of loans between applicable series, compliance with IRS yield restrictions and the issuance of Additional Bonds in the future under the Indenture. Actual results will vary from assumptions made in the base case. The following assumptions were used in estimating the weighted average lives of the Series 2023A Senior Tax-Exempt Term Bonds:

1. the statistical cutoff date for the Financed Eligible Loans is August 31, 2023;
2. the expected Closing Date is December 5, 2023;
3. prepayments on the Financed Eligible Loans are applied on a monthly basis in accordance with the CPR as described above;
4. the Authority releases cash in the amounts and at the times permitted under the Indenture;
5. the Authority uses bond proceeds to originate loans through April 1, 2025 and there is no “recycling” of loan repayments (which is not permitted by the Indenture);
6. no delinquencies of Financed Eligible Loans allocable to the Series 2023A Senior Tax-Exempt Bonds are assumed and a default rate of 5% is assumed, spread evenly over the first five years of repayment with a 40% recovery rate assumed after a three year lag;

7. Existing Eligible Loans that are Eligible Student Loans are assumed to defer payment until after the borrower's scheduled graduation date and a six-month grace period. All newly originated Financed Eligible Loans are assumed to have 42 months until the commencement of fully amortizing repayment. No further deferment is assumed;
8. for monies deposited in the Student Loan Fund and Capitalized Interest Fund, a reinvestment rate of 5.31% (the rate to be received pursuant to a guaranteed investment contract to be entered into at closing); for monies in the Debt Service Reserve Fund, a reinvestment rate of 5.01% (the rate to be received pursuant to a guaranteed investment contract to be entered into at closing) until December 1, 2033, and thereafter a rate of 3.50% for the duration of the projection; and for other bond proceeds and loan receipts pending application as provided in the Indenture, a reinvestment rate of 3.50% for the duration of the projection;
9. expenses are assumed to be consistent with the Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Senior Transaction Fees" herein." See also the captions "THE SERIES 2023A SENIOR TAX-EXEMPT BONDS—Redemption Provisions—*Optional Redemption from Excess Revenue*" and "*Mandatory Redemption from Excess Revenue*" in the body of this Official Statement; and
10. 50% of borrowers are assumed to receive a 0.25% interest rate reduction when they are set up to have regular monthly payments deducted electronically.

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM WITH DEPOSITORY TRUST COMPANY

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2023A Senior Tax-Exempt Bonds, payment of principal, redemption premium, if any, and interest and other payments with respect to the Series 2023A Senior Tax-Exempt Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such Series 2023A Senior Tax-Exempt Bonds and other related transactions by and among The Depository Trust Company, New York, New York (“DTC”), the Direct Participants and Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority.

DTC will act as securities depository for the Series 2023A Senior Tax-Exempt Bonds. The Series 2023A Senior Tax-Exempt Bonds will be issued as fully registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Series 2023A Senior Tax-Exempt Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Series 2023A Senior Tax-Exempt Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023A Senior Tax-Exempt Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2023 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will

not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023A Senior Tax-Exempt 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 2023A Senior Tax-Exempt Bonds, except in the event that use of the book entry system for the Series 2023A Senior Tax-Exempt Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023A Senior Tax-Exempt 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 2023A Senior Tax-Exempt 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 2023A Senior Tax-Exempt Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023A Senior Tax-Exempt Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2023A Senior Tax-Exempt Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023A Senior Tax-Exempt Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2023A Senior Tax-Exempt Bonds may wish to ascertain that the nominee holding the Series 2023A Senior Tax-Exempt Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2023A Senior Tax-Exempt Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2023A Senior Tax-Exempt Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2023A Senior Tax-Exempt 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 2023A Senior Tax-Exempt Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds,

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

DTC may discontinue providing its services as depository with respect to the Series 2023A Senior Tax-Exempt Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2023 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Series 2023 Bond certificates will be printed and delivered to DTC.

The Trustee and the Authority will recognize DTC or its nominee as the Registered Owner of the Series 2023A Senior Tax-Exempt Bonds for all purposes, including notices and voting, and so long as a book entry only system is used, will send any notice of redemption or other notices to Owners of the Series 2023A Senior Tax-Exempt Bonds only to DTC. Any failure of DTC to advise any DTC Participants, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2023A Senior Tax-Exempt Bonds called for redemption or of any other action premised on such notice.

The Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC or any DTC Participant with respect to any beneficial ownership interest in the Series 2023A Senior Tax-Exempt Bonds; (b) the delivery to any Beneficial Owner of the Series 2023A Senior Tax-Exempt Bonds or other person, other than DTC, of any notice with respect to the Series 2023A Senior Tax-Exempt Bonds; or (c) the payment to any Beneficial Owner of the Series 2023A Senior Tax-Exempt Bonds or other person, other than DTC, of any amount with respect to the principal of or interest on the Series 2023A Senior Tax-Exempt Bonds. Neither the Authority nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the Registered Owners.

The Trustee and the Authority cannot and do not give any assurance that DTC will distribute payments of debt service on the Series 2023A Senior Tax-Exempt Bonds to DTC Participants or that the DTC Participants or others will distribute payments of debt service on the Series 2023A Senior Tax-Exempt Bonds paid to DTC or its nominee, as the Registered Owner thereof, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

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

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