

NEW ISSUE—Book-Entry Only

In the opinion of Ballard Spahr LLP, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT. In the opinion of Ballard Spahr LLP and Sutin Thayer & Browne A Professional Corporation, interest on the Bonds is exempt from State of New Mexico personal income taxes under currently existing law. See "TAX MATTERS" herein.



\$167,300,000
New Mexico Educational Assistance Foundation
(d/b/a New Mexico Student Loans)
Education Loan Bonds
consisting of

\$48,400,000 Series 2010-2 A-1
(Tax-Exempt Non-AMT LIBOR
Floating Rate Bonds)
(See table below for maturity date,
price and interest rate)

\$53,900,000 Series 2010-2 A-2
(Tax-Exempt Non-AMT LIBOR
Floating Rate Bonds)
(See table below for maturity date,
price and interest rate)

\$65,000,000 Series 2010-2 A-3
(Tax-Exempt Non-AMT LIBOR
Floating Rate Bonds)
(See table below for maturity date,
price and interest rate)

Dated: Date of Delivery

The Education Loan Bonds, consisting of \$48,400,000 Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-1 Bonds**"), \$53,900,000 Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-2 Bonds**") and \$65,000,000 Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-3 Bonds**") and, collectively with the Series 2010A-1 Bonds and the Series 2010A-2 Bonds, the "**Bonds**", are being issued by the New Mexico Educational Assistance Foundation (the "**Foundation**"). The Bonds shall be in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC is to act as securities depository of the Bonds. Individual purchases of the Bonds are to be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased.

The Bonds will be issued by the Foundation to refund certain outstanding obligations of the Foundation.

The Bonds will be issued pursuant to the Indenture of Trust dated as of December 1, 2010 (the "**Indenture**") by and between the Foundation and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"). The principal of and interest on the Bonds will be payable by the Trustee to DTC, whose procedures provide for remittance of such principal and interest to its Participants, for subsequent disbursements to the Beneficial Owners of the Bonds. See "DESCRIPTION OF THE BONDS."

The Bonds are being issued as LIBOR floating rate bonds. Principal and interest will be payable on the Bonds on the first Business Day of each March, June, September and December as described in this Official Statement, commencing March 1, 2011. The following table summarizes certain aspects of the Bonds and reference is made to the more complete description set forth in this Official Statement.

Series	Interest Rate	Price to Public	Final Maturity Date	Expected Ratings	CUSIP*
2010-2 A-1	100% of Three-Month LIBOR plus 0.70%	100%	December 1, 2020	AAA(sf)/AAA	647110 FD2
2010-2 A-2	100% of Three-Month LIBOR plus 1.30%	100%	December 1, 2038	AAA(sf)/AAA	647110 FE0
2010-2 A-3	100% of Three-Month LIBOR plus 1.16%	100%	December 1, 2038	AAA(sf)/AAA	647110 FF7

The Bonds are subject to redemption by the Foundation prior to maturity as described herein. Amounts available for mandatory redemption of the Bonds will be allocated for payment, on a pro rata basis as described herein, of the principal of the Series 2010A-1 Bonds and the Series 2010A-2 Bonds, in that order, and of the principal of the Series 2010A-3 Bonds, until paid in full. See "DESCRIPTION OF THE BONDS."

Investment in the Bonds involves risk to the Bondowner. Each prospective investor should read this entire Official Statement and should give particular attention to the section entitled "CERTAIN RISK FACTORS."

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE FOUNDATION, AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF NEW MEXICO OR OF ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF NEW MEXICO NOR THE FOUNDATION SHALL BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON EXCEPT, IN THE CASE OF THE FOUNDATION, FROM THE REVENUES AND ASSETS PLEDGED THEREFOR UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW MEXICO OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. THE FOUNDATION HAS NO TAXING POWER. SEE "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Bonds are offered when, as and if issued by the Foundation and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality by Ballard Spahr LLP and Sutin Thayer & Browne A Professional Corporation, Co-Bond Counsel. Certain legal matters will be passed upon for the Foundation and the New Mexico Student Loan Guarantee Corporation by their General Counsel, and for the Underwriters by their counsel, Hogan Lovells US LLP. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about December 15, 2010.

BofA Merrill Lynch

RBC Capital Markets

December 8, 2010.

* The CUSIP numbers have been assigned by an independent company not affiliated with the Foundation and are included solely for the convenience of the owners of Bonds. The Foundation is not responsible for the selection or uses of the CUSIP numbers and no representation is made by the Foundation or the Underwriters as to their correctness on the Bonds or as indicated above.

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

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

This Official Statement is the Foundation's Official Statement, and the information set forth herein has been obtained from the Foundation, the New Mexico Student Loan Guarantee Corporation and other sources which the Foundation believes 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 Foundation. This Official Statement does not constitute a contract between the Foundation or the Underwriters and any one or more of the Registered Owners of the Bonds.

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

This Official Statement contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning expectations, beliefs, opinions, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. When used in this Official Statement, the words "project," "estimate," "intend," "expect," "scheduled," "pro forma," and similar words identify forward-looking statements. Forward-looking statements are included in the Official Statement (among others) under the captions "PLAN OF FINANCING," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Cash Flow Assumptions," "CERTAIN RISK FACTORS" and "DESCRIPTION OF THE FOUNDATION'S ELIGIBLE LOAN FINANCING PROGRAM" and "DESCRIPTION OF THE NEW MEXICO GUARANTEED STUDENT LOAN PROGRAM." The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

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

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

Upon issuance, the Bonds will not be registered under the Securities Act of 1933 and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed on the accuracy of this Official Statement or approved the Bonds for sale. The Indenture will not be qualified under the Trust Indenture Act of 1939.

SUMMARY OF TERMS

The following summary is a general overview of the terms of the Bonds and does not contain all of the information that you need to consider in making your investment decision. The offering by the New Mexico Educational Assistance Foundation (the "**Foundation**") of the Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-1 Bonds**"), the Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-2 Bonds**") and the Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-3 Bonds**") and, collectively with the Series 2010A-1 Bonds and the Series 2010A-2 Bonds, the "**Bonds**") is made only by means of this entire Official Statement. Before deciding to purchase the Bonds, you should consider the more detailed information appearing elsewhere in this Official Statement. Certain terms used in this Official Statement are defined in the Indenture of Trust dated as of December 1, 2010 (the "**Indenture**") attached as **Appendix B** hereto.

Principal Parties and Dates

<i>Foundation</i>	New Mexico Educational Assistance Foundation
<i>Servicer</i>	New Mexico Educational Assistance Foundation
<i>Backup Servicer</i>	Great Lakes Education Loan Services, Inc.
<i>Guaranty Agency</i>	New Mexico Student Loan Guarantee Corporation
<i>Trustee</i>	Wells Fargo Bank, National Association

Interest Payment Dates. Interest Payment Dates for the Bonds will be the first Business Day of each March, June, September and December as described in this Official Statement, beginning March 1, 2011. The Interest Rate Determination Date for the Bonds will be the second Business Day before each Interest Payment Date.

Interest Accrual Periods. The initial interest accrual period for the Bonds begins on the Date of Issuance (defined herein) and ends on February 28, 2011. For all other Interest Payment Dates for the Bonds, the interest accrual period will begin on the prior Interest Payment Date and end on the day before such Interest Payment Date.

Cut-off Date. The cut-off date for the student loan portfolio to be pledged by the Foundation to the Trustee on the Date of Issuance is the Date of Issuance. The student loans pledged by the Foundation to the Trustee under the Indenture, and not released from the lien thereof or sold or transferred to the extent permitted by the Indenture, are sometimes referred to herein as the "Financed Eligible Loans."

The information presented in this Official Statement under "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" relating to the Financed Eligible Loans the Foundation expects to pledge to the Trustee on the Date of Issuance is as of November 30, 2010, which is referred to herein as the "statistical cut-off date." The Foundation believes that the information set forth in this Official Statement with respect to the Financed Eligible Loans as of the statistical cut-off date is representative of the characteristics of the Financed Eligible Loans as they will exist on the Date of Issuance for the Bonds.

Date of Issuance. The date of issuance for this offering is expected to be on or about December 15, 2010 (the "**Date of Issuance**").

Description of the Bonds

General. The New Mexico Educational Assistance Foundation is offering \$48,400,000 of its Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds), \$53,900,000 of its Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) and \$65,000,000 of its Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds).

The Bonds are special, limited obligations of the Foundation payable solely from the Trust Estate pledged therefor under the Indenture and will be issued pursuant to the Indenture. The Bonds will receive payments primarily from collections on the Financed Eligible Loans held by the Foundation and pledged to the Trustee under the Indenture.

The Bonds will be issued in denominations of \$5,000 and in integral multiples of \$5,000 in excess thereof. Interest on the Bonds will be payable to the record owners of the Bonds as of the 2nd Business Day preceding each Interest Payment Date.

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

- Series 2010A-1 Bonds will bear interest, except for the initial interest accrual period as described below, at an annual rate equal to the Three-Month LIBOR Rate plus 0.70%. The Trustee will calculate the rate of interest on the Series 2010A-1 Bonds on each Interest Rate Determination Date which shall take effect on the succeeding Interest Payment Date. Interest on the Series 2010A-1 Bonds will be calculated on the basis of the actual number of days elapsed during the interest accrual period and a 360 day year.
- Series 2010A-2 Bonds will bear interest, except for the initial interest accrual period as described below, at an annual rate equal to the Three-Month LIBOR Rate plus 1.30%. The Trustee will calculate the rate of interest on the Series 2010A-2 Bonds on each Interest Rate Determination Date which shall take effect on the succeeding Interest Payment Date. Interest on the Series 2010A-2 Bonds will be calculated on the basis of the actual number of days elapsed during the interest accrual period and a 360 day year.
- Series 2010A-3 Bonds will bear interest, except for the initial interest accrual period as described below, at an annual rate equal to the Three-Month LIBOR Rate plus 1.16%. The Trustee will calculate the rate of interest on the Series 2010A-3 Bonds on each Interest Rate Determination Date which shall take effect on the succeeding Interest Payment Date. Interest on the Series 2010A-3 Bonds will be calculated on the basis of the actual number of days elapsed during the interest accrual period and a 360 day year.

The LIBOR Rate for the Series 2010A-1 Bonds for the initial interest accrual period will be calculated on the Date of Issuance by reference to the following formula using the Two-Month LIBOR and the Three-Month LIBOR as of the second Business Day preceding the Date of Issuance: $x + [(a / b) \text{ multiplied by } (y - x)]$ plus 0.70%, as calculated by the Trustee, where x = Two-Month LIBOR; y = Three-Month LIBOR; a = 14 (the actual number of days from the maturity date of Two-Month LIBOR to the first Interest Payment Date for the Series 2010A-1 Bonds); and b = 28 (the actual number of days from the maturity date of Two-Month LIBOR to the maturity date of Three-Month LIBOR).

The LIBOR Rate for the Series 2010A-2 Bonds for the initial interest accrual period will be calculated on the Date of Issuance by reference to the following formula using the Two-Month LIBOR and the Three-Month LIBOR as of the second Business Day preceding the Date of Issuance: $x + [(a / b) \text{ multiplied by } (y - x)]$ plus 1.30%, as calculated by the Trustee, where x = Two-Month LIBOR; y = Three-Month LIBOR; a = 14 (the actual number of days from the maturity date of Two-Month LIBOR to the first Interest Payment Date for the Series 2010A-2 Bonds); and b = 28 (the actual number of days from the maturity date of Two-Month LIBOR to the maturity date of Three-Month LIBOR).

The LIBOR Rate for the Series 2010A-3 Bonds for the initial interest accrual period will be calculated on the Date of Issuance by reference to the following formula using the Two-Month LIBOR and the Three-Month LIBOR as of the second Business Day preceding the Date of Issuance: $x + [(a / b) \text{ multiplied by } (y - x)]$ plus 1.16%, as calculated by the Trustee, where x = Two-Month LIBOR; y = Three-Month LIBOR; a = 14 (the actual number of days from the maturity date of Two-Month LIBOR to the first Interest Payment Date for the Series 2010A-3 Bonds); and b = 28 (the actual number of days from the maturity date of Two-Month LIBOR to the maturity date of Three-Month LIBOR).

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

Redemption Provisions

Mandatory Redemption. The Bonds are subject to mandatory redemption as a whole or in part, on any Interest Payment Date, at a redemption price equal to 100% of the Outstanding principal amount thereof, plus accrued interest to the date fixed for redemption, from moneys made available therefor as described below in "—Flow of Funds." Bonds to be redeemed pursuant to this mandatory redemption provision shall be selected pro rata based on the par amount of (A) the sum of Series 2010A-1 and Series 2010A-2 Bonds and (B) the Series 2010A-3 Bonds, in each case outstanding immediately prior to such redemption and, in the case of (A) above, Series 2010A-1 Bonds shall be redeemed first and then Series 2010A-2 Bonds following payment of all Series 2010A-1 Bonds.

Mandatory Sinking Fund Redemption. The Series 2010A-2 Bonds shall be redeemed prior to maturity, in part, by lot, by payment of the sinking fund payments on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, at a redemption price equal to the principal amount of the Series 2010A-2 Bonds being redeemed, plus accrued interest, if any, to the redemption date.

Series 2010A-2 Bonds

<u>Redemption Date</u>	<u>Principal Amount</u>
December 1, 2034	\$ 8,065,000
December 1, 2035	28,965,000
December 1, 2038†	16,870,000

† Final Maturity

At the option of the Foundation to be exercised by delivery of a written certificate to the Trustee not less than 45 days next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Series 2010A-2 Bonds which are subject to sinking fund redemption on such date in an aggregate principal amount designated by the Foundation, or (ii) specify a principal amount of such Series 2010A-2 Bonds which prior to said date have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation for such Series 2010A-2 Bonds. Each Series 2010A-2 Bond so delivered or previously redeemed in accordance with the terms described in "Mandatory Redemption" hereof shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Foundation on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for Series 2010A-2 Bonds as directed by the Foundation. If Series 2010A-2 Bonds subject to mandatory sinking fund redemption have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and the Foundation shall have failed to specify the manner in which such amounts are to be credited as described in (ii) above, then the Trustee shall apply such credits against sinking fund obligations for such Series 2010A-2 Bonds in chronological order.

The Series 2010A-3 Bonds shall be redeemed prior to maturity, in part, by lot, by payment of the sinking fund payments on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, at a redemption price equal to the principal amount of the Series 2010A-3 Bonds being redeemed, plus accrued interest, if any, to the redemption date.

Series 2010A-3 Bonds

<u>Redemption Date</u>	<u>Principal Amount</u>
December 1, 2020	\$30,000,000
December 1, 2034	5,235,000
December 1, 2035	18,805,000
December 1, 2038†	10,960,000

† Final Maturity

At the option of the Foundation to be exercised by delivery of a written certificate to the Trustee not less than 45 days next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Series 2010A-3 Bonds which are subject to sinking fund redemption on such date in an aggregate principal amount designated by the Foundation, or (ii) specify a principal amount of such Series 2010A-3 Bonds which prior to said date have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation for such Series 2010A-3 Bonds. Each Series 2010A-3 Bond so delivered or previously redeemed in accordance with the terms described in "Mandatory Redemption" hereof shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Foundation on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for Series 2010A-3 Bonds as directed by the Foundation. If Series 2010A-3 Bonds subject to mandatory sinking fund redemption have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and the Foundation shall have failed to specify the manner in which such amounts are to be credited as described in (ii) above, then the Trustee shall apply such credits against sinking fund obligations for such Series 2010A-3 Bonds in chronological order.

Notice; Selection upon Partial Redemption. Upon direction of the Foundation, the Trustee shall cause notice of any redemption to be given by mailing a copy of the redemption notice to the Registered Owner of any Bonds designated for redemption in whole or in part, at its address as the same shall last appear upon the registration books, not more than 30 days prior to the redemption date and not less than 10 days prior to the redemption date; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds for which no such failure or defect occurs.

If less than all of the Bonds of any Stated Maturity of either series of the Bonds are to be redeemed and there is more than one Registered Owner of the Bonds of such Stated Maturity of such series, such Bonds of the same Stated Maturity to be redeemed shall be selected by lot in such manner as the Trustee shall determine.

See "DESCRIPTION OF THE BONDS – Redemption Provisions" in this Official Statement.

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

<u>Bonds</u>	<u>Maturity Date</u>
Series 2010-2 A-1	December 1, 2020
Series 2010-2 A-2	December 1, 2038
Series 2010-2 A-3	December 1, 2038

The final payment of any Bonds is expected to occur earlier if, for example:

- there are prepayments on the Financed Eligible Loans; or
- the Foundation exercises its option to release the Financed Eligible Loans remaining in the Trust Estate from the lien of the Indenture (which will not occur until a date when the outstanding principal amount of the Financed Eligible Loans is 10% or less of the initial principal amount of the Financed Eligible Loans). See "– Release of Financed Eligible Loans" below.

Description of the Foundation and the Trust Estate

General. The Foundation is a nonprofit corporation organized and existing under the laws of the State of New Mexico, including particularly the Education Assistance Act. See "NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION."

As described under "PLAN OF FINANCING – Sources and Uses of Funds," the proceeds from the sale of the Bonds will be used to refund the Refunded Bonds outstanding under a certain indenture of trust of the Foundation. Upon the deposit of proceeds for such refunding, certain Eligible Loans pledged to secure the Refunded Bonds will be released and transferred to be held and pledged pursuant to the Indenture (referred to as the "**Financed Eligible Loans**"). Financed Eligible Loans expected to be so released and transferred have been identified and are described under "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS." The Financed Eligible Loans will be credited to the Acquisition Fund described below. Certain cash will also be released from the trust estate for the Refunded Bonds and is expected to be deposited as further described under "PLAN OF FINANCING" herein.

The only sources of funds for payment of the Bonds issued under the Indenture are the Financed Eligible Loans and investments pledged to the Trustee under the Indenture and the payments the Foundation receives on those Financed Eligible Loans and investments. After the issuance of the Bonds and the deposit of the proceeds thereof (together with the released cash) as described under "PLAN OF FINANCING" herein, the deposit of the Financed Eligible Loans expected to be transferred and deposited to the Acquisition Fund on the Date of Issuance (as described under "PLAN OF FINANCING" herein), and the payment of the costs of issuance, the Aggregate Market Value of the assets in the Trust Estate on the Date of Issuance will be approximately 107.9% of the aggregate principal amount of the Bonds.

"Aggregate Market Value" means, on any calculation date, the sum of the values of all assets of the Trust Estate, excluding amounts required to be deposited in the Rebate Fund or deposited to an account for payment to the Department of Education which have not, as of any date of calculation, yet been deposited therein.

Trust Estate Assets. The assets of the Trust Estate securing the Bonds issued under the Indenture will be a discrete trust estate that will include:

- the Financed Eligible Loans originated under the Federal Family Education Loan Program ("**FFELP**" or "**FFEL Program**") transferred and deposited to the Acquisition Fund on the Date of Issuance;
- collections and other payments received on account of the Financed Eligible Loans; and
- money and investments held in funds created under the Indenture, including the Acquisition Fund, the Revenue Fund, the Administration Fund and the Debt Service Reserve Fund.

The Financed Eligible Loans to be pledged under the Indenture will be transferred and deposited to the Acquisition Fund on the Date of Issuance, upon the refunding of the Refunded Bonds. All of the Financed Eligible Loans pledged to the Trustee under the Indenture will be, as of the time of such pledge, guaranteed by a guaranty agency and reinsured by the U.S. Department of Education (sometimes referred to herein as the "**Department of Education**"). See "THE NEW MEXICO STUDENT LOAN GUARANTEE CORPORATION" in this Official Statement.

Except under limited circumstances set forth in the Indenture, Financed Eligible Loans may not be transferred out of the Trust Estate. For example, in limited circumstances described herein, the Foundation or the Servicer may be required to purchase a Financed Eligible Loan out of the Trust Estate or replace such Financed Eligible Loan. See the Form of Indenture attached to this Official Statement as **Appendix B**.

The Foundation will also pledge to the Trustee all of the rights and remedies that it has under any servicing agreement or guarantee agreement relating to the Financed Eligible Loans.

Acquisition Fund. Eligible Loans that have been identified and are described under "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein are expected to be transferred and deposited to the Acquisition Fund on the Date of Issuance as described under "PLAN OF FINANCING." An estimate of the amount of Eligible Loans to be transferred and deposited in the Acquisition Fund on the Date of Issuance is set forth under "PLAN OF FINANCING."

Revenue Fund. The Trustee will deposit into the Revenue Fund all revenues derived from the Financed Eligible Loans and all other revenues derived from moneys or assets on deposit in the Revenue Fund, the Acquisition Fund, the Administration Fund and the Debt Service Reserve Fund and any other amounts deposited thereto upon receipt of a Foundation Order. Money on deposit in the Revenue Fund will be used to make the deposits and distributions described in the chart below under "– Flow of Funds," to the extent funds are available. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Revenue Fund; Flow of Funds" herein.

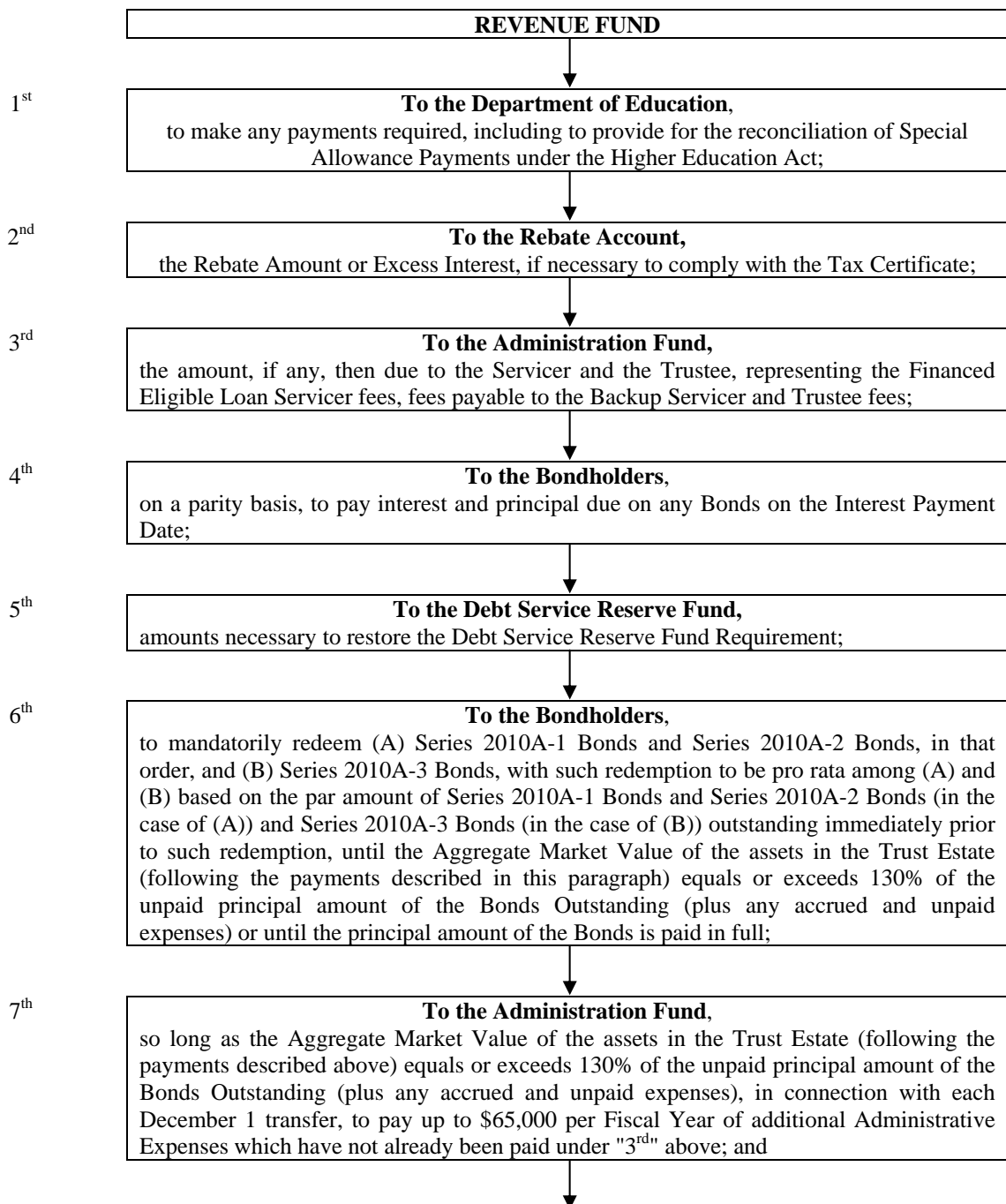
Debt Service Reserve Fund. Upon the issuance of the Bonds, a deposit of cash in an amount equal to 1.10% of the principal amount of the Bonds (the Debt Service Reserve Fund Requirement for the Bonds) is to be made to the Debt Service Reserve Fund. The Debt Service Reserve Fund Requirement shall be, as of any particular date of calculation, an amount equal to 1.10% of the principal amount of the Bonds then Outstanding; provided, however, that the Debt Service Reserve Fund Requirement shall not be reduced to less than \$250,950. Moneys in the Debt Service Reserve Fund are to be used in designated priorities to cure insufficiencies of amounts in the Revenue Fund for the purposes described in the chart below under "– Flow of Funds" for the items designated as 1st through 4th. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Revenue Fund; Flow of Funds" herein.

Administration Fund. On the Date of Issuance, cash will be deposited into the Administration Fund created under the Indenture as described in "PLAN OF FINANCING – Sources and Uses of Funds." Moneys on deposit in the Administration Fund shall be used to pay Servicer and Trustee fees and the costs of issuance with respect to the Bonds.

Rebate Fund. The Indenture creates a Rebate Fund to be held by the Trustee on behalf of the United States of America, in which the Registered Owners shall have no right, title or interest for the purpose of complying with Federal tax law.

Characteristics of the Financed Eligible Loans. On the Date of Issuance, the Foundation will pledge to the Trustee under the Indenture a portfolio of student loans originated under the FFELP having, as of the statistical cut-off date of November 30, 2010, an aggregate outstanding principal balance of approximately \$175,352,888 (which does not include total accrued interest expected to be capitalized of approximately \$3,317,592). The Financed Eligible Loans expected to be pledged by the Foundation to the Trustee on the Date of Issuance is described more fully below under "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" and in **Appendix F** to this Official Statement.

Flow of Funds. On the first Business Day of each March, June, September and December, commencing March 1, 2011, moneys in the Revenue Fund will be used to make the following deposits and distributions, in the following order of priority:



To the Bondholders,

to mandatorily redeem (A) Series 2010A-1 Bonds and Series 2010A-2 Bonds, in that order, and (B) Series 2010A-3 Bonds, with such redemption to be pro rata among (A) and (B) based on the par amount of Series 2010A-1 Bonds and Series 2010A-2 Bonds (in the case of (A)) and Series 2010A-3 Bonds (in the case of (B)) outstanding immediately prior to such redemption, until the principal amount of the Bonds is paid in full.

In addition to the transfers described above, moneys in the Revenue Fund may be transferred on the first Business Day of each month to the Administration Fund in order to pay Servicer fees.

Flow of Funds After Events of Default

Following the occurrence of an event of default that results in an acceleration of the maturity of the Bonds and after the payment of certain fees and expenses, the Trustee shall apply the remainder of the money received by the Trustee first to the payment of the interest on the Bonds then due, 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 Bonds on which such interest shall be in default and second, to the payment of the principal of all Bonds then due (pro rata between the series of the then Outstanding Bonds, if amounts are insufficient to pay all principal then due). See "FORM OF THE INDENTURE" attached as **Appendix B** hereto.

Overcollateralization

The security for the Bonds will include overcollateralization and cash on deposit in the Acquisition Fund and the Debt Service Reserve Fund as described herein. After the issuance of the Bonds, the transfer and deposit of the Financed Eligible Loans expected to be transferred and deposited to the Acquisition Fund on the Date of Issuance as a result of the refunding of the Refunded Bonds (as described under "PLAN OF FINANCING" herein), the deposit of cash as described under "PLAN OF FINANCING" herein and the payment of the costs of issuance, the ratio of the Aggregate Market Value to the aggregate principal amount of the Bonds outstanding on the Date of Issuance is expected to be approximately 107.9%.

Backup Servicer

Pursuant to a backup servicing agreement effective September 15, 2010, as amended to apply to the Bonds effective on the Date of Issuance, Great Lakes Education Loan Servicing, Inc. will act as backup servicer with respect to the Financed Eligible Loans. See "DESCRIPTION OF THE FOUNDATION'S ELIGIBLE LOAN FINANCING PROGRAM – Backup Servicer and Backup Servicing Agreement" herein.

Release of Financed Eligible Loans

The Foundation, or its assignee, shall have the option to release all of the Financed Eligible Loans free and clear of the lien of the Indenture on any date commencing with the Interest Payment Date on which the then outstanding principal amount of Financed Eligible Loans is equal to or less than 10% of the initial principal amount of Financed Eligible Loans on the Date of Issuance. To exercise this option, the Foundation or its assignee shall deposit in the Revenue Fund amounts sufficient to, and such amounts shall be used to, retire the Bonds then Outstanding and to pay any fees due to the Servicer, the Foundation or the Trustee and any Rebate Amount or Excess Interest due and any amounts due to the Secretary with respect to such Financed Eligible Loans. Upon the exercise of such option, the Trustee shall, upon Foundation Order and subject to the provisions of the Indenture, take all actions reasonably necessary to effect the release of the Financed Eligible Loans from the lien of the Indenture.

The Indenture also provides that for administrative purposes, the Foundation may release Financed Eligible Loans free from the lien of the Indenture, so long as the Foundation deposits an amount equal to the principal amount of Financed Eligible Loans released and the collective aggregate principal balance of all such releases does not exceed 5.00% of the initial principal amount of the Financed Eligible Loans and the collective aggregate principal balance of all such releases in any calendar year does not exceed 1.00% of the principal amount of the Financed Eligible Loans as of January 1 of such calendar year (or as of the Date of Issuance with respect to the first calendar year). See "**Appendix B – FORM OF THE INDENTURE**" hereto.

Book-Entry Registration

The Bonds will be delivered in book-entry form through The Depository Trust Company. Bondholders will not receive a certificate representing their Bonds except in very limited circumstances. See "DESCRIPTION OF THE BONDS – Book-Entry System."

Ratings

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

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OFFICIAL STATEMENT

\$167,300,000

New Mexico Educational Assistance Foundation

(d/b/a New Mexico Student Loans)

Education Loan Bonds

consisting of

\$48,400,000 Series 2010-2 A-1
(Tax-Exempt Non-AMT LIBOR
Floating Rate Bonds)

\$53,900,000 Series 2010-2 A-2
(Tax-Exempt Non-AMT LIBOR
Floating Rate Bonds)

\$65,000,000 Series 2010-2 A-3
(Tax-Exempt Non-AMT LIBOR
Floating Rate Bonds)

INTRODUCTION

General

This Official Statement sets forth information concerning the issuance by the New Mexico Educational Assistance Foundation (the "**Foundation**") of \$167,300,000 aggregate principal amount of Education Loan Bonds, consisting of \$48,400,000 Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-1 Bonds**"), \$53,900,000 Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-2 Bonds**") and \$65,000,000 Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "**Series 2010A-3 Bonds**" and, collectively with the Series 2010A-1 Bonds and the Series 2010A-2 Bonds, the "**Bonds**"). The Bonds will be issued as LIBOR floating rate bonds. The information on the cover page and inside cover and in the Summary of Terms and the Appendices is part of this Official Statement.

The Bonds are to be issued pursuant to the Indenture of Trust dated as of December 1, 2010 (the "**Indenture**"), by and between the Foundation and Wells Fargo Bank, National Association, as trustee (the "**Trustee**"). The Bonds are authorized to be issued pursuant to the New Mexico Educational Assistance Act, Sections 21-21A-1 to 21-21A-23, NMSA 1978, as amended (the "**Educational Assistance Act**") and the Indenture. All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the form of Indenture attached hereto as "**Appendix B – FORM OF THE INDENTURE**."

The Foundation is a nonprofit corporation organized and existing under the laws of the State of New Mexico (the "**State**"), including particularly the Educational Assistance Act.

The proceeds of the Bonds are to be applied by the Foundation to refund the Refunded Bonds (defined herein). Upon the issuance of the Bonds and provision for the refunding of the Refunded Bonds, certain student loans originated under the Federal Family Education Loan Program ("**Eligible Loans**") and cash are expected to be released from the trust estate for the Refunded Bonds and transferred to and held pursuant to the Indenture. Such cash and other amounts contributed by the Foundation are expected to be used to pay costs of issuance, fund a deposit to a reserve fund, and pay for certain other expenses as described under "PLAN OF FINANCING."

The Bonds will be special obligations of the Foundation, payable only from the security therefor provided under the Indenture. The Bonds are the only bonds issued under the Indenture, and no other bonds may be issued under the terms of the Indenture.

Miscellaneous

Descriptions of, among other things, the Bonds, the Foundation, the Financed Eligible Loans and the Indenture are included in this Official Statement. The information and descriptions in this Official Statement do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Indenture and the Bonds, are summaries of, and subject to, the detailed provisions of such documents and are

qualified in their entirety by reference to each such document, which will be on file with the Foundation and the Trustee. A substantially final form of the Indenture is attached to this Official Statement as **Appendix B**. This Official Statement does not constitute a contract between the Foundation, or the Underwriters, and any one or more owners of the Bonds.

DESCRIPTION OF THE BONDS

General Terms of the Bonds

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as Securities Depository for the Bonds. Individual purchases of the Bonds will be made in Book-Entry Form only in the principal amount of authorized denominations. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. See "– Book-Entry System" below. The Bonds are issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Series 2010A-1 Bonds. The Series 2010A-1 Bonds are to be issued as LIBOR floating rate bonds, shall be dated the date of initial delivery thereof and shall mature on December 1, 2020. Interest on the Series 2010A-1 Bonds will be payable on the first Business Day of each March, June, September and December, commencing March 1, 2011 (each an "**Interest Payment Date**"). Interest on the Series 2010A-1 Bonds will be computed for the actual number of days elapsed on the basis of a year consisting of 360 days.

The Trustee will calculate the rate of interest on the Series 2010A-1 Bonds on each Interest Rate Determination Date which shall take effect on the succeeding Interest Payment Date, except that the LIBOR Rate for the Series 2010A-1 Bonds for the initial interest accrual period will be calculated on the Date of Issuance by reference to the following formula using the Two-Month LIBOR and the Three-Month LIBOR as of the second Business Day next preceding the Date of Issuance:

$$x + [(a / b \text{ multiplied by } (y - x)) \text{ plus } 0.70\%, \text{ as calculated by the Trustee,}$$

where:

x = Two-Month LIBOR;

y = Three-Month LIBOR;

a = 14 (the actual number of days from the maturity date of Two-Month LIBOR to the first Interest Payment Date for the Series 2010A-1 Bonds); and

b = 28 (the actual number of days from the maturity date of Two-Month LIBOR to the maturity date of Three-Month LIBOR).

Thereafter, the Series 2010A-1 Bonds shall bear interest at the Three-Month LIBOR plus 0.70%. The determination of the interest rate for the Series 2010A-1 Bonds by the Trustee shall be conclusive and binding absent manifest error. If not otherwise determined by the Trustee within 2 Business Days after any Interest Rate Determination Date, the LIBOR Rate shall be the rate established on the prior Interest Rate Determination Date.

Series 2010A-2 Bonds. The Series 2010A-2 Bonds are to be issued as LIBOR floating rate bonds, shall be dated the date of initial delivery thereof and shall mature on December 1, 2038. Interest on the Series 2010A-2 Bonds will be payable on each Interest Payment Date. Interest on the Series 2010A-2 Bonds will be computed for the actual number of days elapsed on the basis of a year consisting of 360 days.

The Trustee will calculate the rate of interest on the Series 2010A-2 Bonds on each Interest Rate Determination Date which shall take effect on the succeeding Interest Payment Date, except that the LIBOR Rate for the Series 2010A-2 Bonds for the initial interest accrual period will be calculated on the Date of Issuance by reference to the following formula using the Two-Month LIBOR and the Three-Month LIBOR as of the second Business Day next preceding the Date of Issuance:

$x + [(a / b \text{ multiplied by } (y - x)) \text{ plus } 1.30\%, \text{ as calculated by the Trustee,}$

where:

$x = \text{Two-Month LIBOR;}$

$y = \text{Three-Month LIBOR;}$

$a = 14$ (the actual number of days from the maturity date of Two-Month LIBOR to the first Interest Payment Date for the Series 2010A-2 Bonds); and

$b = 28$ (the actual number of days from the maturity date of Two-Month LIBOR to the maturity date of Three-Month LIBOR).

Thereafter, the Series 2010A-2 Bonds shall bear interest at the Three-Month LIBOR plus 1.30%. The determination of the interest rate for the Series 2010A-2 Bonds by the Trustee shall be conclusive and binding absent manifest error. If not otherwise determined by the Trustee within 2 Business Days after any Interest Rate Determination Date, the LIBOR Rate shall be the rate established on the prior Interest Rate Determination Date.

Series 2010A-3 Bonds. The Series 2010A-3 Bonds are to be issued as LIBOR floating rate bonds, shall be dated the date of initial delivery thereof and shall mature on December 1, 2038. Interest on the Series 2010A-3 Bonds will be payable on each Interest Payment Date. Interest on the Series 2010A-3 Bonds will be computed for the actual number of days elapsed on the basis of a year consisting of 360 days.

The Trustee will calculate the rate of interest on the Series 2010A-3 Bonds on each Interest Rate Determination Date which shall take effect on the succeeding Interest Payment Date, except that the LIBOR Rate for the Series 2010A-3 Bonds for the initial interest accrual period will be calculated on the Date of Issuance by reference to the following formula using the Two-Month LIBOR and the Three-Month LIBOR as of the second Business Day next preceding the Date of Issuance:

$x + [(a / b \text{ multiplied by } (y - x)) \text{ plus } 1.16\%, \text{ as calculated by the Trustee,}$

where:

$x = \text{Two-Month LIBOR;}$

$y = \text{Three-Month LIBOR;}$

$a = 14$ (the actual number of days from the maturity date of Two-Month LIBOR to the first Interest Payment Date for the Series 2010A-3 Bonds); and

$b = 28$ (the actual number of days from the maturity date of Two-Month LIBOR to the maturity date of Three-Month LIBOR).

Thereafter, the Series 2010A-3 Bonds shall bear interest at the Three-Month LIBOR plus 1.16%. The determination of the interest rate for the Series 2010A-3 Bonds by the Trustee shall be conclusive and binding absent manifest error. If not otherwise determined by the Trustee within 2 Business Days after any Interest Rate Determination Date, the LIBOR Rate shall be the rate established on the prior Interest Rate Determination Date.

Certain Definitions.

"Interest Rate Determination Date" means the 2nd Business Day immediately preceding each Interest Payment Date or the date of issuance for the initial interest accrual period.

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

"Index Maturity" means (i) for Two-Month LIBOR, two months and (ii) for Three-Month LIBOR, three months.

"Reference Banks" means the four largest United States banks by total consolidated assets listed by the Federal Reserve in its then most current statistical release on its website with respect thereto, with an office in London.

Redemption Prior to Maturity. The Bonds are subject to mandatory redemption on each Interest Payment Date, from moneys made available therefor, and the Series 2010A-2 Bonds and the Series 2010A-3 Bonds are subject to mandatory sinking fund redemption, as described below in "– Redemption Provisions."

Release of Financed Eligible Loans

The Foundation, or its assignee, shall have the option to release all of the Financed Eligible Loans free and clear of the lien of the Indenture on any date commencing with the Interest Payment Date on which the then outstanding principal amount of Financed Eligible Loans is equal to or less than 10% of the initial principal amount of Financed Eligible Loans on the Date of Issuance. To exercise this option, the Foundation or its assignee shall deposit in the Revenue Fund amounts sufficient to, and such amounts shall be used to, retire the Bonds then Outstanding and pay any fees due to the Servicer, the Foundation or the Trustee and any Rebate Amount or Excess Interest due and any amounts due to the Secretary with respect to such Financed Eligible Loans. Upon the exercise of such option, the Trustee shall, upon Foundation Order and subject to the provisions of the Indenture, take all actions reasonably necessary to effect the release of the Financed Eligible Loans from the lien of the Indenture.

The Indenture also provides that for administrative purposes, the Foundation may release Financed Eligible Loans free from the lien of the Indenture, so long as the Foundation deposits an amount equal to the principal amount of Financed Eligible Loans released and the collective aggregate principal balance of all such releases does not exceed 5.00% of the initial principal amount of the Financed Eligible Loans and the collective aggregate principal balance of all such releases in any calendar year does not exceed 1.00% of the principal amount of the Financed Eligible Loans as of January 1 of such calendar year (or as of the Date of Issuance with respect to the first calendar year). See **"Appendix B – FORM OF THE INDENTURE"** hereto.

Redemption Provisions

Mandatory Redemption. The Bonds are subject to mandatory redemption as a whole or in part, on any Interest Payment Date, at a redemption price equal to 100% of the Outstanding principal amount thereof, plus accrued interest to the date fixed for redemption, from moneys in the Revenue Fund made available for that purpose pursuant to the Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Revenue Fund; Flow of Funds" below. Bonds to be redeemed pursuant to this redemption provision shall be selected pro rata based on the par amount of (A) the sum of Series 2010A-1 Bonds and Series 2010A-2 Bonds and (B) the Series 2010A-3 Bonds, in each case outstanding immediately prior to such redemption and, in the case of (A) above, Series 2010A-1 Bonds shall be redeemed first and then Series 2010A-2 Bonds following payment of all Series 2010A-1 Bonds.

Mandatory Sinking Fund Redemption. The Series 2010A-2 Bonds shall be redeemed prior to maturity, in part, by lot, by payment of the sinking fund payments on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, at a redemption price equal to the principal amount of the Series 2010A-2 Bonds being redeemed, plus accrued interest, if any, to the redemption date.

Series 2010A-2 Bonds

<u>Redemption Date</u>	<u>Principal Amount</u>
December 1, 2034	\$ 8,065,000
December 1, 2035	28,965,000
December 1, 2038†	16,870,000

† Final Maturity

At the option of the Foundation to be exercised by delivery of a written certificate to the Trustee not less than 45 days next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Series 2010A-2 Bonds which are subject to sinking fund redemption on such date in an aggregate principal amount designated by the Foundation, or (ii) specify a principal amount of such Series 2010A-2 Bonds which prior to said date have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation for such Series 2010A-2 Bonds. Each Series 2010A-2 Bond so delivered or previously redeemed in accordance with the terms described in "Mandatory Redemption" hereof shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Foundation on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for Series 2010A-2 Bonds as directed by the Foundation. If Series 2010A-2 Bonds subject to mandatory sinking fund redemption have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and the Foundation shall have failed to specify the manner in which such amounts are to be credited pursuant to (ii) above, then the Trustee shall apply such credits against sinking fund obligations for such Series 2010A-2 Bonds in chronological order.

The Series 2010A-3 Bonds shall be redeemed prior to maturity, in part, by lot, by payment of the sinking fund payments on each of the dates set forth below and in the respective principal amounts set forth opposite each such date, at a redemption price equal to the principal amount of the Series 2010A-3 Bonds being redeemed, plus accrued interest, if any, to the redemption date.

Series 2010A-3 Bonds

<u>Redemption Date</u>	<u>Principal Amount</u>
December 1, 2020	\$30,000,000
December 1, 2034	5,235,000
December 1, 2035	18,805,000
December 1, 2038†	10,960,000

† Final Maturity

At the option of the Foundation to be exercised by delivery of a written certificate to the Trustee not less than 45 days next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Series 2010A-3 Bonds which are subject to sinking fund redemption on such date in an aggregate principal amount designated by the Foundation, or (ii) specify a principal amount of such Series 2010A-3 Bonds which prior to said date have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and cancelled by the Trustee and not theretofore applied as a credit against any sinking fund redemption obligation for such Series 2010A-3 Bonds. Each Series 2010A-3 Bond so delivered or previously redeemed in accordance with the terms described in "Mandatory Redemption" hereof shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Foundation on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for Series 2010A-3 Bonds as directed by the Foundation. If Series 2010A-3 Bonds subject to mandatory sinking fund redemption have been redeemed in accordance with the terms described in "Mandatory Redemption" hereof and the Foundation shall have failed to specify the manner in which such amounts are to be credited pursuant to (ii) above, then the Trustee shall apply such credits against sinking fund obligations for such Series 2010A-3 Bonds in chronological order.

Notice of Redemption. Upon the direction of the Foundation, the Trustee is to cause notice of any redemption to be given by mailing or otherwise transmitting a copy of the redemption notice to the Registered Owner of any Bonds designated for redemption in whole or in part, at its address as the same shall last appear upon the registration books of the Trustee, not more than 30 days prior to the redemption date and not less than 10 days prior to the redemption date; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds for which no such failure or defect occurs.

Each notice of redemption is to set forth, among other things, the date fixed for redemption, the redemption price to be paid, the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds then Outstanding shall be called for redemption, the notice of redemption shall also specify the numbers of the Bonds or portions thereof to be redeemed.

No assurance can be given by the Foundation or the Trustee that DTC will distribute to the Participants or the Participants will distribute to the Beneficial Owners any redemption or other notices, or that DTC or the Participants will serve and act on a timely basis or in a manner described in this Official Statement.

Selection of Bonds for Redemption. If less than all of the Bonds of any Stated Maturity of either series of the Bonds are to be redeemed and there is more than one Registered Owner of the Bonds of such Stated Maturity of such series, such Bonds of the same Stated Maturity to be redeemed are to be selected by lot in such manner as the Trustee shall determine and in authorized denominations as described below.

In case a Bond is of a denomination larger than \$5,000, the Trustee shall treat such Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000 and any such portion of such Bond may be redeemed. Except as otherwise described herein under "– Book-Entry System," upon surrender of any Bond for redemption in part only, the Foundation shall execute and the Trustee shall authenticate and deliver to the Registered Owner thereof, the cost of which shall be paid by the Foundation, a new Bond or Bonds of the same series and Stated Maturity and of authorized denominations, in an aggregate principal amount equal to the unredeemed portion of the Bonds surrendered.

Purchase in Lieu of Redemption. Any amounts held under the Indenture which are available to redeem Bonds may instead be used to purchase Bonds outstanding under the Indenture at the same times and subject to the same conditions (except as to price) as apply to the redemption of Bonds, except that such purchases made with amounts held under the Indenture shall be made only if the purchase price shall be less than the required redemption price.

Places of Payment

So long as Cede & Co. is the Registered Owner of the Bonds, all payments of principal of and interest on the Bonds are to be made to Cede & Co. as nominee for DTC. Such payments are to be remitted by DTC to its Direct Participants for subsequent disbursements to the Beneficial Owners (defined below). See "– Book-Entry System" below.

The principal of all Bonds shall be payable at the designated office of the Trustee upon presentation and surrender of the Bonds, and payment of the interest on each Bond shall be made on each Interest Payment Date by the Trustee to the Person appearing on the registration records of the Foundation as the Registered Owner thereof, except as otherwise described below under "– Book-Entry System," by check or draft mailed on the Interest Payment Date to the Registered Owner at such owner's address as it appears on such registration records at the close of business on the respective Record Date for such Interest Payment Date. Registered Owners owning at least \$1,000,000 aggregate principal amount of the Bonds may arrange to be paid by wire transfer to the bank account number within the United States filed not later than five days prior to the Record Date with the Trustee for such purpose.

Exchange and Transfer of Bonds

At the option of the Registered Owner, Bonds may be exchanged at the designated office of the Trustee for a like aggregate principal amount of fully registered Bonds of the same series, interest rate and Stated Maturity in authorized denominations. Upon surrender for transfer of any Bond at the designated office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, a new Bond or Bonds of the same interest rate and of like series and aggregate principal amount of the same maturity are to be delivered in the name of the transferee or transferees.

The Trustee shall require the payment by any Registered Owner requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

The Trustee shall not be required to transfer or exchange any Bond during the period of fifteen days next preceding the giving of notice of redemption. After the giving of such notice of redemption, the Trustee shall not be required to transfer or exchange any Bond, which Bond or portion thereof has been called for redemption.

Notwithstanding the above, it should be understood that while the Bonds are in the book-entry system, (i) all rights of ownership must be exercised through DTC and the book-entry system and (ii) notices that are to be given to Registered Owners by the Foundation or the Trustee will be given only to DTC. See "– Book-Entry System" below.

Book-Entry System

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

DTC is to act as securities depository for the Bonds. The Bonds are to 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 is to be issued for each series of the Bonds, each in the aggregate principal amount of such series, and is to be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both

U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has S&P's highest rating: AAA. The DTC Rules applicable to its Direct Participants are on file with the Securities and Exchange Commission. Neither the Foundation nor the Underwriters make any representation about such information. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Foundation or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC nor its nominee, the Paying Agent, or the Foundation, 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 Foundation or the

Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

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

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

So long as Cede & Co. or its registered assign is the Registered Owner of the Bonds, the Foundation and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Foundation or the Trustee, and the Foundation and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying or otherwise dealing with any Beneficial Owner of the Bonds.

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

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PLAN OF FINANCING

In an effort to provide long-term financing, the Foundation will issue the Bonds at variable interest rates to refund certain outstanding bonds.

Sources and Uses of Funds

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

Sources of Funds	Estimated Amounts
Bond Proceeds	\$167,300,000
Eligible Loans and Accrued Interest Transferred from Prior 2008 Indenture	179,849,676
Cash Transferred from Prior 2008 Indenture	10,175,000
Issuer Contribution ⁽¹⁾	<u>1,717,300</u>
Total Sources of Funds	<u>\$359,041,976</u>
 Uses of Funds	
Payment of Refunded Bonds	\$177,475,000
Deposit to Acquisition Fund: Eligible Loans (including Accrued Interest) and Cash ⁽²⁾	178,670,479
Deposit to Debt Service Reserve Fund ⁽²⁾	1,840,300
Deposit to Administration Fund ^{(2) (3)}	<u>1,056,197</u>
Total Uses of Funds	<u>\$359,041,976</u>

(1) This contribution by the Issuer may be made in cash or cash and an insubstantial amount of Eligible Loans.

(2) Cash made available upon the refunding of the Refunded Bonds is to be deposited as described above in the Debt Service Reserve Fund, Administration Fund and Acquisition Fund. Eligible Loans currently securing the Refunded Bonds will also be transferred and deposited in the Acquisition Fund and pledged to secure the Bonds. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS."

(3) Such amounts are to be used to pay the costs of issuance of the Bonds.

Refunded Bonds

The proceeds of the Bonds are expected to be used, along with certain cash currently held in the Prior 2008 Indenture (defined below), to refund \$177,475,000 of bonds which were previously issued under the Foundation's Trust Indenture dated as of June 1, 2008 (the "**Prior 2008 Indenture**"), as shown in the following table (collectively, the "**Refunded Bonds**"):

<u>Series</u>	<u>Amount</u>	<u>Maturity</u>
Senior Series 2008A-1	\$ 88,745,000	4/1/2036
Senior Series 2008A-2	34,485,000	4/1/2036
Senior Series 2008A-3	<u>54,245,000</u>	4/1/2036
	<u>\$177,475,000</u>	

The Series 2008A-1 Bonds, certain of which constitute a portion of the Refunded Bonds, were issued as variable rate bonds supported by a Letter of Credit from Bank of America, N.A. The Series 2008A-2 Bonds, certain of which also constitute a portion of the Refunded Bonds, were issued as variable rate bonds supported by a Letter of Credit from the Royal Bank of Canada. Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC, the Underwriters of the Bonds, are affiliates, respectively, of Bank of America, N.A., and Royal Bank of Canada.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

The Bonds will be special obligations of the Foundation and will not constitute or give rise to a pecuniary obligation of or a charge against the general credit or revenue of the Foundation or give rise to a personal or pecuniary obligation of the officers, employees, agents or directors of the Foundation.

The Bonds will not constitute a debt, liability or obligation of the State of New Mexico (the "**State**") or of any political subdivision thereof for any purpose whatsoever. Neither the full faith and credit nor the taxing power of the State or any political subdivision thereof is pledged for the payment of the principal of or interest on the Bonds. The Foundation has no taxing power.

The Trust Estate

The Bonds will be secured by the assets pledged under the Indenture (collectively, the "**Trust Estate**"), which consist of (a) the Revenues (other than Revenues deposited in the Rebate Fund or otherwise released from the lien of the Indenture as provided therein); (b) all moneys and investments in the Acquisition Fund, the Revenue Fund, the Debt Service Reserve Fund and the Administration Fund; (c) the Financed Eligible Loans; (d) the rights of the Foundation in and to the Servicing Agreements and the Guarantee 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 that from time to time is granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security under the Indenture. The Indenture provides that the Trustee has a prior lien on the Trust Estate for payment of its fees and expenses. Pending application of moneys held under the Indenture for the purposes provided herein, the Trustee is directed by the Foundation to invest such moneys (other than moneys specifically to be held uninvested) in Investment Securities, as defined in the Indenture.

Initial Collateralization

Security for the Bonds includes overcollateralization, expected excess interest and cash on deposit in the Debt Service Reserve Fund. After the issuance of the Bonds, the acquisition of Financed Eligible Loans, the transfer and deposit of the Financed Eligible Loans expected to be transferred and deposited as a result of the refunding of the Refunded Bonds to the Acquisition Fund on the Date of Issuance, and the deposit of cash to the Debt Service Reserve Fund and the payment of the costs of issuance, the ratio of the Aggregate Market Value to the aggregate principal amount of the Bonds outstanding on the Date of Issuance is expected to be approximately 107.9%. See "PLAN OF FINANCING" herein.

Excess interest is the positive difference between (i) the interest earnings on the loans from borrower interest payments, interest subsidy payments or special allowance payments and (ii) the interest on the Bonds and other expenses such as Servicing, Trustee and Administration Expenses. There can be no assurance as to the rate, timing or amount, if any, of excess interest.

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

Cash Flow Assumptions

The Foundation expects that Revenues and other available amounts will be sufficient to pay the principal of and interest on the Bonds and other amounts due and payable under the Indenture. Such expectation is based upon certain assumptions, believed by the Foundation to be reasonable, including the expected composition of the loan portfolio, interest rates for the Bonds, general market conditions, the investment of certain funds held under the Indenture and the occurrence of certain events when anticipated. Actual events may not correspond to such

assumptions. The provisions of the Higher Education Act (as defined below) as it relates to Eligible Loans have been amended in recent years. Certain of such amendments apply to loans the Foundation has acquired. The Foundation has made certain assumptions with respect to such loans. The actual performance of such loans may not correspond to such assumptions. In addition, further changes in the Higher Education Act could also adversely affect the Foundation's ability to pay principal of and interest on the Bonds.

Acquisition Fund

On the Date of Issuance, Eligible Loans and cash will be transferred into the Acquisition Fund created under the Indenture as described under "PLAN OF FINANCING – Sources and Uses of Funds." An estimate of the amount of the Financed Eligible Loans and cash to be deposited in the Acquisition Fund on the Date of Issuance is set forth under "PLAN OF FINANCING – Sources and Uses of Funds." The Financed Eligible Loans deposited in the Acquisition Fund shall be held by the Foundation (on behalf of the Trustee) or the Foundation's agent or bailee and accounted for as part of the Acquisition Fund. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" for information regarding the Financed Eligible Loans expected to be transferred to the Acquisition Fund.

Debt Service Reserve Fund

The Bonds are additionally secured by the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement. Upon the issuance of the Bonds and the redemption of the Refunded Bonds, a deposit of cash in an amount equal to 1.10% of the principal amount of the Bonds (the Debt Service Reserve Fund Requirement for the Bonds) is to be made in the Debt Service Reserve Fund. The Debt Service Reserve Fund Requirement shall be, as of any particular date of calculation, an amount equal to 1.10% of the principal amount of the Bonds then Outstanding; provided, however, that the Debt Service Reserve Fund Requirement shall not be reduced to less than \$250,950. Moneys in the Debt Service Reserve Fund are to be used in designated priorities, to cure insufficiencies of amounts in the Revenue Fund for the purposes described in the chart below under "Revenue Fund; Flow of Funds" for the items designated as 1st through 4th. See also "**Appendix B – FORM OF THE INDENTURE.**" The Foundation shall also use amounts on deposit in the Debt Service Reserve Fund in order to make the final payments on the Bonds. At such time as all of the Bonds are subject to redemption and amounts on deposit in the Revenue Fund and the Debt Service Reserve Fund are sufficient to retire the Bonds and to pay all other amounts due and owing under the Indenture, amounts on deposit in the Debt Service Reserve Fund shall be used along with such other amounts for such purpose.

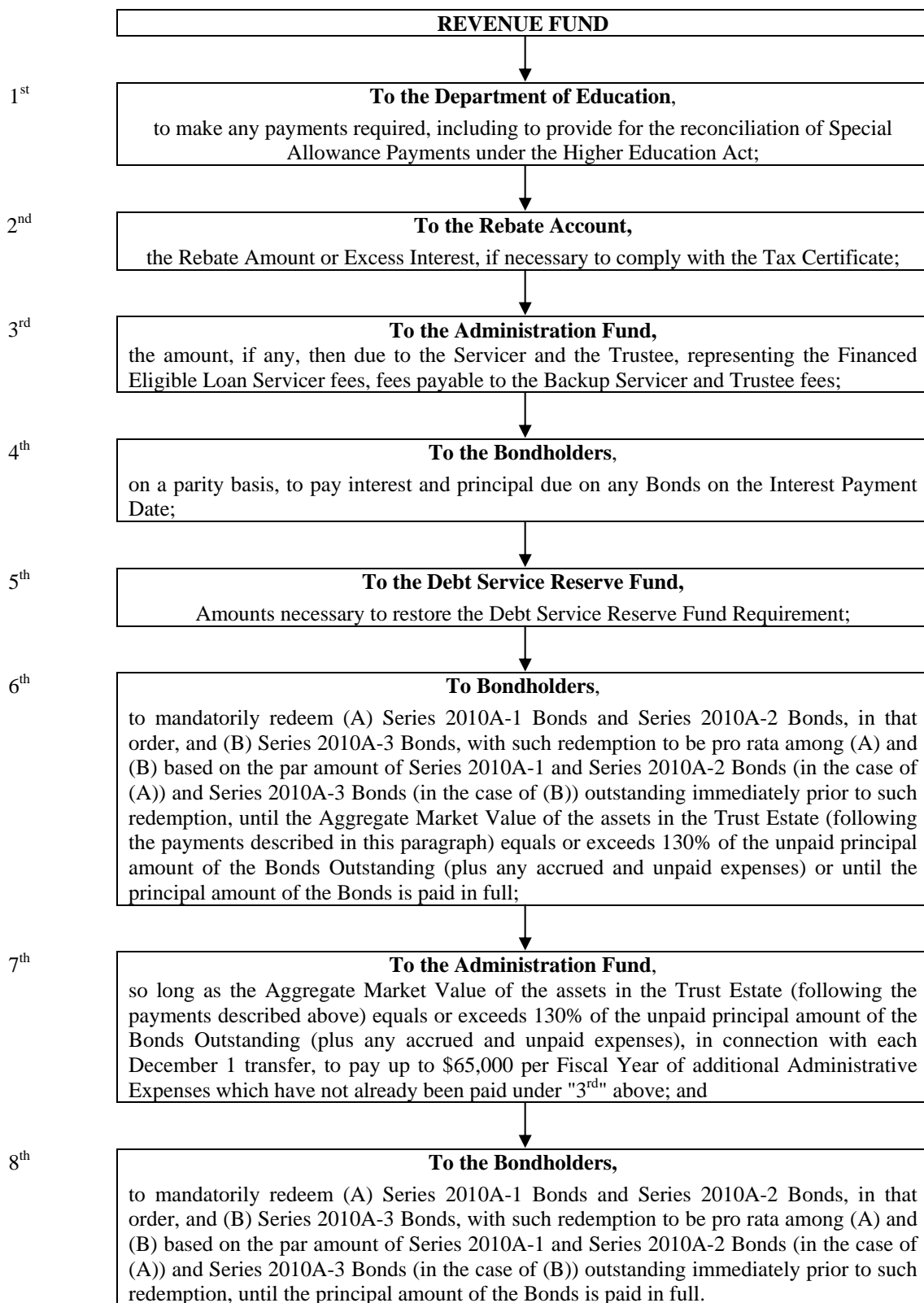
Rebate Fund

The Indenture creates a Rebate Fund to be held by the Trustee on behalf of the United States of America, in which the Bondholders shall have no right, title or interest for the purpose of complying with Federal tax law.

Revenue Fund; Flow of Funds

The Trustee will credit to the Revenue Fund all revenues derived from the Financed Eligible Loans and all other revenues derived from moneys or assets on deposit in the Acquisition Fund, the Debt Service Reserve Fund, the Administration Fund and the Revenue Fund and any other amounts deposited thereto upon the direction of the Foundation.

On the first Business Day of each March, June, September and December, commencing March 1, 2011, moneys in the Revenue Fund will be used to make the following deposits and distributions, in the following order of priority:



In addition to the transfers described in above, moneys in the Revenue Fund may be transferred on the first Business Day of each month to the Administration Fund in order to pay Servicer fees.

"Aggregate Market Value" means, on any calculation date, the sum of the values of all assets of the Trust Estate, excluding amounts required to be deposited in the Rebate Fund or deposited to an account for payment to the Department of Education which have not, as of any date of calculation, yet been deposited therein.

Flow of Funds After Events of Default

Following the occurrence of an event of default that results in an acceleration of the maturity of the Bonds and after the payment of certain fees and expenses, the Trustee shall apply the rest and residue of the money received by the Trustee first to the payment of the interest on the Bonds then due, 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 Bonds on which such interest shall be in default; and second, to the payment of the principal of all Bonds then due (pro rata between the series of the then Outstanding Bonds, if amounts are insufficient to pay all principal then due). See "FORM OF THE INDENTURE" attached as **Appendix B** hereto.

Administration Fund

On the Date of Issuance, cash will be deposited into the Administration Fund created under the Indenture as described in "PLAN OF FINANCING – Sources and Uses of Funds." Thereafter, amounts shall be transferred from the Revenue Fund to the Administration Fund as described above under "Revenue Fund; Flow of Funds." Moneys on deposit in the Administration Fund shall be used solely to pay Administrative Expenses and the costs of issuance with respect to the Bonds. Amounts shall be disbursed from the Administration Fund for such purpose upon receipt by the Trustee of a direction from the Foundation.

Investment of Funds Held by Trustee

The Trustee shall invest amounts credited to any Fund established under the Indenture in investment securities described in the Indenture pursuant to directions received from the Foundation. In the absence of a direction, the Trustee shall invest amounts held under the Indenture in a money market fund rated, if rated by S&P, at least "AAAm" or "AAAm-G" by S&P, and rated in at least an equivalent rating category by another Rating Agency. The Trustee is not responsible or liable for any losses on investments made by it or for keeping all funds held by it fully invested at all times. Its only responsibility is to comply with investment instructions of the Foundation in a non-negligent manner.

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CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS

Set forth below are certain characteristics of the portfolio of Financed Eligible Loans which will exist under the Indenture following the acquisition of Eligible Loans and the provision for the refunding of the Refunded Bonds and the transfer of such Financed Eligible Loans currently held under the Prior 2008 Indenture with respect to the Refunded Bonds. Such characteristics of the Financed Eligible Loans to be held under the Indenture are as of November 30, 2010. The aggregate outstanding principal balance of the Financed Eligible Loans in each of the following tables includes the principal balance due from borrowers, which does not include total accrued interest of approximately \$3,317,592 (which is expected to be capitalized). The percentages set forth in the tables below may not always add up to 100% and the balances may not always add to \$175,352,888 due to rounding.

COMPOSITION OF THE FINANCED ELIGIBLE LOANS AS OF NOVEMBER 30, 2010

Summary

Aggregate Outstanding Principal Balance:	\$175,352,888
Accrued Interest to be Capitalized:	\$3,317,592
Number of Borrowers: ⁽¹⁾	15,844
Average Outstanding Principal Balance Per Borrower:	\$11,067
Number of Loans:	38,696
Average Outstanding Principal Balance Per Loan:	\$4,532
Weighted Average Remaining Term to Scheduled Maturity (months): ⁽²⁾	166
Weighted Average Payments Made (months):	15
Weighted Average Annual Borrower Interest Rate: ⁽³⁾	5.04%
Weighted Average Special Allowance Payment Repayment Margin to 3-Month Commercial Paper:	2.44%
Weighted Average Special Allowance Payment Repayment Margin to 91-Day Treasury Bill:	3.02%

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

⁽²⁾ The weighted average remaining term to scheduled maturity shown in the table above was determined from November 30, 2010 to the stated maturity date of the applicable student loan, including any current deferral or forbearance periods, but without giving effect to any deferral or forbearance periods that may be granted in the future.

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

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DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY LOAN TYPE
AS OF NOVEMBER 30, 2010

<u>Loan Type</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Stafford - Subsidized	19,869	\$ 57,306,274	32.68%
Stafford - Unsubsidized	13,070	53,481,448	30.50
Consolidation - Subsidized	2,959	33,972,253	19.37
Consolidation - Unsubsidized	2,636	30,088,305	17.16
PLUS	159	486,127	0.28
SLS	<u>3</u>	<u>18,480</u>	<u>0.01</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF
ANNUAL BORROWER INTEREST RATE
AS OF NOVEMBER 30, 2010

<u>Range of Annual Borrower Interest Rate</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
2.01% - 3.00%	15,269	\$ 42,661,485	24.33%
3.01% - 4.00%	1,705	11,435,394	6.52
4.01% - 5.00%	3,132	34,088,051	19.44
5.01% - 6.00%	1,319	13,521,826	7.71
6.01% - 7.00%	16,943	70,780,541	40.36
7.01% - 8.00%	200	2,150,707	1.23
Greater than 8.00%	<u>128</u>	<u>714,884</u>	<u>0.41</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY SCHOOL TYPE
AS OF NOVEMBER 30, 2010

<u>School Type</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Four-Year Institution	25,449	\$131,434,042	74.95%
Two-Year Institution	11,774	38,087,770	21.72
Proprietary	1,383	4,770,763	2.72
Unknown	<u>90</u>	<u>1,060,313</u>	<u>0.60</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY SAP INTEREST RATE INDEX
AS OF NOVEMBER 30, 2010

<u>SAP Interest Rate Index</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
90-day CP Index	36,897	\$171,433,929	97.77%
91-day T-Bill Index	<u>1,799</u>	<u>3,918,959</u>	<u>2.23</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY BORROWER PAYMENT STATUS
AS OF NOVEMBER 30, 2010

<u>Borrower Payment Status</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
In School	4,563	\$ 16,093,673	9.18%
Grace	834	3,986,350	2.27
Deferment	10,800	50,015,652	28.52
Forbearance	2,328	14,359,780	8.19
Repayment (First Year)	7,747	36,843,567	21.01
Repayment (Second Year)	3,951	19,090,357	10.89
Repayment (Third Year)	3,083	13,425,435	7.66
Repayment (More than 3 Years)	5,389	21,534,575	12.28
Claims Filed	<u>1</u>	<u>3,500</u>	<u>0.00</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF DAYS DELINQUENT
AS OF NOVEMBER 30, 2010

<u>Range of Days Delinquent</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Less than or equal to 30	33,390	\$153,132,603	87.33%
31 - 60	1,377	6,137,413	3.50
61 - 90	898	3,914,626	2.23
91 - 120	541	2,357,687	1.34
121 - 150	486	1,918,361	1.09
151 - 180	430	1,814,023	1.03
181 - 210	338	1,531,253	0.87
211 - 240	211	971,268	0.55
Greater than 240	<u>1,025</u>	<u>3,575,653</u>	<u>2.04</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF DATE OF DISBURSEMENT
AS OF NOVEMBER 30, 2010*

<u>Range of Date of Disbursement</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
July 1, 2006 and after	20,816	\$115,365,478	65.79%
October 1, 1993 - June 30, 2006	17,710	59,649,367	34.02
Pre October 1, 1993	<u>170</u>	<u>338,043</u>	<u>0.19</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

* FFELP Loans disbursed prior to October 1, 1993, are 100% guaranteed by the guarantee agency. FFELP Loans disbursed on or after October 1, 1993, and before July 1, 2006, are 98% guaranteed by the guarantee agency. FFELP Loans disbursed on or after July 1, 2006, are 97% guaranteed by the guarantee agency. See "Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF DATE OF DISBURSEMENT
AS OF NOVEMBER 30, 2010*

<u>Range of Date of Disbursement</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Pre April 1, 2006	16,308	\$ 49,001,215	27.94%
April 1, 2006 - September 30, 2007	20,890	121,405,037	69.23
October 1, 2007 and after	<u>1,498</u>	<u>4,946,636</u>	<u>2.82</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

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

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DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF
OUTSTANDING PRINCIPAL BALANCE
AS OF NOVEMBER 30, 2010

<u>Range of Outstanding Principal Balance</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Less than or equal to \$2,000.00	11,605	\$ 13,191,761	7.52%
\$2,000.01 - \$4,000.00	13,841	40,711,162	23.22
\$4,000.01 - \$6,000.00	6,299	31,198,816	17.79
\$6,000.01 - \$8,000.00	1,997	13,636,634	7.78
\$8,000.01 - \$10,000.00	1,888	16,586,852	9.46
\$10,000.01 - \$15,000.00	1,386	16,908,844	9.64
\$15,000.01 - \$20,000.00	700	12,075,207	6.89
\$20,000.01 - \$25,000.00	406	9,095,812	5.19
\$25,000.01 - \$30,000.00	208	5,637,965	3.22
\$30,000.01 - \$40,000.00	196	6,730,977	3.84
\$40,000.01 - \$50,000.00	76	3,365,243	1.92
\$50,000.01 - \$60,000.00	42	2,279,933	1.30
Greater than \$60,000.00	<u>52</u>	<u>3,933,682</u>	<u>2.24</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

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DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY RANGE OF REMAINING
TERM TO SCHEDULED MATURITY
AS OF NOVEMBER 30, 2010

<u>Range of Remaining Term to Scheduled Maturity</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Less than or equal to 24	398	\$ 257,554	0.15%
25 – 36	384	375,332	0.21
37 – 48	402	575,244	0.33
49 – 60	649	1,072,140	0.61
61 – 72	1,092	2,033,145	1.16
73 – 84	1,849	4,254,053	2.43
85 – 96	3,326	9,441,654	5.38
97 – 108	4,745	15,685,185	8.94
109 – 120	20,993	78,584,718	44.82
121 – 144	707	4,469,018	2.55
145 – 168	506	4,077,364	2.33
169 – 192	801	7,262,384	4.14
193 – 216	426	5,425,143	3.09
217 – 240	835	12,778,502	7.29
Greater than 240	<u>1,583</u>	<u>29,061,450</u>	<u>16.57</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

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DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY GEOGRAPHIC LOCATION
AS OF NOVEMBER 30, 2010

<u>Geographic Location</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
New Mexico	30,179	\$131,446,193	74.96%
Texas	2,009	9,923,815	5.66
Arizona	1,032	4,934,870	2.81
California	900	4,741,243	2.70
Colorado	756	4,064,205	2.32
Washington	291	1,643,509	0.94
Oregon	182	1,331,928	0.76
Florida	271	1,159,684	0.66
Michigan	124	1,037,743	0.59
Illinois	151	951,037	0.54
Nevada	198	893,575	0.51
Oklahoma	207	872,606	0.50
North Carolina	141	831,210	0.47
New York	141	672,942	0.38
Tennessee	101	610,677	0.35
Virginia	137	609,774	0.35
Maryland	96	557,819	0.32
Minnesota	110	552,353	0.31
Pennsylvania	115	546,237	0.31
Ohio	89	511,992	0.29
Other	<u>1,466</u>	<u>7,459,477</u>	<u>4.25</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY SERVICER
AS OF NOVEMBER 30, 2010

<u>Servicer</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
Foundation	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

DISTRIBUTION OF THE FINANCED ELIGIBLE LOANS BY GUARANTY AGENCY
AS OF NOVEMBER 30, 2010

<u>Guaranty Agency</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent of Loans by Outstanding Principal Balance</u>
NMSLGC	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>
Total:	<u>38,696</u>	<u>\$175,352,888</u>	<u>100.00%</u>

CERTAIN RISK FACTORS

Ownership of the Bonds involves certain risks. Particular attention should be given to the factors described below which, among others, could materially and adversely affect the payment by the Foundation of debt service on the Bonds, and which could also materially and adversely affect the market price of the Bonds to an extent that cannot be determined.

This section of this Official Statement does not include all risks to which such repayment by the Foundation is subject, but is an attempt to summarize certain of such risks. Each prospective purchaser of the Bonds should read this Official Statement in its entirety.

Limited Obligations and Limited Trust Estate Assets

The Bonds are special limited obligations of the Foundation, payable solely from the Trust Estate created under the Indenture and not from any other assets which the Foundation may have or from any other revenues to which the Foundation may be entitled. The Bonds are not insured or guaranteed by any government agency or instrumentality, including the NMSLGC (as defined herein) or the United States Department of Education (the "**Department of Education**"), or by any other person or entity. Payment on the Bonds will depend solely on the amount and timing of receipt of Revenues (including payments and collections in respect of the Eligible Loans and investment earnings on any Fund), amounts on deposit in the pledged Funds. Bondholders will have no additional recourse to the Foundation or any other person if the Trust Estate is insufficient. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Factors Affecting Sufficiency and Timing of Receipt of Revenues in the Trust Estate

The Foundation has performed an analysis of the portfolio of Financed Eligible Loans the Foundation will transfer to the Indenture upon the acquisition of Eligible Loans and provision being made for the refunding of the Refunded Bonds and certain amounts transferred to the Indenture upon the refunding of the Refunded Bonds. Based on this analysis and certain other assumptions, some of which are described in "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Cash Flow Assumptions" and **Appendix F**, as well as various cash flow scenarios evaluated in connection with the issuance of the Bonds, the Foundation expects that the Trust Estate will be sufficient to meet principal and interest payments due on the Bonds. The analysis of the Financed Eligible Loan portfolio incorporated what are believed to be reasonable assumptions regarding the future composition of and yield on Financed Eligible Loans expected to be in the portfolio, the rate of return on moneys expected to be invested in various Funds under the Indenture, the borrower benefit programs expected to be applicable, and the occurrence of future events and conditions. However, there is no assurance that the Financed Eligible Loans actually included in the portfolio will perform in accordance with these assumptions. For example, there can be no assurance that interest and principal payments from Financed Eligible Loans in the portfolio will be received as anticipated, that the reinvestment rates assumed on the balances in various Funds will be realized, or that Special Allowance Payments will be received in the amounts and at the times anticipated. Moreover, future events over which the Foundation has no control may materially adversely affect the Foundation's actual receipt of revenues in the Trust Estate.

The Characteristics of the Portfolio of Financed Eligible Loans may Change

The characteristics of the pool of student loans expected to be pledged to the Trustee on the Date of Issuance are described herein as of November 30, 2010. However, the actual characteristics of the student loans at any given time will change due to factors such as the repayment of the student loans in the normal course of business, the occurrence of delinquencies or defaults. The characteristics that may differ include the distribution by loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining terms. Investors should consider potential variances when making an investment decision concerning the Bonds. See "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" in this Official Statement.

Release of the Financed Eligible Loans and Redemption of the Bonds

The Bonds may be redeemed before expected in the event of an optional redemption (when the outstanding principal amount of Financed Eligible Loans is equal to or less than 10% of the initial principal amount of Financed Eligible Loans on the Date of Issuance) as described under "DESCRIPTION OF THE BONDS – Release of the Financed Eligible Loans." Such event would result in the early retirement of the Bonds outstanding on that date. If this happens, the yield on the Bonds may be affected and Bondholders will bear the risk that they cannot reinvest the money received in comparable Bonds at an equivalent yield.

The Indenture also provides that for administrative purposes, the Foundation may release Financed Eligible Loans free from the lien of the Indenture, so long as the Foundation deposits an amount equal to the principal amount of Financed Eligible Loans released and the collective aggregate principal balance of all such releases does not exceed 5.00% of the initial principal amount of the Financed Eligible Loans and the collective aggregate principal balance of all such releases in any calendar year does not exceed 1.00% of the principal amount of the Financed Eligible Loans as of January 1, of such calendar year (or as of the Date of Issuance with respect to the first calendar year).

Bondholders will Bear Prepayment and Extension Risk Due to Actions Taken by Individual Borrowers and other Variables Beyond the Foundation's Control

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

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

The Bonds are a Long-Term Investment but Based upon a Percentage of Three-Month LIBOR Plus a Spread

The interest rates on the Series 2010A-1 Bonds, Series 2010A-2 Bonds and Series 2010A-3 Bonds are based on Three-Month LIBOR plus 0.70%, 1.30% and 1.16%, respectively, as described herein. As a result, the interest rates on the Series 2010A-1 Bonds, Series 2010A-2 Bonds and Series 2010A-3 Bonds are based on a short-term interest rate that is recalculated quarterly on each LIBOR determination date, as described herein, plus a fixed spread. See "DESCRIPTION OF THE BONDS – General Terms of the Bonds – Series 2010A-1 Bonds," "– Series 2010A-2 Bonds" and "– Series 2010A-3 Bonds" herein for more information on how interest payments on the Series

2010A-1 Bonds, Series 2010A-2 Bonds and Series 2010A-3 Bonds are calculated. Such respective interest rates on the Bonds may fluctuate significantly over the life of the Bonds. The Bonds, however, are a long-term investment in that there is currently no secondary market for the Bonds and they are not subject to any optional tender or liquidity devices. Furthermore, there are no assurances that any market will develop or, if it does develop, how long it will last as described below.

The Bonds are not a Suitable Investment for all Investors

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

Different Rates of Change in Interest Rate Indexes may Affect Trust Estate Cash Flow

The interest rates on the Bonds may fluctuate from one interest accrual period to another in response to changes in the specified index rates. The Financed Eligible Loans bear interest either at fixed rates or at rates which are generally based upon the bond equivalent yield of the 91 day U.S. Treasury Bill rate. In addition, most of the Financed Eligible Loans may be entitled to receive special allowance payments from the Department of Education based upon a three-month commercial paper rate. See "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.**" If there is a decline in the rates payable on Financed Eligible Loans, the amount of funds representing interest deposited into the Revenue Fund may be reduced. If the interest rate payable on the Bonds does not decline in a similar manner and time, the Foundation may not have sufficient funds to pay interest on the Bonds when due. Even if there is a similar reduction in the rate applicable to the Bonds, there may not necessarily be a reduction in the other amounts required to be paid by the Foundation, such as administrative expenses, causing interest payments to be deferred to future periods. Similarly, if there is a rapid increase in the interest rate payable on the Bonds without a corresponding increase in rates payable on the Financed Eligible Loans, the Foundation may not have sufficient funds to pay interest on the Bonds when due. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the Bonds or expenses of the Trust Estate.

Elimination of FFEL Program and Changes to the Higher Education Act

Title IV of the Higher Education Act and the regulations promulgated by the Department of Education thereunder have been the subject of frequent amendments and federal budgetary legislation in recent years, the most significant of which has been the passage of H.R. 4872 (the "**Health Care & Education Affordability Reconciliation Act of 2010**" or "**HCEARA**") which terminates originations of FFELP Loans under the FFEL Program after June 30, 2010 such that all new federal student loans will be originated under the Direct Loan Program (the "**Direct Loan Program**") on and after July 1, 2010. FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired by the Foundation (including the loans described herein under the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS") continue to be subject to the provisions of the FFEL Program. A description of the FFEL Program is provided in **Appendix A** hereto to explain certain of the provisions of the FFEL Program applicable to FFELP Loans made prior to July 1, 2010. These changes, as described in more detail in "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM,**" have caused the Foundation and NMSLGC (defined herein) to examine alternative business opportunities, some of which would require legislative changes that may result in their continued existence, which continued existence for the term of the Bonds cannot be ensured. The Foundation is also considering legislative changes to the makeup of its Board, as well as certain other statutory requirements which are no longer applicable, given these changes to the FFELP Program.

Certain other amendments to the Higher Education Act also authorize the Secretary to offer borrowers Consolidation Loans under the Direct Loan Program whereby a borrower may consolidate various student loans into a single loan with income sensitive repayment terms. See "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**" hereto for more information on Consolidation Loans under the Direct Loan Program. The financing of such Consolidation Loans by the Secretary

on a large scale basis may cause an increase in the number of prepayments of federal student loans and reduce the size of the Foundation's student loan programs. If the Foundation receives prepayments on the Financed Eligible Loans, those amounts will be used to make principal payments on the Bonds which could shorten the average life of the Bonds.

Furthermore, as a result of changes to the FFEL Program over the years, the net revenues resulting to holders of federal student loans have in many cases been reduced and may be reduced further in the future. See "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.**" The elimination of the FFEL Program through HCEARA has also impacted holders of federal student loans in that there will not be revenue to such holders from newly originated loans. The Foundation cannot predict all the effects of such revenue reductions on the Foundation, the servicer, the guaranty agency, the Financed Eligible Loans or the Foundation's loan programs. See "– Financial Status of NMSLGC" and "– Default by a Servicer Could Adversely Affect the Bonds" under this caption.

Financial Status of NMSLGC

In the event the financial status of NMSLGC and its ability to honor guarantee claims were to deteriorate over time, such event could delay or impair the ability of NMSLGC to make guarantee payments to the Foundation. One of the primary reasons for a possible deterioration in a guaranty agency's financial status is related to the default rate of loans guaranteed by the guaranty agency. Historically, loans to students attending proprietary or trade schools have defaulted at rates much higher than loans made to students or parents of students attending four-year schools. As described under the caption "DESCRIPTION OF THE NEW MEXICO GUARANTEED STUDENT LOAN PROGRAM," higher than expected default claims against NMSLGC of Eligible Loans could reduce the amount of federal reimbursement to NMSLGC for such claims. Loss of reinsurance payments by the Secretary could adversely affect the ability of NMSLGC to honor guarantee claims by the Trustee, and loss of guarantee payments to the Trustee by NMSLGC could adversely affect the timing of the receipt of Revenues and the Foundation's ability to make timely payment of principal and interest on the Bonds. Another reason for a possible deterioration in the NMSLGC's financial status is related to a decline in the guarantee fees received in connection with new loans. Given that the Foundation is not permitted to originate new FFELP loans in the future, NMSLGC will not be receiving guarantee fees in connection with new loans. The ability of NMSLGC to meet its guarantee obligations with respect to existing loans over time depends, in significant part, on its ability to collect revenues generated by new loan guarantees and reinsurance payments. See "DESCRIPTION OF THE NEW MEXICO GUARANTEED STUDENT LOAN PROGRAM – The Federal Student Loan Reserve Fund and the Guarantee Agreement." The curtailment of new loan guarantees or too high a default rate could materially adversely affect its ability to meet its guarantee obligations.

Under Section 432(o) of the Higher Education Act, however, if the Secretary has determined that a guaranty agency is unable to meet its insurance obligations, the holder of loans insured by the guaranty agency may submit insurance claims directly to the Secretary for payment. There can be no assurance that the Secretary would make such determination with respect to any specific guarantor, or if such determination was made, whether payment of such guarantee claims would be made in a timely manner. See "DESCRIPTION OF THE NEW MEXICO GUARANTEED STUDENT LOAN PROGRAM – Secretary Review of Financial Solvency of Guaranty Agencies."

A Failure of the Department of Education to Make Reinsurance Payments may Adversely Affect Timely Repayment on the Bonds

The financial condition of a guarantee agency may be adversely affected if it submits a large number of reimbursement claims relating to FFELP Loans to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay to the guarantee agency. The Department of Education may also require a guarantee agency to return its reserve funds to the Department of Education upon a finding that the reserves are unnecessary for the guarantee agency to serve the best interests of the FFEL Program. The inability of any guarantee agency to meet its guarantee obligations could delay payments of principal and interest past their due date. If the Department of Education has determined that a guarantee agency is unable to meet its guarantee obligations relating to FFELP Loans, the loan holder may submit claims directly to the Department of Education and the Department of Education is required to pay the full guarantee claim amount due

with respect thereto. However, the Department of Education's obligation to pay guarantee claims directly in this fashion is contingent upon the Department of Education making the determination that a guarantee agency is unable to meet its guarantee obligations. The Department of Education may not ever make this determination with respect to a guarantee agency and, even if the Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner.

Default by a Servicer Could Adversely Affect the Bonds

The Foundation will act as the Servicer, and Great Lakes Education Loan Services, Inc. will act as Backup Servicer, with respect to the Financed Eligible Loans. The elimination of the FFEL Program discussed under "Elimination of FFEL Program and Changes to the Higher Education Act" is likely to reduce the Foundation's FFELP servicing revenues and increase its unit servicing costs with respect to FFELP loans as the aggregate FFELP loan portfolio being serviced by the Foundation diminishes over time. If circumstances necessitate a transfer of servicing of Financed Student Loans to the Backup Servicer, a disruption could occur that results in reductions or delays in cash flow to the Trust Estate. Such a transfer is likely to take significant time to complete, which could allow for deterioration in the Trust Estate and a delay in the filing of default claims and the collection of revenues. If the Backup Servicer defaults on its obligations to service the loans serviced by it, the Foundation or the Trustee may remove the Backup Servicer without the consent of any other party, subject to satisfaction of the conditions set forth in the Indenture. In the event of the removal of a Servicer and the appointment of a successor servicer, there may be additional costs associated with the transfer of servicing to the successor servicer, including but not limited to, an increase in the servicing fees the successor servicer charges. In addition, the Foundation cannot predict the ability of the successor servicer to perform the obligations and duties under any servicing agreement. In the event of a default by the Servicer or a Backup Servicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer and delays in collections in respect of those affected Financed Eligible Loans may occur. The occurrence of these events could adversely affect the Foundation or its ability to pay principal and interest on the Bonds from the assets of the Trust Estate.

Failure to Comply with Loan Origination and Servicing Procedures

The Higher Education Act of 1965, 20 U.S.C.A. § 1001 et seq. (the "**Higher Education Act**"), as amended, and the applicable regulations require the lenders making Eligible Loans, Guarantee Agencies guaranteeing Eligible Loans and Servicers servicing Eligible Loans to follow certain due diligence procedures in an effort to ensure that Eligible Loans are properly made and disbursed to, and timely repaid by, the borrowers. The procedures to make, guarantee and service Eligible Loans are specifically set forth in the Code of Federal Regulations, and no attempt has been made in this Official Statement to completely describe those procedures. Failure to follow such procedures may result in the Secretary's refusal to make reinsurance payments to the Guarantee Agency on such loans or in the Guarantee Agency's refusal to honor its guarantee on such loans to the Foundation. Failure of the Guaranty Agency to receive reinsurance payments from the Secretary could adversely affect its ability to honor guarantee claims by the Foundation and loss of guarantee payments to the Foundation by the Guaranty Agency could adversely affect the receipt of Revenues and the Foundation's ability to pay principal and interest on the Bonds. See "DESCRIPTION OF THE FOUNDATION'S ELIGIBLE LOAN FINANCING PROGRAM – Servicing and 'Due Diligence.'"

Consumer Protection Lending Laws

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

Currently, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 preserves the changes made in the 1998 amendments to the Bankruptcy Code which had removed one of the two exceptions to non-dischargeability of Eligible Loans making it more difficult to discharge a Financed Eligible Loan in bankruptcy. Bankruptcy reform legislative proposals to alter the non-dischargeability of student loans have been discussed

and/or introduced in the Congress of the United States among which include proposals to allow private student loans to be dischargeable in bankruptcy. No assurance can be given as to whether these or any alternative bankruptcy reform legislative proposals will be enacted at the federal level.

Military Events May Result in Delayed Payments From Borrowers Called to Active Military Service; Other Relief

On December 19, 2003, President Bush signed into law the Servicemembers Civil Relief Act which was enacted in an effort to update and modernize the Soldiers' and Sailors' Civil Relief Act of 1940 and provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loans. Military action of the United States may increase the number of citizens who are in active military service, including persons in reserve status who have been called or will be called to active duty. The Servicemembers Civil Relief Act also limits the ability of a lender in the FFEL Program to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three-month period thereafter. As a result, there may be delays in payment and increased losses on the student loans held in under the Indenture. The Foundation does not know how many students have been or may be affected by the application of the Servicemembers Civil Relief Act and the recent guidelines of the Department. If a substantial number of borrowers of the student loans held under the Indenture become eligible for the relief provided under the Servicemembers Civil Relief Act, there could be an adverse effect on the total collections on the student loans and the ability of the Foundation to make payments on the Bonds.

The Higher Education Relief Opportunities for Students Act of 2003 (the "**HEROES Act of 2003**") was signed into law on August 18, 2003 and authorizes the Secretary to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary to ensure that student loan borrowers who: (i) are serving on active military duty during a war or other military operation or national emergency; (ii) are serving on National Guard duty during a war or other military operation or national emergency; (iii) reside or are employed in an area that is declared by any federal, state or local official to be a disaster area in connection with a national emergency; or (iv) suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary, to ensure that such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance, to ensure that administrative requirements in relation to that assistance are minimized, to ensure that calculations used to determine need for such assistance accurately reflect the financial condition of such individuals, to provide for amended calculations of overpayment, and to ensure that institutions of higher education, eligible lenders, guaranty agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable. The number and aggregate principal balance of student loans that may be affected by the application of the HEROES Act of 2003 is not known at this time. Accordingly, payments received by the Foundation on student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers under the student loans become eligible for the relief provided under the HEROES Act of 2003, there could be an adverse effect on the total collections on the student loans and the ability of the Foundation to pay interest on the Bonds.

Certain Amendments to the Indenture and Other Actions may be Taken by Less than All of the Bondholders and Without Your Approval

Under the Indenture, holders of specified percentages of the aggregate principal amount of the Bonds may consent to amend or supplement or waive provisions of the Indenture without the consent of the other holders. You have no recourse if the holders vote and you disagree with the vote on these matters. The holders may vote in a manner which impairs the ability to pay principal and interest on your Bonds.

The Ratings of the Bonds are Not a Recommendation to Purchase and may Change

It is a condition to issuance of the Bonds that they be rated as indicated under "RATINGS." Ratings are based primarily on the creditworthiness of the underlying Financed Eligible Loans, the amount of overcollateralization and the legal structure of the transaction. The ratings are not a recommendation to you to

purchase, hold or sell the Bonds inasmuch as the ratings do not comment as to the market price or suitability for you as an investor. An additional rating agency may rate the Bonds, and that rating may not be equivalent to the initial rating described in this Official Statement. Ratings may be increased, lowered or withdrawn by any rating agency at any time if in the rating agency's judgment circumstances so warrant. A downgrade in the rating of your Bonds is likely to decrease the price a subsequent purchaser will be willing to pay for your Bonds.

Market Disruptions

Since the end of 2007, there have been severe disruptions in the United States financial markets. Certain aspects of this market disruption have negatively impacted issuers of bonds backed by student loans such as the Foundation, including the deterioration of the auction rate securities market, the downgrade of national bond insurers and the limited availability of credit support and liquidity in the market. These events have in some cases caused the Foundation to suffer increased debt service costs.

No Secondary Market for the Bonds

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

Enforceability of Remedies

The remedies available to the Trustee, the Foundation or the owners of the Bonds upon an Event of Default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies provided in the Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds and the Indenture will be qualified as to the enforceability of the various legal instruments, by, among other things, limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. Such legal opinions will be rendered as of their date, and counsel will be under no obligation to update such legal opinions as of any future date.

Possible Loss of Tax Exemption of the Interest on the Bonds

Provisions of the Internal Revenue Code of 1986, as amended (the "**Code**") impose continuing requirements that must be met after the issuance of the Bonds for interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements may cause the interest on the Bonds to be includable in gross income for such purposes, either prospectively or retroactively to the Date of Issuance of the Bonds. See "TAX MATTERS."

DESCRIPTION OF THE FOUNDATION'S ELIGIBLE LOAN FINANCING PROGRAM

General

The Foundation was formed for the purpose of originating and establishing a secondary market for student loans within the State and operates to accomplish such purpose. In 2004, the Foundation's Board of Directors approved a business plan allowing for student loans to be made to non-residents attending out-of-state educational institutions. This plan was developed to allow the Foundation to better serve New Mexico residents who may attend qualifying institutions in other states. This plan necessitated certain amendments to the Educational Assistance Act; amendments which were passed by the New Mexico legislature and signed into law by the Governor in April, 2005. The Foundation has acquired student loans from lenders throughout the State, including banks, savings and loan associations, credit unions and educational institutions.

Description of Financed Eligible Loans

Almost all of the Financed Eligible Loans are guaranteed by NMSLGC, although the Indenture permits Eligible Loans to be Guaranteed by any other entity authorized to guarantee student loans under the Higher Education Act. For a more detailed description of Guaranteed Loans under the Higher Education Act, see "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM,**" and for a description of NMSLGC's guarantee and its Guarantee Program, see "**DESCRIPTION OF THE NEW MEXICO GUARANTEED STUDENT LOAN PROGRAM.**"

The Financed Eligible Loans will consist of Eligible Loans as to which the borrower has not commenced repayment because he or she is in school, has commenced repayment of principal on a loan or is delinquent with respect to such repayments, or is in the grace period or a deferment period with respect to repayment. As more fully described in "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM,**" borrowers are required to begin repaying student loans after a grace period following termination of at least half-time school enrollment; in addition, repayment may be delayed during any deferment period or period of forbearance occurring after termination of the grace period.

Borrower Benefit Programs

The Foundation offers a variety of "borrower benefit" programs to borrowers whose loans are held by the Foundation. The programs could be changed in the future, and additional borrower benefits could be added. The Foundation's borrower benefit programs presently include the following:

Instant Savings Program. The Instant Savings Program provides for a one-half percent per annum reduction in the interest rate on a loan when the loan enters repayment with the Foundation. This benefit is effective for all Stafford and PLUS loans guaranteed on or after May 1, 1998. Loans disbursed on or after July 1, 2006 will not receive this benefit.

Easy Pay Program. The Easy Pay Program provides an interest rate reduction of $\frac{1}{4}$ of one percent per annum if a borrower agrees to automatic debit payments with respect to his or her loan. This benefit is effective for all types of federal student loans.

Pot of Gold Program. The Pot of Gold Program provides a one time, 5% reduction in the principal balance of a loan. This benefit is available for all loans entering repayment with the Foundation after June 30, 1994, but only for borrowers who make their first 48 consecutive monthly payments on time.

Teachers for Tomorrow. The Teachers for Tomorrow Program provides that, when a loan is in repayment with the Foundation and the borrower is a full-time teacher in New Mexico, no interest is charged. This benefit applies to loans guaranteed by NMSLGC and disbursed by the Foundation or one of its participating lenders in the

program from whom it acquires the student loan. It is effective for Stafford loans guaranteed on or after May 1, 2000. For Consolidation Loans otherwise eligible, the interest rate is reduced to 1.25%.

Nurses for New Mexico. The Nurses for New Mexico Program is modeled after the Teachers for Tomorrow Program and provides that, when a loan is in repayment with the Foundation and the borrower is a full-time practicing nurse in New Mexico, no interest is charged. This benefit applies to loans guaranteed by NMSLGC and disbursed by the Foundation or one of its participating lenders in the program from whom it acquires the student loans. It is effective for Stafford Loans guaranteed on or after May 1, 2000. For Consolidation Loans otherwise eligible, the interest rate will be reduced to 1.25%.

Zero Percent Interest Loans for Employees Program. This program provides for educational loans incurred by current employees of the Foundation to receive a zero percent interest repayment benefit, so long as the employee remains employed by the Foundation. For Consolidation Loans otherwise eligible, the interest rate will be reduced to 1.25%.

UNM Medical and Law School Programs. The UNM Medical and Law School Programs were approved by the Foundation's Board of Directors in 2005. These programs provide the upfront benefit of a 0% origination fee and a 0% default fee. The Foundation pays the origination fee and the default fee on behalf of the borrower for Stafford loans guaranteed on or after January 1, 2005. Law school borrowers and medical school borrowers practicing medicine out of state are eligible for the Easy Pay program and for a 4.5% principal balance reduction after 33 on-time payments on Stafford loans guaranteed on or after January 1, 2005. The Medical school program provides that, if a Stafford loan was guaranteed on or after January 1, 2005, is in repayment with the Foundation and the medical school borrower is practicing medicine full-time in the state of New Mexico, no interest will be charged; and for Consolidation loans otherwise eligible, the interest rate is reduced to 1.25%.

Servicing and "Due Diligence"

The Foundation has covenanted in the Indenture to administer and collect all Financed Eligible Loans in a diligent manner, and in accordance with all requirements of the Higher Education Act, the Secretary, the Educational Assistance Act, the Indenture, the Contract of Insurance, the Federal Reimbursement Contracts, the Guarantee Program and the Guarantee Agreement. All of the required activities are achieved in-house using a licensed third-party software system. The Foundation is in the late stages of developing its own state of the art software servicing system to replace the third-party servicing system. Conversion to the new software servicing system will take place after extensive testing and parallel testing.

The Higher Education Act requires that the Trustee, the Foundation, a lender and their agents and employees exercise "due diligence" in the making, servicing and collection of Financed Eligible Loans and, with respect to Guaranteed Loans, that the Guaranty Agency exercise due diligence in collecting loans which it holds. The Higher Education Act defines "due diligence" as requiring the holder of a student loan to utilize collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans, and requires that certain specified collection actions be taken within certain specified time periods with respect to a delinquent loan or defaulted loan. Such due diligence procedures include certain loan application procedures, certain loan origination procedures and, when a student loan is delinquent or in default, certain loan collection procedures; the procedures to make, guarantee and service student loans are specifically set forth in the Code of Federal Regulations, and no attempt has been made in this Official Statement to completely describe those procedures. Pursuant to a waiver from the Department of Education, the Foundation satisfies certain of its "due diligence" obligations by pursuing legal proceedings against a defaulting borrower.

NMSLGC has established procedures and standards for due diligence to be exercised by NMSLGC and by lenders which hold loans that are guaranteed by NMSLGC. The Trustee, the Foundation, a lender or the Guaranty Agency may not relieve itself of its responsibility for meeting the applicable standards by delegation to any servicing agent. Accordingly, if the Foundation, a lender or any Servicer fails to meet such standards, the Foundation's ability to realize the benefits of Guarantee and Insurance payments, and (with respect to student loans eligible for such payments) interest subsidy payments and Special Allowance Payments may be adversely affected. If a Guaranty Agency fails to meet such standards, such Guaranty Agency's ability to realize the benefits of federal reinsurance payments may be adversely affected.

The Higher Education Act authorizes the Secretary to regulate student loan servicers. The regulations adopted pursuant to such authority establish requirements governing contracts between institutions and third-party servicers, provide sanctions against institutions for violations of the program requirements of the Higher Education Act, establish similar sanctions for third-party servicers and establish standards of administrative and financial responsibility for third-party servicers that administer any aspect of a Guaranty Agency's or lender's participation in the FFEL Program. Although the Foundation does not at present employ third-party servicers of Financed Eligible Loans, it does act as a third-party Servicer for certain other entities. See "NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION."

Backup Servicer and Backup Servicing Agreement

Pursuant to a backup servicing agreement effective September 15, 2010, as amended to apply to the Bonds effective on the Date of Issuance of the Bonds (the "**Backup Servicing Agreement**"), Great Lakes Education Loan Servicing, Inc. ("**GLELSI**") will act as backup servicer with respect to the Financed Eligible Loans presently serviced by the Foundation, which, pursuant to the Indenture, serve as security for the Bonds. If the Foundation decides to no longer service the Financed Eligible Loans, it will use its best efforts to notify GLELSI six months, but in any event no less than four months, prior to the initiation of GLELSI's obligations to begin to perform servicing pursuant to the Backup Servicing Agreement. If the Foundation in the performance of its servicing obligations as to the Financed Eligible Loans fails to fully perform such obligations and this failure results in an event of default under the Indenture, and such event of default is not cured during any applicable cure period, then the Foundation will provide written notice to GLELSI of the determination that the Financed Eligible Loans serviced by the Foundation must be serviced by GLELSI under the Backup Servicing Agreement. The Foundation will use its best efforts to give such notice to GLELSI six months, but in any event no less than four months, prior to the initiation of GLELSI's obligations to begin to perform servicing pursuant to the Backup Servicing Agreement.

In addition, at any time any Servicer (including the Foundation) fails in any material respect to perform its obligations under its Servicing Agreement or under the Higher Education Act, including without limitation the failure of the Servicer to comply with the due diligence requirements of the Higher Education Act, or if any servicing audit shows any material deficiency in the servicing of Financed Eligible Loans by any Servicer, and such material violation continues for a period of 30 days after the Foundation becomes aware of such material violation, or the Servicer is subject to a bankruptcy or solvency proceeding, the Foundation is required to provide written notice to GLELSI of the determination that the Financed Eligible Loans must be serviced by GLELSI under the Backup Servicing Agreement.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

The Foundation is a New Mexico nonprofit corporation established pursuant to the Educational Assistance Act to improve the educational opportunities of residents of New Mexico by providing financial assistance to qualified post-secondary students. The Foundation is empowered to issue revenue obligations, and, among other things, to make, finance, purchase, hold and sell student loans. The Foundation, together with the New Mexico Student Loan Guarantee Corporation, will, from time to time, act together and operate under the business name "New Mexico Student Loans"; however, the basic corporate structure of the Foundation has continued unchanged.

Board and Officers

The affairs of the Foundation are governed by the Board of Directors and carried on by the officers of the Foundation. The Board of Directors consists of eleven members. Each of six directors is a member of and appointed by the Board of Regents of the institution each represents. The six institutions are the University of New Mexico, New Mexico State University, New Mexico Highlands University, New Mexico Institute of Mining and Technology, Western New Mexico University and Eastern New Mexico University. These six regent members serve the Foundation during their terms as regents, and elect three additional members for four year terms. These three additional members consist of an administrator of a private New Mexico college, university or vocational school and two officers or directors of financial institutions located in the State. The tenth director is a member of

the governing board of a two-year public community or technical college that is not a branch of a university, and is appointed by a representative body of the community and technical colleges. The eleventh director is the State Treasurer or his designee. Members of the Board of Directors do not receive any compensation for their services as Board members but are reimbursed expenses incurred in the performance of their duties.

The President of the Foundation is appointed by the Board of Directors. The officers of the Foundation consist of a President who is also Executive Director, five Vice Presidents including the General Counsel, and such other officers and assistants as the President may appoint.

Present directors and officers of the Foundation and their affiliations are:

<u>Name</u>	<u>Position</u>	<u>Affiliation</u>
Richard N. Carpenter	Director and Chairperson	Member of Board of Regents, New Mexico Institute of Mining and Technology
Paul Weaver	Director and Vice-Chairperson	Senior Vice-President, Bank of America, N.A. Albuquerque, New Mexico
Robert P. Matteucci	Director and Secretary/Treasurer	Member of Board of Trustees, Central New Mexico Community College
Chris Anaya	Director	Member of Board of Regents, New Mexico State University
Eileen Givler	Director	Vice President, Bank of The West, Albuquerque, New Mexico
Randy Harris	Director	Member of Board of Regents, Eastern New Mexico University
James B. Lewis	Director	State Treasurer
Nancy R. Long	Director	Member of Board of Regents, New Mexico Highlands University
Bryan E. Valentine	Director	Treasurer, St. John's College, Santa Fe, New Mexico
Jerry A. Walz	Director	Member of Board of Regents, Western New Mexico University
Cate Wisdom	Director	Member of Board of Regents, University of New Mexico
Elwood G. Farber	President	New Mexico Educational Assistance Foundation
Cecilia Evjen	Vice President and COO	New Mexico Educational Assistance Foundation
Brad Allpass	Vice President, Finance	New Mexico Educational Assistance Foundation
Reginald J. Storment	Vice President, General Counsel	New Mexico Educational Assistance Foundation
Paul C. Padilla	Vice President, Information Technologies	New Mexico Educational Assistance Foundation
Gavin Gillette	Vice President, Administrative Services	New Mexico Educational Assistance Foundation

Elwood G. Farber is the President and Executive Director of both the Foundation and NMSLGC, and is responsible for all aspects of the Program. Mr. Farber has over 40 years of experience in the student loan industry, including more than thirteen years as either an executive director or senior vice president of secondary market organizations. Mr. Farber received a degree in Physics from Lemoyne College in New York, and a Master of Arts degree in Educational Administration from the University of Rhode Island.

Cecilia Evjen, Vice President and COO, is responsible for the proper administration of the operations area of the Foundation. Ms. Evjen has over 21 years of varied management and human resources experience, having worked in various capacities for employers ranging in size from less than 250 employees to greater than 11,000 employees. Ms. Evjen has served on executive management teams for over 15 years. She has a Bachelor of Arts degree in business administration from New Mexico Highlands University.

Brad Allpass, Vice President, Finance, is responsible for the proper administration of accounting and financial policies and procedures throughout the Foundation, including financial and trust activities, investments, relations with commercial banks, budgets, annual financial audits by independent audit firms and financial and management reporting. Mr. Allpass received a Bachelors of Business Administration degree, accounting concentration, and a Masters of Business Administration degree in Financial Management from the University of New Mexico. Mr. Allpass is a Certified Public Accountant and has over 20 years of diversified accounting, auditing, tax, and financial management experience.

Reginald J. Storment, Vice President, General Counsel, is responsible for the proper administration and functioning of the litigation aspects of the Foundation's debt collection programs, as well as all legal aspects of the Foundation's and NMSLGC business operations, including regulatory/compliance issues involving the student loan program administered by both the Foundation and NMSLGC. Mr. Storment is admitted to practice before all New Mexico courts, including the United States District Court and Bankruptcy Court. Mr. Storment received his Juris Doctor degree from the University of New Mexico School of Law and has over 30 years of experience, including a diversified litigation and legal/financial background.

Paul C. Padilla, Vice President, Information Technologies, is responsible for the proper deployment, administration and functioning of technology-based solutions for the Foundation. Mr. Padilla received a Bachelors of Business Administration degree from the College of Santa Fe and a Masters of Business Administration degree, technology management concentration, from the University of Phoenix. Mr. Padilla has over 40 years of data processing/information technology experience in highly regulated industries including government, public utilities and banking.

Gavin Gillette, Vice President, Administrative Services, is responsible for the proper administration of the human resources, training, facilities management and document management functions for the Foundation and NMSLGC. Mr. Gillette has over 19 years of management and human resources experience. Mr. Gillette received a BBA and MBA in human resources from the University of New Mexico.

The Foundation's operations have consisted primarily of acquiring and originating student loans, providing information to and securing student loan purchase agreements from lenders throughout the State, administering and servicing its own student loan portfolios and certain loans of post-secondary educational institutions located in the State, and issuing and administering the bonds and notes described in the third succeeding paragraph. The Foundation also provides full portfolio servicing to several other lenders and provides interest subsidy and special allowance payment billing services to several lenders in the State. In addition, the Foundation services Perkins loans and performs accounts receivable collections under contract with the majority of the State's public and non-profit higher education institutions. See "DESCRIPTION OF THE FOUNDATION'S ELIGIBLE LOAN FINANCING PROGRAM – Servicing and Due Diligence." The Foundation is also exploring options to provide services to the United States Department of Education in aid of Direct Lending as a contractor. For a discussion of certain legislative changes under consideration, see "CERTAIN RISK FACTORS – Elimination of FFEL Program and Changes to the Higher Education Act."

The Foundation performs certain duties and functions of NMSLGC pursuant to a service agreement with NMSLGC. While most of NMSLGC's guarantee functions are performed by other parties, the service agreement accounts for approximately twelve to fifteen percent of the Foundation's annual operating fund revenue.

The Foundation began acquiring student loans in January 1982 and, as of November 30, 2010, had acquired and/or originated over \$2.9 billion in principal amount of such loans, of which approximately \$1.1 billion in principal amount remained outstanding as of such date. The Foundation is the secondary market for all lenders in the State which participate in the FFEL Program, with the exception of Wells Fargo Bank New Mexico N.A.

Outstanding Obligations

The following obligations of the Foundation (as categorized pursuant to the indenture under which they were authorized and issued) will be outstanding as follows on the Date of Delivery of the Bonds and after giving effect to the refunding of the Refunded Bonds:

<u>Issue</u>	<u>Principal Amount Outstanding</u>
Education Loan Bonds issued under the 1998 Indenture:	
Senior Series 2001A-1	\$ 20,300,000
First Subordinate Series 2001B-1	6,715,000
Senior Series 2002A	70,000,000
Senior Series 2003A	70,000,000
Senior Series 2004A	109,750,000
Senior Series 2007A-1	112,620,000
Senior Series 2007A-2 (Taxable)	62,000,000
Senior Series 2009A	36,680,000
Senior Series 2009B	180,670,000
Senior Series 2009C	38,775,000
Education Loan Bonds issued under the September 2010 Indenture:	
Senior Series 2010-1 A-1	86,000,000
Senior Series 2010-1 A-2	73,000,000
Senior Series 2010-1 A-3	39,700,000
Education Loan Bonds issued under the December 2010 Indenture:	
Senior Series 2010-2 A-1	48,400,000
Senior Series 2010-2 A-2	53,900,000
Senior Series 2010-2 A-3	<u>65,000,000</u>
TOTAL FOUNDATION BONDS OUTSTANDING	<u>\$1,073,510,000</u>

The Foundation may also from time to time issue additional obligations which will not be secured by the Indenture, and which will provide no security for the Bonds.

The Foundation presently has a staff of approximately 133 full-time employees.

Derivatives

At June 30, 2010, the Foundation had an interest rate swap (effective September 16, 2009) outstanding with a notional amount of \$219,445,000. See Note 8 to the financial statements of the Foundation attached as **Appendix C** to this Official Statement. In addition, in connection with the issuance of the Series 2010-1 A-1 Bonds in September 2010, the Foundation entered into an interest rate swap with Royal Bank of Canada for a notional amount of \$86,000,000 pursuant to which the Foundation pays to Royal Bank of Canada floating amounts based on a floating rate and Royal Bank of Canada pays to the Foundation fixed amounts.

THE NEW MEXICO STUDENT LOAN GUARANTEE CORPORATION

The New Mexico Student Loan Guarantee Corporation ("NMSLGC") is designated as the single nonprofit corporation to provide a statewide guaranteed student loan program in the State of New Mexico, pursuant to the Educational Assistance Act. In 2004, NMSLGC's Board of Directors approved a business plan that would allow for loans to non-residents attending out-of-state educational institutions to be guaranteed by NMSLGC. This plan was developed to allow the Foundation and NMSLGC to better serve New Mexico residents who may attend qualifying institutions in other states. This plan necessitated certain amendments to the Educational Assistance Act;

amendments which were passed by the New Mexico legislature and signed into law by the Governor in April, 2005. Once a lender has been found eligible by NMSLGC, an Educational Loan Guarantee Agreement is entered into by both parties. Thereafter, NMSLGC guarantees the payment of (i) 100% with respect to loans first guaranteed on or before October 1, 1993, (ii) 98% with respect to loans first guaranteed after October 1, 1993 but before July 1, 2006, and (iii) 97% with respect to loans first guaranteed on or after July 1, 2006, of the unpaid balance of principal and accrued interest on qualifying loans made by the lender in accordance with the Educational Loan Guarantee Agreement and policies of NMSLGC and the Secretary. NMSLGC is also required by the Higher Education Act to ensure that due diligence is exercised by lenders in the origination, servicing and collection of student loans and is charged with promoting participation in the Federal Family Education Loan Program by private lenders in the State. The Foundation, together with the NMSLGC, will, from time to time, act together, and operate under the business name "New Mexico Student Loans"; however, the basic corporate structure of the Foundation and of NMSLGC will continue unchanged.

The affairs of NMSLGC are governed by the Board of Directors and carried on by the officers of NMSLGC. The Board of Directors consists of five members as follows: the Chairperson of the Board of Directors of the Foundation; the Secretary of the New Mexico Department of Higher Education; two members, appointed by the Board of Directors, who are officers or directors of financial institutions located in the State; and a representative of the general public, appointed by the Board of Directors. Members of the Board of Directors do not receive any compensation for their services as Board members but are reimbursed for their actual and necessary expenses reasonably incurred in the performance of their duties.

The President of NMSLGC is appointed by the Board of Directors. Officers of NMSLGC consist of a President, who also is Executive Director, a Secretary, a Treasurer and such vice-presidents, including the General Counsel, as the President may appoint.

Present directors and officers of NMSLGC and their affiliations or principal occupations are:

<u>Name</u>	<u>Position</u>	<u>Affiliation</u>
Maria Griego-Raby	Director and Chairperson	Member of New Mexico Board of Finance and principal in Contract Associates, Inc.
Dion Kidd	Director	President, Western Commerce Bank, Alamogordo, New Mexico
Mark Pike	Director and Vice-Chairperson	Senior Vice President, Wells Fargo Bank New Mexico, N.A.
Richard N. Carpenter	Director	Chairperson, Board of Directors, New Mexico Educational Assistance Foundation
Dr. Viola E. Florez	Director	Secretary, New Mexico Higher Education Department
Elwood G. Farber	President and Executive Director	NMSLGC
Cecilia Evjen	Vice President and Secretary	NMSLGC
Brad Allpass	Treasurer	NMSLGC
Reginald J. Storment	Vice President, General Counsel	NMSLGC
Paul C. Padilla	Vice President, Information Technologies	NMSLGC
Gavin Gillette	Vice President, Administrative Services	NMSLGC

NMSLGC's address is P.O. Box 27020, Albuquerque, New Mexico 87125, and its telephone number is 505-345-8821.

DESCRIPTION OF THE NEW MEXICO GUARANTEED STUDENT LOAN PROGRAM

General

The Educational Assistance Act authorizes NMSLGC to establish and contract for the operation of a guaranteed student loan program, and designates NMSLGC as the single nonprofit corporation authorized to provide a statewide educational loan program in New Mexico.

The legislature of the State is not obligated to appropriate any money to pay for guaranteed student loan defaults. NMSLGC may not obligate the credit of the State for the purpose of the guaranteed student loan program. NMSLGC is obligated to make payments under the Guarantee Agreement solely from the revenues or other funds in the Federal Student Loan Reserve Fund maintained by NMSLGC. Neither the State nor any political subdivision thereof is obligated to make such payments, and neither the faith and credit nor the taxing powers of the State or any of its political subdivisions is pledged to the payment to be made by NMSLGC under the Guarantee Agreement.

NMSLGC guarantees loans made to students or parents of students by lending institutions such as the Foundation, banks, credit unions, savings and loan associations, certain schools, pension funds and insurance companies. NMSLGC commenced its program of guaranteeing student loans in 1981.

NMSLGC purchases defaulted student loans which it has guaranteed from moneys in its Federal Student Loan Reserve Fund. A lender may submit a default claim to NMSLGC after the student loan has been delinquent for at least 270 days (180 days with respect to student loans made before October 7, 1998). NMSLGC will pay the lender principal and interest accrued on the loan. NMSLGC may not file a reimbursement claim with the Department of Education unless the defaulted student loan has been delinquent for at least 360 days (270 days with respect to student loans made before October 7, 1998).

NMSLGC must pay a lender for a default claim before NMSLGC is eligible to be reimbursed by the Secretary. For a description of the federal program of insurance and reinsurance provided by Title IV of the Higher Education Act pursuant to which NMSLGC is reimbursed by the Secretary for certain amounts paid by NMSLGC in connection with its guarantee of student loans, see "– Federal Agreements" and "– Effect of Annual Claims Rate" below. The guarantee volume and revenues of NMSLGC have been and are expected to continue to be adversely affected by implementation of the Direct Loan Program and certain other changes in the Higher Education Act and the curtailment of new FFEL Program Loans beginning July 1, 2010. See "CERTAIN RISK FACTORS – Elimination of FFEL Program and Changes to the Higher Education Act," "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**" and "– Federal Agreements" and "– Secretary Review of Financial Solvency of Guarantee Agencies" below.

Federal Agreements

On July 1, 1981, NMSLGC and the Secretary entered into a contract pursuant to Section 428(c) of the Higher Education Act (as amended, the "**428(c) Agreement**"), which provides for NMSLGC to receive reimbursement of certain insurance payments that NMSLGC makes to eligible lenders with respect to loans insured by NMSLGC prior to termination of the 428(c) Agreement or the expiration of the authority of the Higher Education Act. The 428(c) Agreement provides that it may be terminated by the Secretary only for cause, and that a termination shall not affect the Secretary's obligations incurred prior to the date of termination. The percentage of reimbursement for such amounts received by NMSLGC is set forth in the Higher Education Act and embodied in a supplemental guarantee agreement entered into by NMSLGC and the Secretary on July 1, 1981 pursuant to former Section 428A of the Higher Education Act (as amended, the "Supplemental Guarantee Agreement," and, together with the 428(c) Agreement, the "**Federal Reimbursement Contracts**"). The Federal Reimbursement Contracts provide for termination under certain circumstances and also provide for certain actions short of termination by the Secretary to protect the Federal interests. In accordance with the Supplemental Guarantee Agreement and the 1998 Amendments, the Secretary is to reimburse NMSLGC between 75% and 100% of the amount expended by NMSLGC in connection with defaults, depending on NMSLGC default claims rate and the type of loan. If NMSLGC fails to maintain required reserve levels for two consecutive years, the maximum reinsurance payment

rate is reduced to 85%. In addition, the reinsurance fee paid by NMSLGC to the Secretary is to be increased if NMSLGC default claims rate exceeds 5%. See "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**" and "Effect of Annual Claims Rate" under this caption.

In addition to insurance or guarantee benefits, qualified student loans acquired under the Program benefit from certain Federal subsidies. On July 1, 1981, NMSLGC and the Secretary entered into an interest subsidy agreement under Section 428(b) of the Higher Education Act (as amended, the "**Interest Subsidy Agreement**"), which entitles the holders of loans insured by NMSLGC (other than PLUS/SLS Loans) to receive interest subsidy payments from the Secretary on behalf of certain students while the student is in school, during a six to nine month grace period after the student leaves school, and during certain deferment periods, subject to the holders' compliance with all requirements of the Higher Education Act. See "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM**" for a more detailed description of the interest subsidy payments.

United States Courts of Appeals have held that the Federal government, through subsequent legislation, has the right unilaterally to amend portions of the contracts between the Secretary and Guaranty Agencies similar to NMSLGC described herein. Prior amendments to the Higher Education Act (a) abrogated certain rights of guarantee agencies such as NMSLGC under contracts with the Secretary relating to the repayment of certain advances from the Secretary, (b) authorized the Secretary to withhold reimbursement payments otherwise due to such guarantee agencies until certain specified amounts of such guarantee agencies' reserves had been eliminated, (c) added new reserve level requirements for such guarantee agencies, (d) authorized the Secretary to terminate the Federal Reimbursement Contracts under circumstances that did not previously warrant such termination and (e) expanded the Secretary's authority to seize guarantee agencies' reserves. There can be no assurance that future legislation will not adversely affect the rights of NMSLGC, or holders of loans guaranteed by NMSLGC, under such contracts.

NMSLGC's Federal Student Loan Reserve Fund is the property of the Federal government. Neither the Federal Student Loan Reserve Fund nor operating funds nor any other assets or revenues of NMSLGC, including amounts payable to NMSLGC by the Secretary, as described herein, are pledged as security for the Bonds. Amounts paid by NMSLGC to the Foundation in fulfillment of NMSLGC insurance obligations may be so pledged. See "**SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.**"

Recent legislation has the effect of reducing default collection retention and increasing the costs paid by NMSLGC. See "**Appendix A – DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.**"

Secretary Review of Financial Solvency of Guaranty Agencies

Annually, the Secretary is to collect information from each guaranty agency to determine the guaranty agency's solvency. Pursuant to the Higher Education Act, if (a) the guaranty agency's current reserve level falls below the federally required minimum for any two consecutive years, (b) the guaranty agency's federal reimbursement payments are reduced to 85%, or (c) the Secretary determines that the guaranty agency's administrative or financial condition jeopardizes the guaranty agency's ability to fulfill its responsibilities as a guarantor, the Secretary must require the guaranty agency to submit and implement a management plan acceptable to the Secretary. The guaranty agency must submit its management plan to the Secretary within 45 business days of any one of the above-listed conditions. The management plan must identify the means by which the guaranty agency will improve its financial and administrative conditions to the required level within 18 months. The Higher Education Act further provides that if the Secretary has determined that a guaranty agency is unable to meet its insurance obligations, the holder of loans insured by the guaranty agency may submit insurance claims directly to the Secretary and the Secretary is to pay to the holder the full insurance obligation of the guaranty agency, in accordance with insurance requirements no more stringent than those of the guaranty agency. Such arrangements are to continue until the Secretary is satisfied that the insurance obligations have been transferred to another guaranty agency which can meet those obligations or a successor will assume the outstanding insurance obligations. In addition, the Secretary is authorized, on terms and conditions satisfactory to the Secretary, to make advances to a

guaranty agency in order to assist the guaranty agency in meeting its immediate cash needs and to ensure uninterrupted payment of default claims by lenders, including the guaranty agency.

Effect of Annual Claims Rate

NMSLGC's ability to meet its obligation to pay default claims on Financed Eligible Loans will depend on the adequacy of its Federal Student Loan Reserve Fund and, under the current federal reinsurance arrangement, the default experience of all lenders under NMSLGC's Guarantee Program. A high default experience among lenders participating in NMSLGC's Guarantee Program may cause NMSLGC's Claims Rate (as defined below) for its Guarantee Program to exceed the 5% and 9% levels described below, and result in the Secretary reimbursing NMSLGC at less than (i) 100% with respect to loans first guaranteed before October 1, 1993, (ii) 98% with respect to loans first guaranteed on or after October 1, 1993 but before July 1, 2006, and (iii) 97% with respect to loans first guaranteed on or after July 1, 2006, of default claims payments made by NMSLGC.

NMSLGC is currently entitled to receive reimbursement payments under the Federal Reimbursement Contracts of between 75% and 100% of the amount expended by NMSLGC, depending on the Claims Rate experience of NMSLGC. NMSLGC is currently entitled to at least 75% (78% for loans made on and after October 1, 1993 but before October 1, 1998, and 80% for loans made before October 1, 1993) reimbursement from the Secretary on default claims that it purchases regardless of its Claims Rate. The "Claims Rate" is computed by dividing total default claims since the previous September 30 by the total original principal amount of NMSLGC's guaranteed loans in repayment on such September 30. On October 1 of each year the Claims Rate begins at zero, regardless of the experience in preceding years. If the Claims Rate remains equal to or below 5% within a given federal fiscal year (October 1 through September 30), the Secretary is currently obligated to provide reimbursement at the highest level shown below; if and when the Claims Rate exceeds 5% and until such time, if any, as it exceeds 9% during the fiscal year, the reimbursement rate drops as shown below; if and when the Claims Rate exceeds 9% during the fiscal year, the reimbursement rate for the remainder of the fiscal year is at the lowest level shown below.

The insurance or reimbursement payment formulas with respect to defaults on loans made (a) on or after October 1, 1993 but before October 1, 1998 and (b) on or after October 1, 1998, are summarized below:

<u>Default Claims Rate</u>	<u>Default Claims Rate (loans prior to 10/1/98)</u>	<u>Default Claims Rate (loans on or after 10/1/98)</u>
0% up to 5%	98%	95%
5% up to 9%	98% of claims up to 5%; 88% of claims 5% and over up to 9%	95% of claims up to 5%; 85% of claims 5% and over up to 9%
9% and over	98% of claims up to 5%; 88% of claims 5% and over up to 9%; and 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% and over up to 9%; and 75% of claims 9% and over

Loans made pursuant to the lender-of-last resort program and loans transferred by an insolvent guarantor continue to be reimbursed at 100%. For loans made prior to October 1, 1993, and for other loans transferred from an insolvent guarantor, the basic reimbursement percentage is 100%, reduced to 90% and 80%, respectively, for claims 5% and over up to 9%, and for claims 9% and over. For loans made pursuant to the lender-of-last resort program, the reimbursement percentage is 100%, regardless of guaranty agency's default claims rate. If a guaranty agency fails to maintain required reserve levels for two consecutive years, the maximum reinsurance payment percentage is reduced to 85%. There can be no assurance that future legislation or regulations will maintain these reimbursement percentages or will not impose additional restrictions on receipt of such percentages.

The following table lists NMSLGC's Claims Rates for each of the last five fiscal years and a projection for the current fiscal year.

<u>Year Ended</u>	<u>Claims Rate</u>
September 30, 2005	1.36%
September 30, 2006	1.64
September 30, 2007	1.57
September 30, 2008	1.88
September 30, 2009	2.42
September 30, 2010	2.77

Higher than expected default claims against NMSLGC of Eligible Loans could reduce the amount of federal reimbursement to NMSLGC, thus possibly causing NMSLGC to reduce its reserve fund below desired levels in order to pay guaranty claims. See "Secretary Review of Financial Solvency of Guarantee Agencies" above.

The Federal Student Loan Reserve Fund and the Guarantee Agreement

NMSLGC maintains a Federal Student Loan Reserve Fund for the purpose of purchasing student loans in default. In the Educational Loan Guarantee Agreement dated August 18, 1981 (the "**Guarantee Agreement**") between NMSLGC and the Foundation, NMSLGC agrees to maintain at all times assets for payment of claims in the amount required by the Higher Education Act (presently, 0.25% of the principal amount of loans guaranteed and outstanding), and NMSLGC is in compliance with this requirement. The amount in the Federal Student Loan Reserve Fund includes insurance premiums paid by lenders (the cost of which may be passed on to borrowers) and reinsurance payments received from the Secretary as reimbursement for a portion of the claims paid by NMSLGC. The 2005 HERA Amendment requires NMSLGC to charge a onetime Federal Default Fee of 1% of the principal amount of each student loan that it guarantees. NMSLGC is allowed to retain 27% of its post-reimbursement collections on defaulted loans received on or after October 1, 1993 and prior to October 1, 1998, 24% of such collections on defaulted loans received on or after October 1, 1998 but prior to October 1, 2003, 23% of such collections on defaulted loans received on or after October 1, 2003 but prior to October 1, 2007, and 16% of its post-reimbursement collections received on or after October 1, 2007.

If the financial status of NMSLGC and its ability to honor guarantee claims were to be materially adversely affected over time, such changes could result in a failure to make guarantee payments to the Foundation. The adequacy of the Federal Student Loan Reserve Fund to meet its guarantee obligations with respect to existing student loans depends, in significant part, on its ability to collect revenues generated by new loan guarantees and reinsurance payments. The curtailment of new loan guarantees or too high of a default rate could materially adversely affect its ability to meet its guarantee obligations. There are no assurances as to the Secretary's actions if NMSLGC encounters administrative or financial difficulties or as to whether the Secretary will demand that NMSLGC transfer all or a portion of its Federal Student Loan Reserve Fund to the Secretary. See "CERTAIN RISK FACTORS – Financial Status of NMSLGC."

The Higher Education Act provides that if the Secretary has determined that a guaranty agency is unable to meet its guarantee obligations, the holder of loans guaranteed by the guaranty agency may submit claims directly to the Secretary and the Secretary shall pay to the holder the full guarantee obligation of the guaranty agency, in accordance with guarantee requirements no more stringent than those of the guaranty agency. Such arrangements are to continue until the Secretary is satisfied that the guarantee obligations have been transferred to another guaranty agency which can meet these obligations or a successor will assume the outstanding guarantee obligations. In addition, the Secretary is authorized, on terms and conditions satisfactory to the Secretary, to make advances to a guaranty agency in order to assist the guaranty agency in meeting its immediate cash needs and to ensure uninterrupted payment of default claims by lenders.

The obligations of NMSLGC do not constitute debts of the Foundation or of the State. The New Mexico legislature is not in any way obligated to make any appropriations to NMSLGC.

TAX MATTERS

Excludability of Interest. In the opinion of Ballard Spahr LLP, interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Foundation and continuing compliance by the Foundation with the requirements of the Internal Revenue Code of 1986 (the "**Code**"). Interest on the Bonds is exempt from individual and corporate federal alternative minimum tax ("**AMT**") and is not includable in adjusted current earnings for purposes of corporate AMT.

State of New Mexico Income Tax. In the opinion of Ballard Spahr LLP and Sutin Thayer & Browne A Professional Corporation, interest on the Bonds is exempt from State of New Mexico personal income taxes under currently existing law.

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

Complete copies of the proposed forms of opinions of Co-Bond Counsel are set forth in **Appendix D** hereto.

UNDERWRITING

The Bonds are to be purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC (together, the "**Underwriters**") pursuant to a Bond Purchase Agreement (the "**Bond Purchase Agreement**"). The Underwriters will purchase the Bonds at a price equal to the face amount thereof. The Bond Purchase Agreement provides that the Underwriters will purchase all of the related Bonds if any are purchased. The obligation of the Underwriters to purchase the Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement. In connection with the issuance of the Bonds, the Underwriters will be paid an underwriting fee of \$652,470.

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

CONTINUING DISCLOSURE UNDERTAKING

In connection with the issuance of the Bonds, the Foundation will deliver a Continuing Disclosure Undertaking in the form as set forth in **Appendix E** hereto, wherein the Foundation will agree for the benefit of the owners of the Bonds to provide certain quarterly and annual financial information and operating data and to provide notices of occurrence of certain enumerated events relating to the Bonds. The Continuing Disclosure Undertaking is being executed by the Foundation to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "**Rule**"). The Bonds are the initial and only Bonds which will be issued under the Indenture, and the Foundation does not have any prior continuing disclosure obligations with respect to the Indenture. Since 1997, the Foundation has complied with the Rule in all material respects with regard to its previous undertakings.

ABSENCE OF LITIGATION

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 Bonds, or in any way contesting or affecting the validity of the Bonds,

any proceedings of the Foundation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the Foundation.

CERTAIN LEGAL MATTERS

Opinions as to the validity of the Bonds (in substantially the forms set forth in **Appendix D** hereto) are to be delivered by Ballard Spahr LLP and Sutin Thayer & Browne A Professional Corporation, Co-Bond Counsel. Certain legal matters will be passed on for the Foundation and NMSLGC by their General Counsel, and for the Underwriters by their counsel, Hogan Lovells US LLP.

AGREEMENT OF STATE

Pursuant to the Educational Assistance Act and the Indenture, the State of New Mexico pledges to and agrees with the Bondowners that the State will not limit or alter the rights vested by the Educational Assistance Act in the Foundation and NMSLGC to fulfill the terms of any agreements made with the Bondowners or in any way impair the rights and remedies of the Bondowners until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action by or on behalf of the Bondowners, are fully met and discharged.

LEGALITY FOR INVESTMENT AND DEPOSIT IN NEW MEXICO

The Bonds are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians and for the sinking funds of political subdivisions, departments, institutions and agencies of the State of New Mexico. The Bonds are sufficient security for all deposits of State of New Mexico funds and of all funds of any New Mexico board in control of public money, at the par value of the Bonds.

FINANCIAL STATEMENTS OF THE FOUNDATION

The financial statements of the Foundation as of June 30, 2010, and for the year then ended, included in **Appendix C** in this Official Statement, have been audited by Moss Adams LLP, independent public accountants, as stated in their report appearing herein. Moss Adams LLP has not been engaged to perform and has not performed, since the date of the report included herein, any procedures on the financial statements addressed in that report. Moss Adams LLP also has not performed any procedures relating to this Official Statement.

Since the Bonds are special obligations of the Foundation, payable solely from the Trust Estate, the overall financial status of the Foundation does not indicate, and will not necessarily affect, whether amounts will be available in the Trust Estate to pay the principal of and interest when due on the Bonds. No financial statements are available for the Funds and assets comprising the Trust Estate.

RATINGS

The Bonds are expected to be given the rating of "AAA (sf)" by S&P and "AAA" by Fitch. No application was made to any other rating agency for the purpose of obtaining additional ratings of the Bonds.

Any ratings reflect only the view of the rating agency. Any explanation of the significance of the ratings may be obtained only from the rating agency. There can be no assurance that ratings will continue for any given

period of time or that they will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of the Bonds.

The Foundation expects to furnish each rating agency information and materials that it may request. However, the Foundation assumes no obligation to furnish requested information and materials, and may issue additional obligations for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating agency's ratings on the Bonds.

MISCELLANEOUS

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

The information contained in this Official Statement is subject to change without notice, and no implication should be derived therefrom or from the sale of the Bonds that there has been no change in the affairs of the Foundation, NMSLGC or others, from the date hereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Foundation and the purchasers or owners of any of the Bonds. The statements of the Foundation herein are not to be construed as statements by any member of the Board or any employee of the Foundation.

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

This Official Statement, its distribution and use by the Underwriters have each been duly authorized and approved by the Foundation.

**NEW MEXICO EDUCATIONAL ASSISTANCE
FOUNDATION**

By: /s/ Richard N. Carpenter
Chairperson

By: /s/ Elwood G. Farber
President

APPENDIX A

DESCRIPTION OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

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

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

Recent Federal Legislation Affecting the FFEL Program

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

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

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

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

Among other things HR 4137 provides for: (i) lender and school "codes of conduct" applicable to both FFELP and private loans; (ii) the Secretary in coordination with the Federal Reserve to determine minimum reporting requirements for lenders and schools participating in preferred lending arrangements; (iii) effective July 1, 2010, excluding certain veteran's educational benefits from the definition of a student's "estimated financial

assistance;" (iv) extending the prohibited inducement provisions applicable to guarantors and lenders to prohibit, among other things, unsolicited mailings of loan applications by electronic means and various payments to other parties; (v) extending certain provisions of the Servicemembers Civil Relief Act to FFELP Loans providing that eligible servicemembers may request that the rates on FFELP Loans be reduced to 6%; (vi) extending consolidation loan program authority to September 30, 2014; (vii) expanding loan forgiveness programs applicable to both FFELP and direct loans, subject to appropriations, for borrowers employed full time in an area of national need; (viii) providing for certain disclosures to be made to borrowers by lenders prior to disbursements, prior to repayment, during repayment and for loans in default and (ix) extending prohibitions on inducements, limiting payments to certain persons and requiring additional disclosures with respect to private loans.

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

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

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

Federal Family Education Loans

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

Subsidized Stafford Loans

The Higher Education Act provided for federal (a) insurance or reinsurance of eligible Subsidized Stafford Loans, (b) interest subsidy payments to eligible lenders with respect to certain eligible Subsidized Stafford Loans,

and (c) special allowance payments representing an additional subsidy paid by the Secretary of the U.S. Department of Education (the "**Secretary**") to such holders of eligible Subsidized Stafford Loans.

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

Unsubsidized Stafford Loans

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

PLUS Loan Program

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

The Consolidation Loan Program

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

Interest Rates

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

Commencing July 1, 2006. The Higher Education Act provides that for Subsidized and Unsubsidized Stafford Loans for which a first disbursement is made on or after July 1, 2006, the interest rate will be equal to 6.8% per annum and for PLUS Loans made on or after July 1, 2006, the interest rate will be equal to 8.5% per annum. Amendments to the Higher Education Act provide for a lowering of the interest rate to be charged undergraduate students on Subsidized Stafford Loans from such 6.8% to be phased in over time until such rate is to be 3.4% in July 2011 (for loans first disbursed on or after July 1, 2011), reverting back to 6.8% thereafter (for loans made after June 30, 2012). Consolidation Loans for which the application was received by an eligible lender on or after July 1, 2006, will bear interest at a rate equal to the weighted average of the loans consolidated, rounded to the nearest higher one-eighth of one percent, with a maximum rate of 8.25%.

Loan Limits

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

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

The following are certain loan limits:

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

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

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

Repayment

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

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

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

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

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

Interest Subsidy Payments

The Secretary is to pay interest on Subsidized Stafford Loans while the student is a qualified student, during a Grace Period or during certain Deferment Periods. In addition, those portions of Consolidation Loans that repay Subsidized Stafford Loans or similar subsidized loans made under the Direct Loan Program are eligible for Interest Subsidy Payments during qualifying Deferment Periods. The Secretary is required to make interest subsidy

payments to the holder of Subsidized Stafford Loans in the amount of interest accruing on the unpaid balance thereof prior to the commencement of repayment or during any Deferment Period. The Higher Education Act provides that the holder of an eligible Subsidized Stafford Loan, or the eligible portions of Consolidation Loans, shall be deemed to have a contractual right against the United States to receive interest subsidy payments in accordance with its provisions.

Special Allowance Payments

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

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

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

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

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

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

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

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

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

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

Loan Fees

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

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

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

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

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

Insurance and Guarantees

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

Federal Insurance

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

Guarantees

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

Guarantee Agreements. Pursuant to the Guarantee Agreements, the Secretary is to reimburse a guarantor for the amounts expended in connection with a claim resulting from the death, bankruptcy or total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure, borrowers whose borrowing eligibility was falsely certified by the eligible institution, or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a guarantor's claims rate experience for federal reimbursement purposes. Generally, educational loans are non-dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary is to reimburse a guarantor for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below.

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

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

Reimbursement. The amount of a reimbursement payment on defaulted loans made by the Secretary to a guarantor is subject to reduction based upon the annual claims rate of the guarantor calculated to equal the amount

of federal reimbursement as a percentage of the original principal amount of originated or guaranteed loans in repayment on the last day of the prior fiscal year. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The formula for reimbursement amounts is summarized below:

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

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

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

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

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

Lender Agreements. Pursuant to most typical agreements for guarantee between a guarantor and the originator of the loan, any eligible holder of a loan insured by such a guarantor is entitled to reimbursement from such guarantor of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability or bankruptcy of the student borrower at the rate of 100% of such loss, subject to certain limitations and exceptions, (98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006 or 97% for loans in default made on or after July 1, 2006). Guarantors generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends

to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable guarantor in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable guarantor all rights accruing to the holder under the note evidencing the loan. The Higher Education Act requires a guarantor to file a claim for reimbursement with respect to losses within 30 days after the guaranty agency discharges its insurance obligation on the loan.

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

Guarantor Reserves

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

The guarantor's required reserve ratio has been reduced from 1.1% to .25%.

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

APPENDIX B

FORM OF THE INDENTURE

The following form of the Indenture is substantially final, but is subject to completion prior to the issuance of the Bonds.

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INDENTURE OF TRUST

by and between

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

\$167,300,000
New Mexico Educational Assistance Foundation
Education Loan Bonds
Series 2010-2

Dated as of December 1, 2010

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of December 1, 2010 (this “Indenture”), is by and between the NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION, a nonprofit corporation duly organized and existing under the laws of the State of New Mexico (the “Foundation”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States having its principal trust office in Denver, Colorado (together with its successors, the “Trustee”), as trustee hereunder (all capitalized terms used in these preambles, recitals and granting clauses are not defined therein shall have the same meanings assigned thereto in Article I hereof);

WITNESSETH:

WHEREAS, the Higher Education Act provides that the Secretary may enter into a reinsurance agreement with a state agency or private nonprofit corporation which operates a state student loan insurance program; and

WHEREAS, until July 1, 1978, the State of New Mexico (the “State”) was a state in which no state agency or private nonprofit corporation operated a student loan insurance or guarantee program; and

WHEREAS, as of July 1, 1978, a State student loan insurance program was established in the State by the State Legislature in the Student Loan Guarantee Act, Sections 21-21-14 to 21-21-24, NMSA 1978, and such program was transferred to and assumed by the New Mexico Student Loan Guarantee Corporation as of July 1, 1981, pursuant to Sections 21-21A-4 and 21-21A-23 of the Educational Assistance Act; and

WHEREAS, the Foundation is the single private nonprofit corporation designated by the State for the purpose of being an eligible lender in the State under the Higher Education Act; and

WHEREAS, the Foundation and the Secretary have entered into a certain Agreement for Participation in the Guaranteed Loan Program, dated as of January 4, 1982; and

WHEREAS, the Foundation and the New Mexico Student Loan Guarantee Corporation have entered into a certain Educational Loan Guarantee Agreement dated as of August 18, 1981; and

WHEREAS, the Foundation and the Secretary of Education have entered into a certain Contract of Federal Loan Insurance, dated February 12, 1982; and

WHEREAS, the Educational Assistance Act expressly authorizes the Foundation to make contracts and incur liabilities, borrow money at such rates of interest as the Foundation may determine, issue its notes, bonds and other obligations, and secure the same by a pledge of all or any of its assets and revenues; and

WHEREAS, the Foundation is an organization described in Section 501(c)(3) of the Code, and is exempt from Federal income tax under Section 501(a) of the Code and has received a determination letter from the Internal Revenue Service to this effect; and

WHEREAS, the Foundation represents that by proper action of its governing body it has duly authorized the issuance of its education loan bonds, in the aggregate principal amount of \$167,300,000, consisting of \$48,400,000 of Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "Series 2010A-1 Bonds"), \$53,900,000 of Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "Series 2010A-2 Bonds") and \$65,000,000 of Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) (the "Series 2010A-3 Bonds" and together with the Series 2010A-1 Bonds and the Series 2010A-2 Bonds, the "Bonds"); and, to secure the payment of the Bonds and the execution and delivery of this Indenture; and

WHEREAS, the Trustee has agreed to accept the trusts herein created upon the terms herein set forth; and

WHEREAS, it is hereby agreed between the parties hereto and the Registered Owners of the Bonds (the Registered Owners evidencing their consent by their acceptance of the Bonds) that in the performance of any of the agreements of the Foundation herein contained, any obligation it may thereby incur for the payment of money shall not (except as specifically provided herein) be a general debt on its part, but shall be secured by and payable solely from the Trust Estate, payable in such order of preference and priority as provided herein;

NOW, THEREFORE, the Foundation, in consideration of the premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Bonds by the Registered Owners thereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN AND DELIVER to the Trustee, for the benefit of the Registered Owners of the Bonds, all of the moneys, rights, and properties described in the granting clauses A through E below (the "Trust Estate"), as follows:

GRANTING CLAUSE A

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

GRANTING CLAUSE B

All moneys and investments held in the Funds created under Section 5.1(a) hereof;

GRANTING CLAUSE C

The Financed Eligible Loans;

GRANTING CLAUSE D

The rights of the Foundation in and to the Servicing Agreements and the Guarantee Agreements as the same relate to Financed Eligible Loans; and

GRANTING CLAUSE E

Any and all other property, rights and interests of every kind or description that from time to time hereafter is granted, conveyed, pledged, transferred, assigned or delivered to the Trustee as additional security hereunder.

TO HAVE AND TO HOLD the Trust Estate, whether now owned or held or hereafter acquired, unto the Trustee and its successors or assigns,

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit and security of all present and future Registered Owners of the Bonds, without preference of any Bond over any other, except as provided herein, and for enforcement of the payment of the Bonds in accordance with their terms, and all other sums payable hereunder or on the Bonds, and for the performance of and compliance with the obligations, covenants, and conditions of this Indenture, as if all the Bonds at any time Outstanding had been executed and delivered simultaneously with the execution and delivery of this Indenture;

PROVIDED, HOWEVER, that if the Foundation, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds and the interest due and to become due thereon, or provide fully for payment thereof as herein provided, at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof, and shall make all required payments into the Funds as required under Article V hereof, including without limitation into the Rebate Fund, or shall provide, as permitted hereby, for the payment thereof by depositing with the Trustee sums sufficient to pay or to provide for payment of the entire amount due and to become so due as herein provided, then this Indenture (other than Sections 4.13 and 7.4 hereof) and the rights hereby granted shall cease, terminate and be void; otherwise, this Indenture shall be and remain in full force and effect;

NOW, THEREFORE, it is mutually covenanted and agreed as follows:

ARTICLE I

DEFINITIONS AND USE OF PHRASES

In addition to the words and terms defined elsewhere in this Indenture, the following terms have the following meanings unless the context clearly requires otherwise:

“Account” shall mean any of the accounts created and established within any Fund by this Indenture.

“Acquisition Fund” shall mean the Fund by that name created in Section 5.1(a)(i) hereof and further described in Section 5.2 hereof, including any Accounts and Subaccounts created therein.

“Administration Fund” shall mean the fund by that name created in Section 5.1(a)(iv) and hereof further described in Section 5.6 hereof.

“Administrative Expenses” shall mean (a) the fees and expenses of the Trustee and any paying agent, registrar or fiduciary; (b) the fees of the Servicer under any servicing agreement; (c) the fees and expenses of the Foundation incurred in connection with the preparation of legal opinions and other authorized reports or statements attributable to the Bonds and the Financed Eligible Loans; (d) fees and expenses in connection with the Foundation’s plan for doing business and complying therewith, (e) fees and expenses incurred in connection with calculating rebate and Excess Interest amounts relating to the Bonds; and (f) expenses incurred for the Foundation’s maintenance and operation of this Indenture and as a direct consequence of this Indenture, the Bonds or the Financed Eligible Loans, including the reasonable fees and expenses of attorneys, agents, financial advisors, rebate analysts, consultants, accountants and other professionals, attributable to such maintenance and operation, marketing expenses for the Program and a prorated portion of the cost of renting, paying for or otherwise occupying building space, personnel compensation, office supplies and equipment, insurance costs, travel expenses and other lawful payments made to members of the Board.

“Aggregate Market Value” shall mean on any calculation date the sum of the Values of all assets of the Trust Estate, excluding amounts required to be deposited in the Rebate Fund or the account described in Section 5.3(b)(i) which have not, as of any date of calculation, yet been deposited therein.

“Authorized Officer” shall mean, when used with reference to the Foundation, the Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President, or any other person authorized in writing by the Board to act on behalf of the Foundation.

“Backup Servicer” means Great Lakes Education Loan Services, Inc.

“Board” or “Board of Directors” shall mean the Board of Directors of the Foundation.

“Bond Counsel” shall mean counsel of nationally recognized standing in the field of law relating to municipal bonds selected by the Foundation and reasonably acceptable to the Trustee.

“Bond Yield” shall mean the yield on the Bonds computed in accordance with the Tax Certificate.

“Bonds” shall mean, collectively, the Series 2010A-1 Bonds, the Series 2010A-2 Bonds and the Series 2010A-3 Bonds.

“Business Day” shall mean any day other than (i) a Saturday, Sunday or holiday, (ii) a day on which banks located in the City of New York, New York and banks located in the city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed, or (iii) a day on which The New York Stock Exchange is closed.

“Certificate of Insurance” shall mean any Certificate evidencing that a Financed Eligible Loan is Insured pursuant to a Contract of Insurance.

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

“Contract of Insurance” shall mean the Contract of Federal Loan Insurance, dated February 12, 1982, between the Foundation and the Secretary and any amendment thereof which is hereafter entered into.

“Date of Issuance” shall mean the date of original issuance and delivery of the Bonds to the Underwriters.

“Debt Service Reserve Fund” shall mean the Fund by that name created in Section 5.1(a)(iii) hereof and further described in Section 5.4 hereof, including any Accounts and Subaccounts created therein.

“Debt Service Reserve Fund Requirement” shall mean an amount equal to 1.10% of the principal amount of the Bonds then Outstanding; provided, however, that the Debt Service Reserve Fund Requirement shall not be less than \$250,950.

“Educational Assistance Act” shall mean Sections 21-21A-1 to 21-21A-23 NMSA 1978, as amended from time to time.

“Electronic Means” means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission.

“Eligible Lender” shall mean any “eligible lender,” as defined in the Higher Education Act, and which has received an eligible lender designation from the Secretary with respect to Eligible Loans made under the Higher Education Act.

“Eligible Loan” shall mean any loan made to finance post-secondary education that is made under the Higher Education Act and is Guaranteed or Insured and has not been tendered to the Guaranty Agency or the Secretary for payment (unless the situation giving rise thereto has been cured).

“Event of Bankruptcy” shall mean (a) the Foundation shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or 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; or (b) an involuntary case or other proceeding shall have been commenced against the Foundation seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property provided such action or proceeding is not dismissed within 60 days.

“Event of Default” shall have the meaning specified in Article VI hereof.

“Excess Interest” shall mean, as of the date of computation, the amount, if any, equal to the amount which, if used to forgive principal of or interest on Financed Eligible Loans on such date allocable to Bonds, would be necessary to cause the Portfolio Yield with respect thereto to be equal to or less than the Bond Yield plus the spread designated in the Tax Certificate as permitted by Treasury Regulation § 1.148-2(d)(2); in any event together with any additional amounts as shall be required by the provisions of the Tax Certificate or as shall otherwise be necessary, in the opinion of Bond Counsel, to prevent the Bonds from being “arbitrage bonds” within the meaning of Section 148 of the Code. All determinations of Excess Interest shall be made in accordance with the provisions of the Tax Certificate.

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

“Financed Eligible Loans” means Eligible Loans deposited in or accounted for in the Acquisition Fund or otherwise constituting a part of the Trust Estate, but does not include Eligible Loans released from the lien of this Indenture as provided herein.

“Fiscal Year” shall mean the fiscal year of the Foundation as established from time to time.

“Fitch” shall mean Fitch Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall not longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Foundation.

“Foundation” shall mean the New Mexico Educational Assistance Foundation, a nonprofit corporation organized and existing under the laws of the State, and any successor thereto.

“Foundation Order” shall mean a written order signed in the name of the Foundation by an Authorized Officer.

“Funds” shall mean each of the Funds created pursuant to Section 5.1(a) and (b) hereof.

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

“Guarantee Agreements” shall mean a guaranty or lender agreement with any Guaranty Agency, and any amendments thereto.

“Guaranty Agency” shall mean the New Mexico Student Loan Guarantee Corporation, a nonprofit corporation duly organized and existing under the laws of the State, and any other entity authorized to guarantee student loans under the Higher Education Act, and their respective successors and assigns.

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

“Indenture” shall mean this Indenture of Trust, including all supplements and amendments hereto.

“Index Maturity” shall mean (i) for Two-Month LIBOR, two months and (ii) for Three-Month LIBOR, three months.

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

“Interest Benefit Payment” shall mean an interest payment on Eligible Loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

“Interest Payment Date” shall mean the first Business Day of March, June, September and December, commencing March 1, 2011.

“Interest Rate Determination Date” shall mean (i) the second Business Day immediately preceding each Interest Payment Date or (ii) the Date of Issuance for the initial interest accrual period.

“Investment Securities” shall mean:

(a) direct obligations of, or obligations on which the timely payment of the principal of and interest on which are unconditionally and fully guaranteed by, the United States of America;

(b) deposits that are fully insured by the FDIC;

(c) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 12 months or less with any bank, trust company, national banking association or other depository institution, including those of the Trustee, provided that, at the time of deposit or purchase such depository institution has commercial paper which is rated “A-1+” by S&P and is rated in at least an equivalent rating category by Moody’s or Fitch;

(d) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 24 months or less, but more than 12 months, with any bank, trust company, national banking association or other depository institution, including those of the Trustee, provided that, at the time of deposit or purchase such depository institution has senior debt rated “A” or higher by S&P and, if commercial paper is outstanding, commercial paper which is rated “A-1+” by S&P and is rated in at least an equivalent rating category by Moody’s or Fitch;

(e) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of more than 24 months with any bank, trust company, national banking association or other depository institution, including those of the Trustee, provided that, at the time of deposit or

purchase such depository institution has senior debt rated “AA” or higher by S&P and, if commercial paper is outstanding, commercial paper which, if rated by S&P, is rated “A-1+” by S&P, and is rated in at least an equivalent rating category by Moody’s or Fitch;

(f) 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 Export-Import Bank of the United States; the Federal National Mortgage Association; the Farmers Home Administration; Federal Home Loan Banks provided such obligation, if rated by S&P, is rated “AAA” by S&P and is rated in at least an equivalent rating category by another rating agency; or any agency or instrumentality of the United States of America which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

(g) repurchase agreements and reverse repurchase agreements, other than overnight repurchase agreements and overnight reverse repurchase agreements, with banks, including the Trustee, which are members of the Federal Deposit Insurance Corporation or firms which are members of the Securities Investors Protection Corporation, in each case whose outstanding, unsecured debt securities are rated “AA” by S&P or higher and, if commercial paper is outstanding, commercial paper which is rated “A-1+” by S&P and is rated in at least an equivalent rating category by Moody’s or Fitch;

(h) overnight repurchase agreements and overnight reverse repurchase agreements at least 101% collateralized by securities described in subparagraph (a) of this definition and with a counterparty, including the Trustee, that has senior debt rated “A” or higher by S&P and, if commercial paper is outstanding, commercial paper which is rated “A-1+” by S&P and is rated in at least an equivalent rating category by another rating agency, or a counterparty approved in writing by S&P and Moody’s or Fitch;

(i) investment agreements or guaranteed investment contracts, which may be entered into by and among the Foundation and/or the Trustee and any bank, bank holding company, corporation or any other financial institution, including the Trustee, whose outstanding (i) commercial paper is rated “A-1+” by S&P for agreements or contracts with a maturity of 12 months or less and has at least a comparable rating from another rating agency; (ii) unsecured long-term debt is rated “A” or higher by S&P and, if commercial paper is outstanding, commercial paper which is rated “A-1+” by S&P for agreements or contracts with a maturity of 24 months or less, but more than 12 months and is rated in at least an equivalent rating category by Moody’s or Fitch, or (iii) unsecured long-term debt which is rated “AA” or higher by S&P and, if commercial paper is outstanding, commercial paper which is rated “A-1+” by S&P for agreements or contracts with a maturity of more than 24 months and is rated in at least an equivalent rating category by Moody’s or Fitch, or, in each case, by an insurance company whose claims-paying ability is so rated;

(j) collateralized investment agreements or collateralized guaranteed investment agreements, which may be entered into by and among the Foundation, the Trustee and any bank, bank holding company, corporation or any other financial institution, including the Trustee, so long as (i) the collateral consists of securities of the types specified in (a) or (e) above, at the levels shown below under (v) below; (ii) the Trustee has possession of the collateral; (iii) the Trustee has a perfected first priority security interest in the collateral; (iv) the collateral is free and clear of third party liens and, in the case of a SIPC broker, was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (v) the collateral shall be valued (based upon current market price plus accrued interest) weekly and shall be equal to not less than 103% of the amount of the deposit (or 105% in the case where the collateral consists of obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation);

(k) "Tax exempt bonds" as defined in Section 150(a)(6) of the Code, other than "specified private activity bonds" as defined in Section 57(a)(5)(C) of the Code, that are rated in the highest category by S&P for long term or short-term debt or shares of a so-called money market or mutual fund rated "AA/A-1" or higher by S&P and is rated in at least an equivalent rating category by Moody's or Fitch, that do not constitute "investment property" within the meaning of Section 148(b)(2) of the Code, provided that the fund has all of its assets invested in obligations of such rating quality;

(l) commercial paper, including that of the Trustee, which is rated in the single highest classification, "A-1+" by S&P and is rated in at least an equivalent rating category by Moody's or Fitch, and which matures not more than 270 days after the date of purchase; and

(m) investments in a money market fund rated at least "AAAm" or "AAAm-G", if rated by S&P and is rated in at least an equivalent rating category by Moody's or Fitch, including funds for which the Trustee or an affiliate thereof acts as investment advisor or provides other similar services.

"LIBOR Rate" shall mean, all as determined by the Trustee, (i) with respect to the Series 2010A-1 Bonds, the Three-Month LIBOR plus 0.70%, (ii) with respect to the Series 2010A-2 Bonds, the Three-Month LIBOR plus 1.30% and (iii) with respect to the Series 2010A-3 Bonds, the Three-Month LIBOR plus 1.16%.

The initial LIBOR Rate shall be determined by reference to the following formula:

$x + [14/28 * (y-x)]$ plus 0.70% in the case of the Series 2010A-1 Bonds, 1.30% in the case of the Series 2010A-2 Bonds and 1.16% in the case of the Series 2010A-3 Bonds, all as determined by the Trustee.

where:

x = Two-Month LIBOR, and

y = Three-Month LIBOR.

"Moody's" shall mean Moody's Investors Service, Inc., a Delaware Corporation, its successors and assigns.

"Outstanding" shall mean a Bond which has been executed and delivered pursuant to this Indenture which at such time remains unpaid as to principal or interest, unless provision has been made for such payment pursuant to Section 9.2 hereof.

"Participant" means any direct or indirect participant in the book-entry system of a Securities Depository.

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

"Portfolio Yield" shall mean, with respect to Financed Eligible Loans, the composite yield on the date of calculation of the portfolio of such Financed Eligible Loans computed in accordance with the Tax Certificate, assuming no additional Eligible Loans are acquired or originated and allocable to the Bonds.

"Principal Office" shall mean the principal office of the party indicated, as set forth in Section 10.1 hereof or elsewhere in this Indenture.

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

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

"Rating Agency" shall mean Fitch and S&P and their successors and assigns so long as any such entity is rating any of the Bonds, or any other rating agency requested by the Foundation to maintain a Rating on any of the Bonds.

"Rating Notification" shall mean, with respect to Fitch, that such Rating Agency shall have been given notice (the "Event Notice") of a proposed action, failure to act, or

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

“Rebate Amount” shall mean the amount computed in accordance with the Tax Certificate to be deposited in the Rebate Fund.

“Rebate Fund” shall mean the Fund by that name created in Section 5.1 hereof and further described in Section 5.5 hereof.

“Record Date” shall mean the 2nd Business Day preceding each Interest Payment Date.

“Recoveries of Principal” shall mean 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, proceeds from insurance or from the sale, assignment, transfer, reallocation or other disposition of a Financed Eligible Loan and any payments representing such principal from the guarantee or insurance of any Financed Eligible Loan.

“Reference Banks” shall mean the four largest United States banks by total consolidated assets listed by the Federal Reserve in its then most current statistical release on its website with respect thereto, with an office in London.

“Refunded Bonds” shall mean, collectively, \$88,745,000 of the Series 2008A-1 Bonds, \$34,485,000 of the Series 2008A-2 Bonds and \$54,245,000 of the Series 2008A-3 Bonds.

“Refunded Bonds Indenture” shall mean the Trust Indenture, dated as of June 1, 2008, between the Foundation and the trustee, as supplemented and amended.

“Registered Owner” shall mean the Person in whose name a Bond is registered on the Bond registration books maintained by the Trustee.

“Revenue” or “Revenues” shall mean all payments, Recoveries of Principal, proceeds, charges and other income received by the Trustee or the Foundation from or on account of any Financed Eligible Loan (including scheduled, delinquent and advance payments of and any insurance proceeds with respect to, interest, including Interest Benefit Payments, on any Financed Eligible Loan and any Special Allowance Payment received by the Foundation with respect to any Financed Eligible Loan) and all interest earned or gain realized from the investment of amounts in any Fund or Account or Subaccount.

“Revenue Fund” shall mean the Fund by that name created in Section 5.1(a)(ii) hereof and further described in Section 5.3 hereof.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns, and if such corporation shall be dissolved or liquidated or shall not longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Foundation.

“Secretary” shall mean the Secretary of the United States Department of Education or any successor to the pertinent functions thereof under the Higher Education Act.

“Securities Depository” or “Depository” shall mean The Depository Trust Company and its successors and assigns or if (a) the then Securities Depository resigns from its functions as depository of the Bonds or (b) the Foundation discontinues use of the Securities Depository pursuant to Article II hereof, 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 Foundation.

“Series 2008A-1 Bonds” shall mean the Foundation’s Education Loan Bonds, Senior Series 2008A-1.

“Series 2008A-2 Bonds” shall mean the Foundation’s Education Loan Bonds, Senior Series 2008A-2.

“Series 2008A-3 Bonds” shall mean the Foundation’s Education Loan Bonds, Senior Series 2008A-3.

“Series 2010A-1 Bonds” shall mean the Foundation’s Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) issued pursuant to this Indenture in the aggregate principal amount of \$48,400,000.

“Series 2010A-2 Bonds” shall mean the Foundation’s Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) issued pursuant to this Indenture in the aggregate principal amount of \$53,900,000.

“Series 2010A-3 Bonds” shall mean the Foundation’s Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) issued pursuant to this Indenture in the aggregate principal amount of \$65,000,000.

“Servicer” shall mean the Foundation, the Backup Servicer (when applicable) and any other servicer (including a subservicer or backup subservicer) so long as the requirements of a Rating Notification to Fitch have been satisfied that the designation of such other entity as a “Servicer” hereunder will not, at the time of such designation, adversely affect its Ratings then applicable to any of the Bonds, and their respective successors and assigns.

“Servicing Agreement” shall mean the servicing agreements with any Servicer relating to Financed Eligible Loans, as amended from time to time.

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

“State” shall mean the State of New Mexico.

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

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

“Supplemental Indenture” shall mean an agreement supplemental hereto executed pursuant to Article VIII hereof.

“Tax Certificate” shall mean the Tax Certificate of the Foundation dated as of the Date of Issuance, as amended.

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

“Trust Estate” shall mean the property described as such in the granting clauses hereto.

“Trustee” shall mean Wells Fargo Bank, National Association, acting in its capacity as Trustee under this Indenture, or any successor trustee designated pursuant to this Indenture.

“Underwriters” shall mean Merrill Lynch Pierce, Fenner & Smith Incorporated and RBC Capital Markets, LLC.

“Value” on any calculation date when required under this Indenture shall mean the value of the Trust Estate calculated by the Foundation as to (a) below and by the Trustee as to (b) through (d), inclusive, below, as follows:

(a) with respect to any Eligible Loan, the unpaid principal amount thereof plus any accrued but unpaid interest, Interest Benefit Payments and Special Allowance Payments (less any amounts required to be repaid to the Secretary as an overpayment of Special Allowance Payments), except with respect to Eligible Loans in default, in which case the federally insured unpaid principal amount shall be substituted for the unpaid principal amount above (and in determining such, the reports of the Servicer may be relied upon);

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

(c) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times) or by a nationally recognized pricing service: with respect to The Wall Street Journal publication, the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination plus accrued but unpaid interest, or with respect to the pricing service publication, the bid price published plus accrued but unpaid interest; and

(d) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times and are not available from a nationally recognized pricing service: the lower of the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Foundation in its absolute discretion) at the time making a market in such investments.

Words importing the masculine gender include the feminine gender, and words importing the feminine gender include the masculine gender. Words importing persons include firms, associations and corporations. Words importing the singular number include the plural number and vice versa. Additional terms are defined in the body of this Indenture.

ARTICLE II

BOND DETAILS, FORM OF BONDS, REDEMPTION OF BONDS AND USE OF PROCEEDS OF BONDS

Section 2.1 Bond Details.

(a) Except for Bonds authenticated and delivered upon transfer of, or in exchange for, Bonds pursuant to Section 2.4 or 2.5 hereof, the aggregate principal amount of the Bonds which may be authenticated and delivered under this Indenture is limited to \$167,300,000, consisting of \$48,400,000 Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds), \$53,900,000 Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) and \$65,000,000 Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds). No other Bonds shall be issued hereunder. The Bonds of each series or subseries shall each be lettered "R" and shall be numbered separately from 1 upwards. The Bonds shall be issuable only as fully registered bonds in the denominations of \$5,000 and integral multiples thereof. Payments of the principal of and interest on all Bonds shall be made in lawful money of the United States.

(b) The Bonds shall be dated as of the Date of Issuance, shall mature on December 1, 2020 in the case of the Series 2010A-1 Bonds, December 1, 2038 in the case of the Series 2010A-2 Bonds, and December 1, 2038 in the case of the Series 2010A-3 Bonds, and shall bear interest at the respective LIBOR Rate from the Interest Payment Date next preceding their date of authentication thereof unless authenticated as of an Interest Payment Date, in which event such Bonds shall bear interest from such date, or unless such Bonds are authenticated prior to the first Interest Payment Date, in which event such Bonds shall bear interest from the Date of Issuance or unless, as shown by the records of the Trustee, interest on the Series 2010A-1 Bonds or Series 2010A-2 Bonds or Series 2010A-3 Bonds shall be in default, in which event such Bonds shall bear interest from the date to which interest has been paid in full, or unless no interest shall have been paid on such Bonds, in which event such Bonds shall bear interest from the Date of Issuance, payable on each Interest Payment Date. Interest shall be computed for the actual number of days elapsed on the basis of a year consisting of 360 days.

The initial LIBOR Rate shall be determined by the Trustee on the Date of Issuance, as provided herein, as of the second Business Day next preceding the Date of Issuance. Thereafter, the LIBOR Rate shall be determined by the Trustee on each Interest Rate Determination Date and shall take effect on the succeeding Interest Payment Date. The determination of the interest rate for the Series 2010A-1 Bonds, Series 2010A-2 Bonds, or Series 2010A-3 Bonds by the Trustee shall be conclusive and binding absent manifest error. If not otherwise determined by the Trustee within 2 Business Days after any Interest Rate

Determination Date, the LIBOR Rate shall be the rate established on the prior Interest Rate Determination Date.

(c) The Bonds are special limited obligations of the Foundation payable solely from the Trust Estate and are not general obligations of the Foundation.

Section 2.2 Redemption of the Bonds.

(a) Mandatory Sinking Fund Redemption.

(i) The Series 2010A-2 Bonds are subject to mandatory sinking fund redemption in part by lot on the dates in each of the years set forth below, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, in the principal amount and on the dates as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
December 1, 2034	\$8,065,000
December 1, 2035	28,965,000
December 1, 2038*	16,870,000

* Final Maturity

(ii) The Series 2010A-3 Bonds are subject to mandatory sinking fund redemption in part by lot on the dates in each of the years set forth below, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, in the principal amount and on the dates as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
December 1, 2020	\$30,000,000
December 1, 2034	5,235,000
December 1, 2035	18,805,000
December 1, 2038*	10,960,000

* Final Maturity

At the option of the Foundation to be exercised by delivery of a written certificate to the Trustee not less than 45 days next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation Bonds of a Series which are subject to sinking fund redemption on such date in an aggregate principal amount designated by the Foundation, or (ii) specify a principal amount of such Bonds which prior to said date have been redeemed pursuant to Section 2.2(b) hereof and cancelled by the Trustee and not theretofore applied as a credit against

any sinking fund redemption obligation for such Bonds. Each Bond so delivered or previously redeemed pursuant to Section 2.2(b) hereof shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Foundation on such sinking fund redemption date, and any excess shall be so credited against future sinking fund redemption obligations for Bonds as directed by the Foundation. If Bonds subject to mandatory sinking fund redemption have been redeemed pursuant to Section 2.2(b) hereof and the Foundation shall have failed to specify the manner in which such amounts are to be credited pursuant to (ii) above, then the Trustee shall apply such credits against sinking fund obligations for each such series in chronological order.

(b) Mandatory Redemption. The Bonds are subject to mandatory redemption as a whole or in part, on any Interest Payment Date, at a redemption price equal to 100% of the Outstanding principal amount thereof, plus accrued interest to the date fixed for redemption, from moneys in the Revenue Fund made available for that purpose pursuant to Section 5.3(b)(vi) and Section 5.3(b)(viii) hereof. Bonds to be redeemed pursuant to this paragraph (b) shall be selected pro rata based on the par amount of (A) the sum of Series 2010A-1 and Series 2010A-2 Bonds and (B) the Series 2010A-3 Bonds in each case outstanding immediately prior to such redemption, and in the case of (A) above Series 2010A-1 Bonds shall be redeemed first and then Series 2010A-2 Bonds following payment of all Series 2010A-1 Bonds.

(c) Notice of Redemption. Upon Foundation Order, the Trustee shall cause notice of any redemption to be given by Electronic Means or by mailing a copy of the redemption notice to the Registered Owner of any Bonds designated for redemption in whole or in part, at its address as the same shall last appear upon the registration books, not more than 30 days prior to the redemption date and not less than 10 days prior to the redemption date; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds for which no such failure or defect occurs.

Each notice of redemption shall state the following: (A) the full designated name of the issue, including the series or subseries designation, (B) the CUSIP number, (C) the date of redemption, (D) the redemption price, (E) the name of the Trustee and the address and phone number of the Trustee's office handling the redemption, (F) the date of the Bonds, (G) the maturity date, (H) the publication date of the notice, (I) the place or places of payment, (J) that payment will be made upon presentation and surrender of the Bonds to be redeemed, and (K) that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds of any series or subseries are to be redeemed, the notice of redemption shall also specify the numbers of the Bonds or portions thereof to be redeemed.

Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such Bonds receives the notice. Receipt of such notice shall not be a condition precedent to such redemption, and failure so to receive any such notice by any of such Registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds.

(d) Partial Redemption of Bonds.

(i) If less than all of the Bonds of any Stated Maturity of any series or subseries of the Bonds are to be redeemed and there is more than one Registered Owner of the Bonds of such Stated Maturity of such series or subseries, such Bonds of the same Stated Maturity to be redeemed shall be selected by lot in such manner as the Trustee shall determine.

(ii) In case a Bond is of a denomination larger than \$5,000 the Trustee shall treat such Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000 and any such portion of such Bond may be redeemed. Upon surrender of any Bond for redemption in part only, the Foundation shall execute and the Trustee shall authenticate and deliver to the Registered Owner thereof, the cost of which shall be paid by the Foundation, a new Bond or Bonds of the same series, subseries, if any, Stated Maturity and of authorized denominations, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Section 2.3 Execution of Bonds. The Bonds shall be executed in the name and on behalf of the Foundation by the manual or facsimile signature of the Chairman of the Board and the President (or in lieu of either of the foregoing the Vice Chairman), and its corporate seal or a facsimile thereof shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Board. Any Bond may be signed (manually or by facsimile), sealed or attested on behalf of the Foundation by any person who, at the date of such act, shall hold the proper office, notwithstanding that at the date of authentication, issuance or delivery, such person may have ceased to hold such office.

Section 2.4 Registration, Transfer and Exchange of Bonds; Persons Treated as Registered Owners. The Foundation shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Trustee which is hereby appointed the transfer agent of the Foundation for the Bonds. Notwithstanding such appointment, the Trustee is hereby authorized to make any arrangements with other institutions which it deems necessary or desirable in order that such institutions may perform the duties of transfer agent for the Bonds. Upon surrender for transfer of any Bond at the Principal Office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Foundation shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of the same

interest rate and for a like series, subseries, if any, and aggregate principal amount of the same Stated Maturity.

Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of fully registered Bonds of the same series, subseries, if any, interest rate and Stated Maturity in authorized denominations. The Foundation shall execute and the Trustee shall authenticate and deliver Bonds which the Registered Owner making the exchange is entitled to receive, bearing numbers not contemporaneously outstanding. The execution by the Foundation of any fully registered Bond of any authorized denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such fully registered Bond.

The Trustee shall not be required to transfer or exchange any Bond during the period of 15 business days next preceding the mailing of notice of redemption as herein provided. After the giving of such notice of redemption, the Trustee shall not be required to transfer or exchange any Bond, which Bond or portion thereof has been called for redemption.

As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal or interest on any fully registered Bond shall be made only to or upon the written order of the Registered Owner thereof or his legal representative but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

The Trustee shall require the payment by any Registered Owner requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

Section 2.5 Lost, Stolen, Destroyed and Mutilated Bonds. Upon receipt by the Trustee of evidence satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Bond and, in the case of a lost, stolen or destroyed Bond, of indemnity satisfactory to it, and upon surrender and cancellation of the Bond, if mutilated, (a) the Foundation shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same series, subseries, if any, interest rate, Stated Maturity and denomination in lieu of such lost, stolen, destroyed or mutilated Bond or (b) if such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, in lieu of executing and delivering a new Bond as aforesaid, the Foundation may pay such Bond. Any such new Bond shall bear a number not contemporaneously outstanding. The applicant for any such new Bond may be required to pay all taxes and governmental charges and all expenses and charges of the Foundation and of the Trustee in connection with the issuance of such Bond. All Bonds shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds, negotiable instruments or other securities.

Section 2.6 Delivery of Bonds. Upon the execution and delivery of this Indenture, the Foundation shall execute and deliver to the Trustee and the Trustee shall authenticate the Bonds and deliver them to The Depository Trust Company as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Bonds, there shall have been filed with or delivered to the Trustee the following:

- (a) Resolutions duly adopted by the Foundation, certified by the Secretary or Assistant Secretary of the Board or other Authorized Officer thereof, authorizing the refunding of the Refunded Bonds in accordance with this Indenture, the execution and delivery of this Indenture and the Tax Certificate, and the issuance of the Bonds.
- (b) Duly executed copies of this Indenture and the Tax Certificate.
- (c) The written order of the Foundation as to the delivery of the Bonds, signed by an Authorized Officer.

Section 2.7 Trustee's Authentication Certificate. The Trustee's authentication certificate upon the Bonds shall be substantially in the form provided in Exhibit A hereof. No Bond shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless a certificate of authentication, substantially in such form, has been duly executed by the Trustee; and such certificate of the Trustee upon any Bond shall be conclusive evidence that such Bond has been authenticated and delivered hereunder. The Trustee's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder.

Section 2.8 Cancellation and Destruction of Bonds by the Trustee. Whenever any Outstanding Bonds shall be delivered to the Trustee for the cancellation thereof pursuant to this Indenture, upon payment of the principal amount and interest represented thereby, or for replacement pursuant to Section 2.4 hereof, such Bonds shall be promptly cancelled and cremated or otherwise destroyed by the Trustee and counterparts of a certificate of destruction evidencing such cremation or other destruction shall be furnished by the Trustee to the Foundation.

Section 2.9 Application of Proceeds. Upon delivery of the Bonds, the Trustee shall deposit the proceeds of the Bonds (\$167,300,000) to the Acquisition Fund and shall transfer an amount equal to \$_____ from the Acquisition Fund to the trustee for the Refunded Bonds (and shall receive in exchange the cash and loans described in the following paragraph from a portion of cash and loans held under the Refunded Bonds Indenture), with the instruction from the Foundation that the trustee for the Refunded Bonds apply such amounts to the payment of principal of and interest on the Refunded Bonds.

The Trustee shall receive from the trustee under the Refunded Bonds Indenture, Eligible Loans, plus accrued interest, in a principal amount equal to \$_____ and cash representing payments on such loans in the amount of \$_____ (as more fully set forth in a written instruction from the Foundation) and additional cash in the amount of \$_____. The Trustee shall also receive an equity contribution from the Foundation in the amount of \$_____. On the Date of Issuance, the Trustee shall deposit (x) said loans and related cash to the Acquisition Fund and (y) said \$_____ of cash as follows:

- (a) an amount equal to \$_____ shall be deposited to the Debt Service Reserve Fund; and
- (b) an amount equal to \$_____ shall be deposited to the Administration Fund and used to pay costs of issuing the Bonds.

Section 2.10 Forms of Bonds. The Series 2010A-1 Bonds, the Series 2010A-2 Bonds and the Series 2010A-3 Bonds shall be in substantially the form set forth in Exhibit A hereto with such variations, omissions and insertions as may be necessary.

Section 2.11 Book-Entry Bonds.

(a) The Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities set forth in Section 2.1 hereof. Upon initial issuance, the ownership of each Bond shall be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC. Except as provided in Section 2.11(d) hereof, all of the Outstanding Bonds shall be registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC.

(b) With respect to Bonds registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, the Foundation and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Foundation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede or any Participant with respect to any ownership interest in the Bonds, (ii) except as otherwise provided in this Indenture, the delivery to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Trustee, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Participant or any other person, other than a Bondholder, as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The Foundation and the Trustee may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the holder and absolute owner of such Bond for the purpose of payment of principal, premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such

Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, the interest on the Bonds only to or upon the order of the respective Bondholders, as shown in the registration books, or their respective attorneys duly authorized in writing, as provided in Section 2.4 hereof, and all such payments shall be valid and effective to fully satisfy and discharge the Foundation's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bondholder, as shown in the registration books, shall receive a certificated Bond evidencing the obligation of the Foundation to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the provisions herein with respect to Record Dates, the word "Cede" in this Indenture shall refer to such new nominee of DTC; and upon receipt of such a notice the Trustee shall promptly deliver a copy of the same to any registrar, if the registrar is other than the Trustee.

(c) The Foundation has previously issued a Representations Letter which Representations Letter is attached hereto as Exhibit B. The execution and delivery of the Representations Letter shall not in any way limit the provisions of Section 2.11(b) hereof or in any other way impose upon the Foundation any obligation whatsoever with respect to persons having interests in the Bonds other than the Bondholders, as shown on the registration books kept by the Trustee. The Trustee shall take all action necessary for all representations of the Foundation in the Representation Letter and DTC's operational arrangements with respect to the Trustee to at all times be complied with.

(d) (i) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Foundation and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(ii) The Foundation, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Foundation determines that:

- (A) DTC is unable to discharge its responsibilities with respect to the Bonds, or
- (B) a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Trustee in the name of Cede, or any other nominee of DTC, is not in the best interest of the Beneficial Owners of the Bonds.

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to Section 2.11(d)(ii)(B) hereof, or upon the

discontinuance or termination of the services of DTC with respect to the Bonds pursuant to Section 2.11(d)(i) or Section 2.11(d)(ii)(B) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Foundation, is willing and able to undertake such functions upon reasonable and customary terms, the Foundation is obligated to deliver Bond certificates at the expense of the beneficial owners of the Bonds, as described in this Indenture and the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede as nominee of DTC, but may be registered in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Indenture.

(e) Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given in the manner provided in the Representation Letter and DTC's operational arrangements.

ARTICLE III

PARITY AND PRIORITY OF LIEN; OTHER OBLIGATIONS

Section 3.1 Parity and Priority of Lien. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Foundation shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or Stated Maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in this Indenture with respect to certain payment and other priorities.

Section 3.2 Other Obligations.

(a) No additional bonds may be issued under this Indenture. The Foundation reserves the right to issue other bonds or obligations which do not constitute or create a lien on the Trust Estate.

(b) The Foundation shall not commingle the Funds established by this Indenture with funds, proceeds, or investment of funds relating to other issues or series of bonds heretofore or hereafter issued, except to the extent such commingling is required by the Trustee for ease in administration of its duties and responsibilities; provided, however, that should the Trustee require such permitted commingling, it shall keep complete records in order that the funds, proceeds, or investments under this Indenture may at all times be identified by source and application, and if necessary, separated.

(c) The revenues and other moneys, Financed Eligible Loans, securities, evidences of indebtedness, interests, rights and properties pledged under this Indenture are and will be owned by the Foundation 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 this Indenture, except as otherwise expressly provided herein, and all action on the part of the Foundation to that end has been duly and validly taken. Except as otherwise provided herein, the Foundation shall not create or voluntarily permit to be created any debt, lien, or charge which would be on a parity with, junior to, or prior to the lien of this Indenture; shall not do or omit to do or suffer to be done or omitted to be done any matter or things whatsoever whereby the lien of this Indenture or the priority of such lien for the Bonds hereby 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 this Indenture as a lien or charge upon the Financed Eligible Loans; provided, however, that nothing in this subsection (c) shall require the Foundation to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be by it in good faith contested, unless thereby, the same will endanger the security for the Bonds.

ARTICLE IV

PROVISIONS APPLICABLE TO THE BONDS;

DUTIES OF THE FOUNDATION

Section 4.1 Payment of Principal, Interest and Premium: Agreement of the State. The Foundation covenants that it will promptly pay, but solely from the Trust Estate (except as provided below), the principal of and interest, if any, on each and every Bond issued under the provisions of this Indenture at the places, on the dates and in the manner specified herein 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 Foundation shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange, and where notices, presentations and demands upon the Foundation in respect of the Bonds or of this Indenture may be served. The Foundation hereby appoints 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 Foundation.

Pursuant to the authority given the Foundation in Section 21-21A-22 of the Educational Assistance Act to include the following pledge and agreement of the State in any agreement with the Registered Owners, the State pledges to and agrees with the Registered Owners that the State will not limit or alter the rights vested by the Educational Assistance Act in the Foundation and the Guaranty Agency to fulfill the terms of any agreement made with the Registered Owners or in any way impair the rights and remedies of the Registered Owners until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action by or on behalf of the Registered Owners are fully met and discharged.

Section 4.2 Covenant to Perform Obligations under this Indenture. The Foundation covenants that it will faithfully perform at all times and at all places all covenants, undertakings, stipulations, provisions and agreements contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Foundation pertaining thereto. The Foundation covenants that it is duly authorized to issue the Bonds authorized hereby and to enter into this Indenture and that all action on its part for the issuance of the Bonds issued hereunder and the execution and delivery of this Indenture has been duly and effectively taken; and that such Bonds in the hands of the owners thereof are and will be valid and enforceable obligations of the Foundation according to the tenor and import thereof.

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the Foundation with the owners of the Bonds and shall be deemed to be and

shall constitute a contract among the Foundation, the Trustee and the Registered Owners from time to time.

Section 4.3 No Extension of Maturities. The Foundation will not directly or indirectly extend or assent to the extension of the time for the payment of any principal of or claim for interest on any Bond and will not directly or indirectly be a party to any arrangement therefor. In case the time for the payment of the interest on any Bond shall be extended, whether or not such extension be by or with the consent of the Foundation, such interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Indenture except subject to the prior payment in full of the principal of all Bonds then Outstanding and of all interest the time for the payment of which shall not have been extended.

Section 4.4 Further Instruments and Actions. The Foundation covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging all and singular of the Trust Estate pledged hereby to the payment of the principal of, premium, if any, and the interest on the Bonds.

Section 4.5 Administration of the Program. The Foundation shall administer, operate and maintain the Program in such manner as to ensure that the Program and the Financed Eligible Loans will benefit, to the optimum extent, from the benefits available under the Higher Education Act and the federal program of reimbursement for student loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program.

Section 4.6 Enforcement and Amendment of the Guarantee Agreement. So long as any Bonds are Outstanding, the Foundation (a) will, from and after the date on which it shall have entered into the Guarantee Agreement, maintain the Guarantee Agreement and diligently enforce its rights thereunder; (b) will enter into such other similar or supplemental agreements as shall be required to maintain benefits for all Financed Eligible Loans covered thereby; and (c) will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with the Guarantee Agreement or any similar or supplemental agreement or engage any other guarantor of the Financed Eligible Loans which in any manner will materially adversely affect the rights of the Registered Owners hereunder.

Section 4.7 Enforcement and Amendment of Certificates of Insurance and Contract of Insurance. So long as any Bonds are Outstanding, the Foundation (a) will maintain all Certificates of Insurance and the Contract of Insurance and diligently enforce its rights thereunder; (b) will enter into such other similar or supplemental agreements as shall be required to maintain benefits for all Financed Eligible Loans covered thereby, and (c) will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with any such Certificates of Insurance or the Contract of Insurance or any similar or supplemental

agreement which in any manner will materially adversely affect the rights of the Registered Owners hereunder.

Section 4.8 Collection and Assignment of Eligible Loans. The Foundation shall diligently cause to be collected all principal and interest payments (subject to Section 4.9 hereof) on all the Financed Eligible Loans and other sums to which the Foundation is entitled pursuant to, all grants, subsidies, donations, insurance payments, Special Allowance Payments, Interest Benefit Payments, and all defaulted payments Guaranteed by the Guaranty Agency or Insured by the Secretary which relate to such Financed Eligible Loans. The Foundation shall also make, or cause to be made by Eligible Lenders or Servicers, every effort to perfect the Foundation's or such Eligible Lender's or Servicer's claims for payment from the Secretary or the Guaranty Agency, of all payments related to such Financed Eligible Loans, no later than required by the Higher Education Act and the applicable Guarantee Agreement. The Foundation will assign such Financed Eligible Loans for payment of Guarantee or Insurance benefits within the required period under applicable law and regulations. The Foundation will comply with all United States and State statutes, rules and regulations which apply to the Program and to such Financed Eligible Loans and will maintain a "Plan for Doing Business" as described in the Higher Education Act and shall submit such Plan to the Secretary at such times as are required under the Higher Education Act to maintain the receipt of Special Allowance Payments.

Section 4.9 Enforcement of Financed Eligible Loans.

(a) The Foundation shall, subject to Section 4.9(b) and the last sentence of this Section 4.9(a), cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all terms, covenants and conditions of all Financed Eligible Loans and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due the Foundation thereunder. The Foundation shall not, except as permitted by Section 4.9(b) and the last sentence of this Section 4.9(a), permit the release of the obligations of any borrower under any Financed Eligible Loan and shall, subject to Section 4.9(b) and the last sentence of this Section 4.9(a), at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Foundation and the Trustee hereunder or with respect to each Financed Eligible Loan and agreement in connection therewith. The Foundation shall not, subject to Section 4.9(b) and the last sentence of this Section 4.9(a), 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 hereunder. Nothing in this Indenture shall be construed to prevent the Foundation from (i) granting a reasonable forbearance to a borrower as permitted by the Higher Education Act (unless such forbearance will, in the reasonable judgment of the Foundation, have a material adverse impact on the Foundation's ability to meet its obligations hereunder), (ii) from settling a default or curing a delinquency on any Financed Eligible Loan on such terms as shall be permitted by law, (iii) charging interest at

a lower rate than is required by the Higher Education Act, or (iv) establishing discounts or forgiveness of principal of or interest on Financed Eligible Loans, so long as such action will not adversely affect the Ratings on any of the Bonds.

(b) Notwithstanding the foregoing, the Foundation may also forgive the indebtedness on all or a portion of the Financed Eligible Loans to the extent necessary to prevent interest on any Bonds from being includable in the gross income of the owners thereof for federal income tax purposes, or take such other action as may be provided in the written opinion of Bond Counsel (including, but not limited to, the payment of "yield reduction payments" under Section 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 Foundation evidenced by a certificate delivered to the Trustee, the cost of collection of the remaining indebtedness of such Financed Eligible Loan would exceed such remaining indebtedness.

Section 4.10 Enforcement of Servicing Agreements.

(a) The Foundation shall cause to be diligently enforced, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Servicing Agreements, including without limitation the prompt payment of all principal and interest payments and all other amounts due the Foundation thereunder, including all grants, subsidies, donations, insurance payments, Special Allowance Payments, Interest Benefit Payments, and all defaulted payments Guaranteed by the Guaranty Agency and/or Insured by the Secretary which relate to any Financed Eligible Loans. The Foundation shall not permit the release of the obligations of any Servicer under any Servicing Agreement and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Foundation and the Trustee under or with respect to each Servicing Agreement. The Foundation shall not consent or agree to or permit any amendment or modification of any Servicing Agreement which will in any manner adversely affect the rights or security of the Trustee or the Registered Owners. Nothing in this Indenture shall be construed to prevent the Foundation (i) from taking actions to replace any Servicer if it is reasonably prudent to do so in light of all circumstances then existing and such action will not materially adversely affect the ability of the Foundation to pay or perform, as the case may be, all of its obligations under this Indenture or the security for the Registered Owner, or (ii) from consenting or agreeing to or permitting amendments or modifications to any Servicing Agreement if it is reasonably prudent to do so in light of all circumstances then existing, and such action will not materially adversely affect the ability of the Foundation to pay or perform, as the case may be, all of its obligations under this Indenture or the security for the Bonds and the Registered Owners.

Pursuant to a backup servicing agreement effective September 15, 2010, as amended by a First Amendment, to be effective on the Date of Issuance of the

Bonds (the "Backup Servicing Agreement"), the Backup Servicer will act as backup servicer with respect to the Financed Eligible Loans presently serviced by the Foundation. If the Foundation decides to no longer service the Financed Eligible Loans, it will use its best efforts to notify the Backup Servicer six months, but in any event no less than four months, prior to the initiation of the Backup Servicer's obligations to begin to perform servicing pursuant to the Backup Servicing Agreement. If the Foundation in the performance of its servicing obligations as to the Financed Eligible Loans fails to fully perform such obligations and this failure results in an Event of Default, and such Event of Default is not cured during any applicable cure period, then the Foundation will provide written notice to the Backup Servicer of the determination that the Financed Eligible Loans serviced by the Foundation must be serviced by the Backup Servicer under the Backup Servicing Agreement. The Foundation will use its best efforts to give such notice to the Backup Servicer six months, but in any event no less than four months, prior to the initiation of the Backup Servicer's obligations to begin to perform servicing pursuant to the Backup Servicing Agreement. The Foundation hereby covenants that it will at all times keep a backup servicer in place with respect to the Bonds unless it receives a Rating Notification that such backup servicer is not necessary to maintain the Ratings on the Bonds.

(b) If the Foundation enters into a Servicing Agreement with a Servicer, such Servicing Agreement shall require the Servicer to administer and collect all Financed Eligible Loans in the manner provided in this Section 4.10 and Section 4.11 hereof and to perform the duties, obligations and functions specified in the Guarantee Agreement.

(c) If at any time any Servicer fails in any material respect to perform its obligations under its Servicing Agreement or under the Higher Education Act, including without limitation the failure of the Servicer to comply with the due diligence requirements of the Higher Education Act, or if any servicing audit shows any material deficiency in the servicing of Financed Eligible Loans by any Servicer, and such material violation shall continue for a period of 30 days after the Foundation becomes aware of such material violation, or the Servicer is subject to a bankruptcy or insolvency proceeding, the Foundation shall provide written notice to the Backup Servicer of the determination that the Financed Eligible Loans must be serviced by the Backup Servicer under the Backup Servicing Agreement. Any replacement Servicer shall agree to cooperate with the Servicer being replaced during the period of Servicer conversion.

(d) If any Financed Eligible Loan is found to have had a due diligence failure at the time such Financed Eligible Loan became a part of the Trust Estate, and as a result thereof, a Guarantee or Insurance claim with respect to such Financed Eligible Loan is rejected by the Guaranty Agency or the Secretary, as the case may be, and is not cured within 90 days after such rejection, then the Foundation shall either: (i) purchase such Financed Eligible Loan from the Trust Estate for a purchase price equal to its principal amount plus unamortized

premium and interest accrued thereon or (ii) replace such Financed Eligible Loan with another Financed Eligible Loan of substantially identical characteristics (excluding such due diligence failure). The Foundation's obligations under the preceding covenant apply only with respect to a Financed Eligible Loan which is found to have a due diligence failure at the time it became a part of the Trust Estate, and not to Financed Eligible Loans with respect to which a due diligence failure arises thereafter.

(e) The Foundation shall deposit or cause to be deposited with the Trustee, within two Business Days of receipt, all Revenues which are derived from the Financed Eligible Loans and are otherwise proper for deposit with the Trustee.

Section 4.11 Administration and Collection of Financed Eligible Loans.

(a) All Financed Eligible Loans shall be administered and collected either by the Foundation or by a Servicer selected by the Foundation in a competent, diligent and orderly fashion and in accordance with all requirements of the Higher Education Act, the Secretary, the Educational Assistance Act, this Indenture, the Guarantee Agreement and the Contract of Insurance.

(b) In all events, promissory notes evidencing Financed Eligible Loans shall be held by the Servicer or its agent or bailee on behalf of the Foundation. To the extent that the Servicer, in the ordinary course of its servicing duties, shall require reference to the text of any such note, the Servicer may refer to a photocopy of such note in its files and not to the original thereof. Subject to the foregoing, the Foundation, in its role as Servicer, covenants and agrees to comply with the following provisions with respect to all Financed Eligible Loans and, to the extent it engages a separate Servicer, agrees to include the following provisions in its Servicing Agreement:

(i) In the event any such Servicer holds notes evidencing Financed Eligible Loans and related documentation, such Servicer holds such notes and related documentation as bailee for and on behalf of the Foundation. While the Foundation is acting as Servicer, and with respect to any such notes and/or related documentation which it holds from time to time, the Foundation as Servicer shall hold such assets in a segregated account and clearly mark such assets as being held for the account of the Foundation as bailee.

(ii) All sums received by any Servicer with respect to Financed Eligible Loans shall be held on behalf of the Trustee including, but not limited to, all payments of principal and interest, Special Allowance Payments, Interest Benefit Payments, insurance or guarantee payments and proceeds of the sale thereof. All such amounts shall be held in a segregated account and shall not be commingled with any of the Servicer's funds and shall be accounted for such that all such funds

are identified separately from all other payments received in respect of the servicing of loans. Any such amounts, if received by the Servicer, shall be remitted only to the Trustee and not to the Foundation (in its capacity other than as Servicer).

(iii) All periodic reports required to be furnished pursuant to each Servicing Agreement shall be furnished to the Trustee. The Trustee's duty shall be limited solely to the monitoring of receipt of such reports and to retain any such reports which are received. The Servicer shall indemnify and hold the Trustee harmless to the same extent provided with respect to the Foundation in the Servicing Agreement.

(iv) No assignment or purported assignment by the Foundation of any note evidencing a Financed Eligible Loan held by a Servicer on behalf of the Foundation shall be recognized by the Servicer or be effective unless joined in by the Trustee.

(v) Each Servicer waives any lien that the Servicer might have pursuant to statute or otherwise available at law or in equity on the notes evidencing Financed Eligible Loans held by the Servicer on behalf of the Foundation and on related documentation, including all moneys and proceeds derived therefrom or relating thereto.

(c) The Foundation shall provide, or shall cause the Servicer to provide to the Trustee a copy of the Foundation's most recent quarterly report listing all Financed Eligible Loans; containing the names and social security numbers of the obligors of the Financed Eligible Loans, the unpaid principal balance of all Eligible Loans of each of said obligors, and such other information with respect to the Financed Eligible Loans which is reasonably requested by the Trustee.

The Trustee shall not have any implied duty to examine or review any reports furnished to it pursuant to this Section 4.11.

Section 4.12 Books of Account; Annual Audit. The Foundation shall cause to be kept and maintained proper books of account relating to the Program in which full, true and correct entries will be made, in accordance with generally accepted accounting principles, of all dealings or transactions of or in relation to the business and affairs of the Foundation, and within 150 days after the end of each Fiscal Year shall cause such books of account to be audited by an Accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Foundation as at the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transactions relating to the Funds, Accounts and Subaccounts, Outstanding Bond balance by Stated Maturity and redemption history (date, amount, source of funds, distribution of funds per Bond Stated Maturity), shall be filed promptly with the Trustee and shall be available for inspection by any Registered Owner.

The Foundation shall deliver to the Trustee, within 150 days after the end of each Fiscal Year, a certificate from an Authorized Officer including (a) a current list of the Authorized Officers and (b) a statement indicating whether or not to the knowledge of the signers thereof, the Foundation is in compliance with all conditions and covenants under this Indenture and, in the event of any noncompliance, specifying such noncompliance and the nature and status thereof.

The Foundation shall provide the Trustee with copies of the annual lender compliance audit (in accordance with the United States Department of Education's Audit Guide, Compliance Audits (Attestation Engagements) for Lenders and Lender Servicers Participating in the Federal Family Education Loan Program) as well as any written reports, audits or findings that are performed by the Foundation and delivered to the United States Department of Education within 30 days of submission, including any written reports indicating fees due to the United States Department of Education. The foregoing requirement shall not apply to ED Form 799 filings with the United States Department of Education. However, the Foundation shall cause the completion of the Lender Interest and Special Allowance request and reports (ED Form 799) for all Financed Eligible Loans.

The Foundation shall deliver to the Trustee, within 150 days after the end of each Fiscal Year, a certification from an Authorized Officer to the effect that the Foundation is in compliance with the Higher Education Act and all State rules and regulations applicable to its Program. Such certification shall include a statement that the Foundation has not engaged in any prohibited inducements as described in the Higher Education Act. The Foundation shall, or shall cause to be taken, all reasonable steps, actions and proceedings necessary or appropriate for the prompt payment of fees and expenses due to the United States Department of Education or any service providers of the Foundation, it being understood and agreed that pursuant to the terms of this Indenture, payments to the United States Department of Education, the Trustee and the Servicer shall be disbursed by the Trustee pursuant to the terms hereof.

The Foundation shall provide the following items to the Trustee, within 30 days after receipt thereof, with respect to each Servicer (a) copies of any annual audited financial statements of such Servicer, certified by an independent certified public accounting firm, (b) on an annual basis, copies of SAS 70 reports for such Servicer, (c) the annual compliance audit for each Servicer as required by Section 428(b)(1)(4) of the Higher Education Act and (d) to the extent not included in the financial information provided pursuant to the clauses above, such Servicer's net dollar loss for the year due to servicing errors to the extent received by it.

The Foundation shall cause the Servicer to deliver to the Trustee and the Foundation (if the Foundation shall no longer be the Servicer), within 150 days after the end of each Fiscal Year, beginning with November 27, 2011, a certificate stating that (i) a review of the activities of the Servicer during the preceding calendar year and of its performance under any Servicing Agreement has been made under the supervision of the officer signing such certificate; and (ii) to the best of such officers' knowledge, based on such review, the servicer has fulfilled all its obligations under any Servicing Agreement

throughout such year, or, there has been a default in the fulfillment of any such obligation, specifying each such default known to such officer and the nature and stature thereof.

The Trustee shall not have any implied duty to examine or review any reports furnished to it pursuant to this Section 4.12.

Section 4.13 Tax Covenants.

(a) The Foundation shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for purposes of federal income taxation, be excludable from the gross income of the recipients thereof, including, but not limited to, such actions as are required to be taken pursuant to the Tax Certificate and this Indenture.

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

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

(d) The Foundation shall not sell, transfer or otherwise dispose of any Eligible Loans, except for: (i) loan consolidation, combination or collection purposes and (ii) sales the entire proceeds of which are to be applied to fund the payment of Bonds, unless the Foundation determines that adequate provision has been made assuring that such sale, transfer or other disposition does not impair the Foundation'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 the Tax Certificate.

(e) The Program documents shall include the requirement that no borrower on a Financed Eligible Loan nor any "related person," as defined in Section 144(a)(3) of the Code, shall pursuant to any arrangement, formal or informal, purchase the Foundation's obligations in an amount related to the amount of such borrower's Financed Eligible Loans.

(f) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Bonds pursuant to Article IX hereof or any other provision hereof.

Section 4.14 Continuing Existence and Qualification. The Foundation will maintain its existence as a New Mexico nonprofit corporation and will take no action and suffer no action to be taken by others which will alter, change or destroy, and will take all affirmative action necessary to maintain its status as a nonprofit corporation and its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code (or any successor sections of a subsequent federal income tax statute or code) except as otherwise permitted in Section 4.14(a)(i) or (ii) below. The Foundation will remain duly qualified to do business in the State and will not dispose of all or substantially all of its assets (by sale, lease or otherwise), except as otherwise specifically authorized under this Indenture or under comparable provisions of any previous or future indenture of the Foundation with respect to prior or subsequent issues of bonds, notes or other obligations of the Foundation, or consolidate with or merge into another entity or permit any other entity to consolidate with or merge into it unless:

(a) (i) the surviving, resulting or transferee entity, as the case may be, shall be organized under the laws of the United States or one of the states thereof, shall be an entity which, in the opinion of Bond Counsel, qualifies under the Code to issue Bonds "on behalf of" the State (or, upon receipt of a Favorable Opinion, a corporation meeting the requirements of Section 150(d) of the Code for the issuance of "qualified scholarship funding bonds"); shall be an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) or 115 of the Code, respectively (or any successor sections of a subsequent federal income tax statute or code), shall have a total unrestricted fund balance at least equal to that of the Foundation as of the date of such consolidation, merger or transfer and shall be qualified to do business in the State; or

(ii) the surviving, resulting or transferee entity, as the case may be, shall be the State or any political subdivision thereof;

(b) at least 30 days before any merger, consolidation or transfer of assets becomes effective, the Foundation shall give the Trustee and the Rating Agencies written notice of the proposed transaction;

(c) prior to any merger, consolidation or transfer of assets, an opinion of Bond Counsel shall be delivered to the Trustee stating that such merger, consolidation or transfer of assets will not cause interest on the Bonds to become includable in the gross income for federal income tax purposes of recipients thereof subject to federal income taxation; and

(d) prior to or concurrently with any merger, consolidation or transfer of assets, the surviving, resulting or transferee entity, as the case may be, if other than the Foundation, shall deliver to the Trustee an instrument assuming all of the obligations of the Foundation under this Indenture, the Contract of Insurance, Tax Certificate, any Servicing Agreement and the Guarantee Agreement, together with

the consent of the other parties, if any, to each such instrument to such assumption.

Section 4.15 Fidelity Bonds. The Foundation shall obtain and maintain in force fidelity bonds upon all personnel insuring against any loss or damage which the Trustee or the Foundation might suffer as a consequence of any act of such personnel in an amount required by any supervising agency of the federal or State government, or, if not so required, in such reasonable amount as may be determined from time to time by the Foundation.

Section 4.16 Recordation of the Indenture and Filing of Security Instruments.

(a) The Foundation shall cause this Indenture and all supplements hereto and thereto, together with all other security instruments and financing statements, to be recorded and filed, as the case may be, if required by law for perfection of the security interests created therein, in such manner and in such places as may be required by law in order to perfect the lien of, and the security interests created by, this Indenture.

(b) The Foundation shall promptly notify the Trustee of any change in its name or in the address of its principal place of business.

Section 4.17 Personnel and Servicing of Program.

(a) The Foundation may pay to any State agency, municipality, political subdivision or governmental instrumentality of the State such amounts as are necessary to reimburse such State agency, municipality, political subdivision or governmental instrumentality of the State for the reasonable costs of any services performed for the Foundation.

(b) Each depositary which may from time to time hold amounts in excess of \$50,000 shall enter into a written agreement with the Foundation or the Trustee providing that:

(i) any amounts held by such depositary shall be set aside and held in trust for the Trustee on behalf of the holders of the Bonds;

(ii) all such amounts shall be invested or deposited in accordance with this Indenture and as may be directed by the Foundation or the Trustee or, failing such direction, as such depositary may determine;

(iii) any amounts held by such depositary shall be transmitted to the Trustee regularly as required pursuant to this Indenture and shall be transmitted to the Trustee as soon as practicable upon the written demand at any time of the Foundation or the Trustee; and

(iv) such depositary shall regularly deliver an accounting to the Foundation and the Trustee of the amount held by it hereunder and the deposits and investments thereof.

Section 4.18 No Waiver of Laws. The Foundation shall not at any time insist upon or plead in any manner whatsoever, or claim to take the benefit or advantage of any stay or extension of law now or at any time hereafter in force which may affect the covenants and agreements contained in this Indenture or in the Bonds and all benefit or advantage of any such law or laws is hereby expressly waived by the Foundation.

ARTICLE V

FUNDS

Section 5.1 Creation and Continuation of Funds and Accounts.

(a) There are hereby created and established the following Funds to be held and maintained by the Trustee:

- (i) Acquisition Fund;
- (ii) Revenue Fund;
- (iii) Debt Service Reserve Fund; and
- (iv) Administration Fund.

(b) There is hereby created and established the Rebate Fund, to be held and maintained by the Trustee, in which neither the Foundation nor the Registered Owners have any right, title or interest.

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

Section 5.2 Acquisition Fund. On the Date of Issuance, the Bond proceeds shall be deposited to the Acquisition Fund and shall be used for the refunding of the Refunded Bonds as set forth in Section 2.9 hereof. Financed Eligible Loans shall be held by the Servicer or its agent or bailee and shall be pledged to and accounted for as a part of the Acquisition Fund.

The Foundation, or its assignee, shall have the option to release all of the Financed Eligible Loans free and clear of the lien of this Indenture on any date commencing with the Interest Payment Date on which the then outstanding principal amount of Financed Eligible Loans is equal to or less than 10% of the initial principal amount of Financed Eligible Loans on the Date of Issuance. To exercise the option described in this Section, the Foundation or its assignee shall deposit in the Revenue Fund amounts sufficient to, and such amounts shall be used to, retire the Bonds then Outstanding and pay any fees due to the Servicer, the Foundation or the Trustee and any Rebate Amount or Excess Interest due and any amounts due to the Secretary with respect to such Financed Eligible Loans. Upon the exercise of such option, the Trustee shall, upon Foundation Order and subject to the provisions of this Indenture, take all actions reasonably necessary to effect the release of the Financed Eligible Loans from the lien of this Indenture.

The Foundation may also release Financed Eligible Loans free from the lien of this Indenture, so long as the Foundation deposits an amount equal to the principal amount of Financed Eligible Loans released and the collective aggregate principal

balance of all such releases does not exceed 5.00% of the initial principal amount of the Financed Eligible Loans and the collective aggregate principal balance of all such releases in any calendar year does not exceed 1.00% of the principal amount of the Financed Eligible Loans as of January 1, of such calendar year (or as of the Date of Issuance with respect to the first calendar year).

Section 5.3 Revenue Fund.

(a) The Trustee shall, upon direction of the Foundation or the Servicer and receipt, promptly deposit into the Revenue Fund, all Revenues derived from Financed Eligible Loans, and all other Revenue derived from moneys or assets on deposit in the Acquisition Fund, the Debt Service Reserve Fund, the Revenue Fund and the Administration Fund, and any other amounts deposited thereto upon receipt of a Foundation Order.

(b) On each Interest Payment Date money in the Revenue Fund shall be used (or set aside for use) and transferred to other funds or Persons in the following order of precedence, as directed by Foundation Order (any money not so transferred or paid to remain in the Revenue Fund until subsequently applied pursuant to this Section):

(i) to an account to be established for such purpose under the Indenture, such amount, if any, as the Foundation shall determine in a certificate of an Authorized Officer as necessary to provide for the reconciliation of Special Allowance Payments under the Higher Education Act among the Foundation, trust estates of the Foundation and the United States Department of Education, or to make any other payments due and payable to the United States Department of Education related to the Eligible Loans (including, without limitation, consolidation loan rebate fees);

(ii) to the Rebate Fund, if necessary to comply with the Tax Certificate, the Rebate Amount or Excess Interest;

(iii) Subject to the limits of (c) below, to the Administration Fund for use in paying (i) the Trustee, the amount, if any, then due, representing the Trustee fees as shall have been incurred and (ii) the Servicer, the Servicing fees, including the Backup Servicer fees, from which the Servicer shall pay the Backup Servicer, as shall be set forth in a certificate of an Authorized Officer;

(iv) on a parity basis, to pay interest due on the Bonds and the principal of any Bonds due on such Interest Payment Date (if such Interest Payment Date is a Stated Maturity or mandatory sinking fund redemption date with respect to such Bonds);

(v) to the Debt Service Reserve Fund the amount, if any, required by Section 5.4(b) hereof;

(vi) to mandatorily redeem (A) Series 2010A-1 Bonds and Series 2010A-2 Bonds, in that order, and (B) Series 2010A-3 Bonds, with such redemption to be pro rata among (A) and (B) based on the par amount of Series 2010A-1 and Series 2010A-2 Bonds (in the case of (A)) and Series 2010A-3 Bonds (in the case of (B)) outstanding immediately prior to such redemption, pursuant to Section 2.2(b) hereof until the Aggregate Market Value of the assets in the Trust Estate (following the payments described in this paragraph) equals or exceeds 130% of the unpaid principal amount of the Bonds Outstanding (plus any accrued and unpaid expenses) or until the principal amount of the Bonds is paid in full;

(vii) so long as the Aggregate Market Value of the assets in the Trust Estate (following the payments described above) equals or exceeds 130% of the unpaid principal amount of the Bonds Outstanding (plus any accrued and unpaid expenses), in connection with each December 1 transfer, to the Administration Fund to pay up to \$65,000 (per Fiscal Year) of additional Administrative Expenses which have not already been paid under (iii) above; and

(viii) to mandatorily redeem (A) Series 2010A-1 Bonds and Series 2010A-2 Bonds, in that order, and (B) Series 2010A-3 Bonds, with such redemption to be pro rata among (A) and (B) based on the par amount of Series 2010A-1 and Series 2010A-2 Bonds (in the case of (A)) and Series 2010A-3 Bonds (in the case of (B)) outstanding immediately prior to such redemption, pursuant to Section 2.2(b) hereof until the principal amount of the Bonds is paid in full.

(c) The Foundation covenants and agrees that any Trustee fees and Servicer fees withdrawn pursuant to (iii) above and (e) below in any one Fiscal Year shall not exceed the aggregate of the amount of such withdrawals for such Fiscal Year as set forth on Exhibit C hereto.

(d) In directing the Trustee to make the transfers described above, the Foundation shall take into account all moneys deposited to the Revenue Fund up to and including 30 days prior to the applicable quarterly payment date.

(e) In addition to the transfers described in (b) above, upon receipt of a Foundation Order directing the same, moneys in the Revenue Fund may be transferred on the first Business Day of each month to the Administration Fund, as described in Section 5.6, to pay Servicer fees as shall have been incurred.

Section 5.4 Debt Service Reserve Fund.

(a) The Trustee shall deposit to the Debt Service Reserve Fund the amount specified therefor in Section 2.9 hereof. On each Interest Payment Date, to the extent there are insufficient moneys in the Revenue Fund to make the

transfers required by Sections 5.3(b)(i) through (iv) hereof, then, the amount of such deficiency shall be paid directly from the Debt Service Reserve Fund.

(b) If the Debt Service Reserve Fund is used for the purposes described in Section 5.4(a) hereof, the Trustee shall restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement with respect thereto by transfers from the Revenue Fund pursuant to Section 5.3(b)(v) hereof, until the deficiency in the Debt Service Reserve Fund has been eliminated.

(c) On any day that the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement with respect thereto for any reason, the Trustee, at the direction of the Foundation, shall transfer the excess to the Revenue Fund.

(d) The Foundation shall use amounts on deposit in the Debt Service Reserve Fund in order to make the final payments on the Bonds. At such time as all of the Bonds are subject to redemption and amounts on deposit in the Revenue Fund and the Debt Service Reserve Fund are sufficient to retire the Bonds and to pay all other amounts due and owing hereunder, amounts on deposit in the Debt Service Reserve Fund shall be used along with such other amounts for such purpose.

Section 5.5 Rebate Fund.

(a) The Trustee shall, in accordance with Section 5.3(b)(ii) hereof, withdraw from 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 pursuant to written instructions from the Foundation. Computation of the Rebate Amount shall be furnished to the Trustee by or on behalf of the Foundation in accordance with the Tax Certificate, as the same may be amended or supplemented in accordance with their terms.

(b) The Trustee, upon receipt of written instructions from an Authorized Officer in accordance with the Tax Certificate, shall pay to the United States of America from the Rebate Fund (i) not later than 60 days after the fifth anniversary of the Date of Issuance and after the end of each five year period thereafter, an amount such that, together with amounts previously paid to the United States of America is equal to at least 90% of the Rebate Amount and (ii) not later than 60 days after the date on which all of the Bonds have been paid or redeemed, 100% of the Rebate Amount.

(c) The Trustee shall also, in accordance with Section 5.3(b)(ii) hereof, withdraw from the Revenue Fund and deposit to the Rebate Fund such amount as shall be required to be paid to the federal government as Excess Interest. Alternatively, upon Foundation Order the Foundation may from time to time forgive payments on Financed Eligible Loans to satisfy such requirement, in accordance with the Tax Certificate.

Notwithstanding anything in this Indenture to the contrary, in the event the Foundation and the Trustee shall receive a Favorable Opinion to the effect that it is not necessary under either existing statutes and court decisions or under any then pending federal legislation to pay any portion of earnings on Funds held under this Indenture or Excess Interest to the United States of America in order to assure the exclusion from gross income for federal income tax purposes of interest on any Bonds, then the provisions of this Section need not be complied with and shall no longer be effective and all or a portion of such amounts on deposit in the Rebate Fund shall be transferred to the Revenue Fund.

Section 5.6 Administration Fund. The Trustee shall deposit to the Administration Fund the amount specified in Section 2.9, Section 5.3(b)(iii) and Section 5.3(e) hereof. The Administration Fund shall be used solely to pay Administrative Expenses and the costs of issuance with respect to the Bonds. Amounts shall be disbursed therefrom to pay costs of issuance and Servicing fees upon receipt by the Trustee of a Foundation Order. The Trustee may disburse Trustee fees, subject to the limit set forth in Exhibit C hereto, once such amounts have been incurred and are due and owing. Amounts deposited to the Administration Fund pursuant to Section 2.9 for the payment of costs of issuance and not used prior to March 1, 2011 shall be transferred to the Revenue Fund.

The amount deposited in the Administration Fund by transfer from the Revenue Fund and the schedule of deposits shall be determined by the Foundation, but the amount so transferred in any one Fiscal Year shall not in the aggregate exceed the amount or amounts designated therefor in the cash flows (including the assumptions contained therein) provided to the Rating Agency on the Date of Issuance, unless the Foundation, after furnishing the Rating Agencies with revised cash flows, shall meet the requirements of a Rating Notification to Fitch that such additional amount or amounts, will not adversely affect the Ratings on any of the Bonds. The Foundation shall provide the Trustee with a Foundation Order from time to time as to the amount to be transferred.

At any time in order to meet expenses which have been incorporated in such cash flows, the Foundation may requisition from the Trustee the amount which the Foundation anticipates will be required to pay the Administrative Expenses. The requisition, in the form of a Foundation Order, shall include a statement that the amount requisitioned, when combined with the amount requisitioned previously in the Fiscal Year, does not exceed the amount in such cash flows for that year as Administrative Expenses.

Upon the receipt of such requisition, the Trustee shall withdraw the amount requisitioned from the Revenue Fund and transfer the same into the Administration Fund. The Foundation may request that the Trustee pay the requisitioned amount in installments as specified by the Foundation. In the event there is not sufficient money on hand in the Revenue Fund to transfer the full amount requisitioned, the Trustee shall notify the Foundation and the Foundation shall then determine the amount to be transferred.

Section 5.7 Reserved.

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Section 5.8 Reserved.

Section 5.9 Investment of Funds Held by Trustee. The Trustee shall invest money held for the credit of any Fund or Account or Subaccount held by the Trustee hereunder as directed in writing (or orally, confirmed in writing) by an Authorized Officer of the Foundation or a designee appointed in writing by an Authorized Officer of the Foundation, to the fullest extent practicable and reasonable, in Investment Securities which shall mature or be redeemed at the option of the holder prior to the respective dates when the money held for the credit of such Fund or Account or Subaccount will be required for the purposes intended. In the absence of any such direction, the Trustee shall invest amounts held hereunder in those Investment Securities described in a certificate of the Foundation provided to the Trustee on the Date of Issuance. The Trustee and the Foundation hereby agree that unless an Event of Default shall have occurred hereunder, the Foundation acting by and through an Authorized Officer shall be entitled to, and shall, provide written direction or oral direction confirmed in writing to the Trustee with respect to any discretionary acts required or permitted of the Trustee under any Investment Securities and the Trustee shall not take such discretionary acts without such written direction.

The Investment Securities purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account or Subaccounts or combination thereof, and the Trustee shall inform the Foundation 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, shall be deposited into the Revenue Fund as provided in Section 5.3 hereof. Earnings on amounts contained in the Rebate Fund shall remain in the Rebate Fund. Upon direction in writing (or orally, confirmed in writing) from an Authorized Officer of the Foundation, the Trustee shall use its best efforts to sell at the best price obtainable, or present for redemption, any Investment Securities purchased by it as an investment whenever it shall be necessary to provide money to meet any payment from the applicable Fund. The Trustee shall advise the Foundation in writing, on or before the fifteenth day of each calendar month (or such later date as reasonably consented to by the Foundation), of all investments held for the credit of each Fund in its custody under the provisions of this Indenture as of the end of the preceding month and the value thereof, and shall list any investments which were sold or liquidated for less than their Value at the time thereof. The Foundation acknowledges that regulations of the Comptroller of the Currency grant the Foundation the right to receive brokerage confirmations of security transactions as they occur. The Foundation specifically waives such notification to the extent permitted by law and acknowledges that the Foundation will receive periodic cash transaction statements, which will detail all investment transactions. Unless contrary to written investment directions previously submitted to the Trustee, an account statement delivered by the Trustee to the Foundation shall be deemed written confirmation by the Foundation that the investment transactions identified therein accurately reflect the investment directions given to the Trustee by the Foundation, unless the Foundation notifies the Trustee in writing to the contrary within 30 days after the date of such statement.

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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. The Trustee may act as principal or agent in the acquisition or disposition of any Investment Securities.

Notwithstanding the foregoing, the Trustee shall not be responsible or liable for any losses on investments made by it hereunder or for keeping all Funds held by it, fully invested at all times, its only responsibility being to comply with the investment instructions of the Foundation or its designee in a non-negligent manner.

Section 5.10 Purchase of Bonds. Pursuant to this Indenture, any amounts held under this Indenture which are available to redeem Bonds may instead be used to purchase Bonds outstanding under this Indenture at the same times and subject to the same conditions (except as to price) as apply to the redemption of Bonds, except that such purchases made with amounts held under this Indenture shall be made only if the purchase price shall be less than the required redemption price.

ARTICLE VI DEFAULTS AND REMEDIES

Section 6.1 Events of Default Defined. For the purpose of this Indenture, the following events are hereby 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 Bonds when due;
- (b) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Foundation to be kept, observed, and performed contained in this Indenture or in the Bonds, and continuation of such default for a period of 90 days after written notice thereof by the Trustee to the President and Secretary of the Foundation; and
- (c) the occurrence of an Event of Bankruptcy.

Any notice herein provided to be given to the President or Secretary of the Foundation with respect to any default shall be deemed sufficiently given if sent by registered mail with postage prepaid to the Person to be notified, addressed to such Person at the post office address as shown at the end of this Indenture or such other address as may hereafter be given as the principal office of the Foundation in writing to the Trustee by the Secretary of the Foundation. The Trustee may give any such notice in its discretion and shall give such notice if requested to do so in writing by the Registered Owners of at least 25% of the collective aggregate principal amount of the Bonds at the time Outstanding.

Section 6.2 Remedy on Default; Possession of Trust Estate. Subject to Section 6.9 hereof, upon the happening and continuance of any Event of Default, the Trustee or by its attorneys or agents may or shall, upon direction by the Registered Owners of a majority of the collective aggregate principal amount of the Bonds at the time Outstanding and upon receipt of satisfactory indemnification, enter into and upon and take possession of such portion of the Trust Estate as shall be in the custody of others, and all property comprising the Trust Estate, and each and every part thereof, and exclude the Foundation 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 Foundation or otherwise, as it shall deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Foundation 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 hereunder (except in the case of an Event of Default under Section 6.1(b) herein, in which case the Trustee shall not incur any expenses until indemnified and so directed by the Registered Owners of a majority of the collective aggregate principal amount of the Bonds at the time Outstanding) and all other proper outlays herein authorized including but not limited to those outlays referenced in Section 5.3 hereof, 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 shall apply the rest and residue of the money received by the Trustee as follows:

- (a) if the principal of none of the Bonds shall have become due, to the payment of the interest in default on the 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 Bonds on which such interest shall be in default, such payments to be made ratably to the parties entitled thereto without discrimination or preference; and
- (b) if the principal of any of the Bonds shall have become due by declaration of acceleration or otherwise, first to the payment of the interest on the 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 Bonds on which such interest shall be in default, and second to the payment of the principal of all Bonds then due (pro rata among the series of the then Outstanding Bonds, if amounts are insufficient to pay all principal then due).

Section 6.3 Remedies on Default; Advice of Counsel. Upon the happening of any Event of Default, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners in such manner as counsel for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking herein contained, or in aid of the execution of any power herein granted, or for the enforcement of such other appropriate legal or equitable remedies as, in the opinion of such counsel, may be more effectual to protect and enforce the rights aforesaid.

Section 6.4 Remedies on Default; Sale of Trust Estate. Upon the happening of any Event of Default and if the principal of all of the Outstanding Bonds shall have been declared due and payable, then and in every such case, and irrespective of whether other remedies authorized shall have been pursued in whole or in part, the Trustee may sell, with or without entry, to the highest bidder the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, at any such place or places, and at such time or times and upon such notice and terms as may be required by law; provided, however, that no such sale shall be made unless adequate provision has been made to assure that such transfer shall not impair the Foundation'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 sale in accordance with the Tax Certificate. 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 shall be a perpetual bar both at law and in equity against the Foundation and all Persons claiming such properties. No purchaser at any sale shall be bound to see to the application of the purchase money or to inquire as to the authorization, necessity, expediency or regularity of any such sale. The Trustee is hereby irrevocably appointed the true and lawful attorney in fact of the Foundation, 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 Foundation, if so requested by the Trustee, shall ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary, or in the judgment of the Trustee, proper for the purpose which may be designated in such request. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners of the Bonds in such manner as counsel for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking herein contained, or in aid of the execution of any power herein granted, or for the enforcement of such other appropriate legal or equitable remedies as may in the opinion of such counsel, be more effectual to protect and enforce the rights aforesaid. The Trustee shall take any such action or actions if requested to do so in writing by the Registered Owners of at least a majority of the collective aggregate principal amount of the Bonds at the time Outstanding, upon receipt of satisfactory indemnification, if required, pursuant to Section 7.1(c) hereof.

Section 6.5 Appointment of Receiver. In case an Event of Default occurs, and if all of the Outstanding Bonds shall 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 this Indenture or otherwise, then as a matter of right, the Trustee shall 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.

Section 6.6 Restoration of Position. In case the Trustee shall have proceeded to enforce any rights under this Indenture by sale or otherwise, and such proceedings shall have been discontinued, or shall have been determined adversely to the Trustee, then and in every such case to the extent not inconsistent with such adverse decree, the Foundation and the Trustee shall be restored to their former respective positions and the rights hereunder in respect to the Trust Estate, and all rights, remedies, and powers of the Trustee and of the Registered Owners shall continue as though no such proceeding had been taken.

Section 6.7 Purchase of Properties by Trustee or Registered Owners. In case of any such sale of the Trust Estate, any Registered Owner or Registered Owners or committee of Registered Owners or the Trustee, may bid for and purchase such property and upon compliance with the terms of sale may hold, retain possession, and dispose of such property as the absolute right of the purchaser or purchasers without further accountability and shall be entitled, for the purpose of making any settlement or payment for the property purchased, to use and apply any Bonds hereby 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 shall 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.

Section 6.8 Application of Sale Proceeds. The proceeds of any sale of the Trust Estate, together with any funds at the time held by the Trustee and not otherwise appropriated, shall be applied by the Trustee as set forth in Section 6.2 hereof, and then to the Foundation or whomever shall be lawfully entitled thereto.

Section 6.9 Accelerated Maturity. If an Event of Default shall have occurred and be continuing, the Trustee may declare, or upon the written direction by the Registered Owners of a majority of the collective aggregate principal amount of the Bonds then Outstanding, shall declare, the principal of all Bonds then Outstanding, and the interest thereon, if not previously due, immediately due and payable, anything in the Bonds or this Indenture to the contrary notwithstanding; provided, however, that for a declaration of acceleration upon a default pursuant to Section 6.1(b) hereof shall require the consent of 100% of the Registered Owners of the collective aggregate principal amount of the Bonds then Outstanding.

Section 6.10 Remedies not Exclusive. The remedies herein conferred 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 herein provided shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, and every power and remedy hereby given to the Trustee or to the Registered Owners of Bonds, or any supplement hereto, may be exercised from time to time as often as may be deemed expedient. No delay or omission of the Trustee or of any Registered Owner of Bonds to exercise any power or right arising from any default hereunder shall impair any such right or power or shall be construed to be a waiver of any such default or to be acquiescence therein.

Section 6.11 Direction of Trustee. Upon the happening of any Event of Default, and anything in this Indenture to the contrary notwithstanding, the Registered Owners of a majority of the collective aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder, provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 6.12 Right to Enforce in Trustee. No Registered Owner of any Bond shall have any right as such Registered Owner to institute any suit, action, or proceedings for the enforcement of the provisions of this Indenture or for the execution of any trust hereunder or for the appointment of a receiver or for any other remedy hereunder, all rights of action hereunder being vested exclusively in the Trustee, unless and until such Registered Owner shall have previously given to the Trustee written notice of a default hereunder, and of the continuance thereof, and also unless the Registered Owners of the requisite principal amount of the Bonds then Outstanding shall have made written request upon the Trustee and the Trustee shall have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Trustee shall have been offered reasonable indemnity and security satisfactory to it against the costs,

expenses, and liabilities to be incurred therein or thereby and the Trustee for 30 days after receipt of such notification, request, or offer of indemnity, shall 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 shall have the right in any manner whatever by his or their action to affect, disturb, or prejudice the lien of this Indenture or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Registered Owners of the Bonds then Outstanding.

Section 6.13 Physical Possession of Bonds Not Required. In any suit or action by the Trustee arising under this Indenture or on all or any of the Bonds issued hereunder, or any supplement hereto, the Trustee shall not be required to produce such Bonds, but shall be entitled in all things to maintain such suit or action without their production.

Section 6.14 Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default hereunder and its consequences and rescind any declaration of acceleration of Bonds, and shall do so upon the written request of the Registered Owners of at least a majority of the collective aggregate principal amount of the Bonds then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of Stated 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 (with interest upon such principal and premium, if any, at a rate which shall be 1% per annum above the highest rate of interest borne by any Bonds during the 365 days prior to the date on which such principal and premium, if any, were due or the maximum rate permitted by law if less than such rate aforesaid) and all expenses of the Trustee, in connection with such default shall have been paid or provided for or (b) any default in the payment of amounts set forth in Sections 4.13 and 7.4 hereof. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Foundation, the Trustee and the Registered Owners of Bonds shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

ARTICLE VII

THE TRUSTEE

Section 7.1 Acceptance of Trust. The Trustee hereby accepts the trusts imposed upon it by this 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 this Indenture, and no implied covenants or obligations shall be read into this 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 to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform as to form with the requirements of this Indenture and whether or not they contain the statements required under this 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 this Indenture, shall use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.
- (c) Before taking any action hereunder requested by Registered Owners, the Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the Registered Owners, as applicable, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which results from the negligence or willful misconduct of the Trustee.

Section 7.2 Recitals of Others. The recitals, statements, and representations set forth herein and in the Bonds shall be taken as the statements of the Foundation, and the Trustee assumes no responsibility for the correctness of the same except for its certificate of authentication on the Bonds. The Trustee makes no representations as to the title of the Foundation in the Trust Estate or as to the security afforded thereby and hereby, or as to the validity or sufficiency of this Indenture or of the Bonds issued hereunder except for its certificate of authentication on the Bonds, and the Trustee shall incur no responsibility in respect of such matters.

Section 7.3 As to Filing of Indenture. The Trustee shall be under no duty (a) to file or record, or cause to be filed or recorded, this Indenture or any instrument supplemental hereto, (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 hereunder or thereunder, (d) or to do any act which may be suitable to be done for the better maintenance of the lien or security hereof (other than the filing of any continuation statements), or (e) for giving notice of the existence of such lien, or for extending or supplementing the same or to see that any rights to Revenue and Funds intended now or hereafter to be transferred in trust hereunder are subject to the lien hereof. The Trustee shall not be liable for failure of the Foundation to pay any tax or taxes in respect of such property, or any part thereof, or the income therefrom or otherwise, nor shall 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.

Section 7.4 Indemnification of Trustee. The Trustee shall be under no obligation or duty to perform any act at the request of Registered Owners or to institute or defend any suit in respect thereof unless properly indemnified and provided with security to its satisfaction as provided in Section 7.1(c) hereof. The Trustee shall not be required to take notice, or be deemed to have knowledge, of any default or Event of Default of the Foundation hereunder and may conclusively assume that there has been no such default or Event of Default (other than an Event of Default described in Sections 6.1(a) or (b) hereof) unless and until it shall have been specifically notified in writing at the address in Section 10.1 hereof of such default or Event of Default by (a) any Registered Owner or (b) an Authorized Officer of the Foundation. The Foundation agrees to indemnify the Trustee and its agents and/or representatives for, and to hold each of them harmless against, any loss, liability, or expenses incurred without negligence, willful misconduct or bad faith on their parts, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of the Trustee's powers or duties hereunder. Such indemnification shall survive its resignation or removal, or the termination of this Indenture.

The Foundation agrees to indemnify and hold harmless the Trustee against any and all claims, demands, suits, actions or other proceedings and all liabilities, costs and expenses whatsoever caused by any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact (other than a material fact relating to the Trustee provided by the Trustee) contained in any offering document distributed in connection with the issuance of the Bonds or caused by any omission or alleged omission from such offering document such information of any material fact (other than a material fact relating to the Trustee provided by the Trustee) required to be stated therein or necessary in order to make the statements made therein in the light of the circumstances under which they were made, not misleading.

Section 7.5 Trustee's Right to Reliance. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, appraisal, opinion, report or document of the Servicer, Foundation Order or other paper or

document believed by it to be genuine and to have been signed or presented by the proper party or parties.

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

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

The Trustee is authorized, under this Indenture, subject to Section 4.13 hereof, to sell, assign, transfer, convey, or repurchase Financed Eligible Loans in accordance with a Foundation Order, provided that no such Financed Eligible Loan originated under the Higher Education Act may be sold, assigned, transferred, or conveyed to any Person who is not an Eligible Lender unless permitted by the Higher Education Act. 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 this Indenture.

Section 7.6 Compensation of Trustee. The Foundation shall pay to the Trustee from time to time reasonable compensation for all services, reasonable expenses, charges, and other disbursements incurred in and about the administration and execution of the trusts hereby created. The Trustee may not change the amount of its annual compensation without giving the Foundation at least 90 days' written notice prior to the beginning of a Fiscal Year. In the event of a default of such payments by the Foundation, and as security for such payment, the Trustee shall have a lien therefor on the Trust Estate prior to any rights of the Registered Owners.

Section 7.7 Trustee May Own Bonds. The Trustee hereunder, or any successor Trustee, in its individual or other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Foundation, 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 this Indenture, whether or not any such committee shall represent the Registered Owners of more than 25% or 50% of the collective aggregate principal amount of the Bonds then Outstanding.

Section 7.8 Resignation of Trustee. The Trustee and any successor to the Trustee may resign and be discharged from the trust created by this Indenture by giving to the President of the Foundation notice in writing which notice shall specify the date on which such resignation is to take effect; provided, however, that such resignation shall only take effect on the day specified in such notice if a successor Trustee shall have been appointed pursuant to Section 7.10 hereof (and is qualified to be the Trustee under the

requirements of Section 7.10 hereof). If no successor Trustee has been appointed by the date specified or within a period of 90 days from the receipt of the notice by the Foundation, whichever period is the longer, the Trustee may (a) appoint a temporary successor Trustee having the qualifications provided in Section 7.10 hereof or (b) request a court of competent jurisdiction to (i) require the Foundation to appoint a successor, as provided in Section 7.10 hereof, within three days of the receipt of citation or notice by the court, or (ii) appoint a Trustee having the qualifications provided in Section 7.10 hereof. In no event may the resignation of the Trustee be effective until a qualified successor Trustee shall have been selected and appointed. In the event a temporary successor Trustee is appointed pursuant to (a) above, the Board may remove such temporary successor Trustee and appoint a successor thereto pursuant to Section 7.10 hereof.

Section 7.9 Removal of Trustee. The Trustee or any successor Trustee may be removed (a) at any time by the Registered Owners of a majority of the collective aggregate principal amount of the Bonds then Outstanding, (b) by the Foundation for cause or upon the sale or other disposition of the Trustee or its trust functions or (c) by the Foundation without cause so long as no Event of Default exists or has existed within the last 90 days, upon payment to the Trustee so removed of all money then due to it hereunder and appointment of a successor thereto by the Foundation and acceptance thereof by said successor. One copy of any such instrument shall be filed with the Secretary of the Foundation 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 hereunder, such removal shall 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 Foundation shall have appointed a successor, and (b) the successor Trustee has accepted appointment as such.

Section 7.10 Successor Trustee. In case at any time the Trustee or any successor Trustee shall resign, be dissolved, or otherwise shall 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 shall be taken over by any public officer or officers, a successor Trustee may be appointed by the Board by an instrument in writing duly authorized by resolution. In the case of any such appointment by the Board of a successor to the Trustee, the Board shall forthwith cause notice thereof to be mailed to the Registered Owners of the Bonds at the address of each Registered Owner appearing on the bond registration books maintained by the Trustee.

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

designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the Financed Eligible Loans originated under the Higher Education Act.

Section 7.11 Manner of Vesting Title in Trustee. Any successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor Trustee, and also to the Foundation, an instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed, or conveyance shall become fully vested with all the estate, properties, rights, powers, trusts, duties, and obligations of its predecessors in trust hereunder (except that the predecessor Trustee shall continue to have the benefits to indemnification hereunder together with the successor Trustee), with like effect as if originally named as Trustee herein; but the Trustee ceasing to act shall nevertheless, on the written request of an Authorized Officer of the Foundation, or an authorized officer of the successor Trustee, execute, acknowledge, and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title, and interest of the Trustee which it succeeds, in and to pledged Revenue and Funds and such rights, powers, trusts, duties, and obligations, and the Trustee ceasing to act also, upon like request, pay over, assign, and deliver to the successor Trustee any money or other property or rights subject to the lien of this Indenture, including any pledged securities which may then be in its possession. Should any deed or instrument in writing from the Foundation be required by the successor Trustee for more fully and certainly vesting in and confirming to such new Trustee such estate, properties, rights, powers, and duties, any and all such deeds and instruments in writing shall on request be executed, acknowledged and delivered by the Foundation.

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

Section 7.12 Additional Covenants by the Trustee to Conform to the Higher Education Act. The Trustee covenants that it will at all times be an Eligible Lender under the Higher Education Act so long as such designation is necessary, as determined by the Foundation, to maintain the guarantees and federal benefits under the Higher Education Act with respect to the Financed Eligible Loans if the same were held and owned by the Trustee and that it will not dispose of or deliver any Financed Eligible Loans originated under the Higher Education Act or any security interest in any such Financed Eligible Loans to any party (other than a person acting as agent or bailee for the Foundation) who is not an Eligible Lender so long as the Higher Education Act requires an Eligible Lender to be the owner or holder of such Financed Eligible Loans; provided, however, that nothing above shall prevent the Trustee from delivering the Eligible Loans to the Servicer or the Guaranty Agency pursuant to Sections 4.8 or 4.11(b) hereof.

The Trustee shall not be accountable or responsible in any manner whatsoever for any action of the Foundation or of the depository bank of any funds of the Foundation, or the Servicer while the Servicer is acting as bailee, custodian or agent of the Foundation with respect to the Financed Eligible Loans except, to the extent provided in the Servicing Agreement, for actions taken in compliance with any instruction or direction given to the Trustee, or for the application of funds or moneys by the Servicer until such time as funds are received by the Trustee.

So long as any Bonds are Outstanding, the Trustee (a) will maintain its participation in the Federal Family Education Loan Program as reflected in the letter of September 4, 1968 from the Department of Education to the Trustee; and (b) will maintain its status as an "eligible lender" under the Higher Education Act.

Section 7.13 Right of Inspection. A Registered Owner shall be permitted at reasonable times during regular business hours and in accordance with reasonable regulations prescribed by the Trustee to examine at the principal office of the Trustee a copy of any report or instrument theretofore filed with the Trustee relating to the condition of the Trust Estate.

Section 7.14 Limitation with Respect to Examination of Reports. Except as provided in this Indenture, the Trustee shall be under no duty to examine any report or statement or other document required or permitted to be filed with it by the Foundation.

Section 7.15 Additional Covenants of Trustee. The Trustee, by the execution hereof, covenants, represents and agrees that:

(a) it will not exercise any of the rights, duties, or privileges under this Indenture (particularly those enumerated in Article VI hereof or Article VII hereof) in such manner as would cause the Eligible Loans held or acquired under the terms hereof to be transferred, assigned, or pledged as security to any person or entity other than as permitted by this Indenture; and

(b) it will, upon written notice from an Authorized Officer of the Foundation, the Secretary, or the Guaranty Agency, use its reasonable efforts to cause this Indenture to be amended (in accordance with Section 8.1 hereof) if the Higher Education Act is hereafter amended so as to be contrary to the terms of this Indenture.

(c) it will cause to be filed from time to time all continuation statements under the Uniform Commercial Code of the State as in the opinion of counsel to the Trustee are necessary to preserve the lien of, and the security interests created by this Indenture, and will cause to be filed and recorded, as the case may be, all other documents in such manner and in such places as the Trustee may deem necessary in order to protect and maintain in force the lien of, and the security interests created by, this Indenture and will employ counsel in connection therewith, the costs of which shall be borne by the Foundation or the Trust Estate.

Section 7.16 Trustee to Cause Investments to be Made. As to any Funds held by the Trustee under this Indenture, the same shall be invested by the Trustee as directed by a Foundation Order, within the limitations herein prescribed. In the absence of any such direction, the Trustee shall invest amounts held hereunder in those Investment Securities described in a certificate of the Foundation provided to the Trustee on the Date of Issuance.

Section 7.17 Duty of Trustee with Respect to Rating Agencies. It shall be the duty of the Trustee to notify each Rating Agency then rating any series of the Bonds (but the Trustee shall incur no liability for any failure to do so) of (a) any amendment or termination of this Indenture, (b) redemption or defeasance of all the Bonds, or (c) any change in the Trustee; provided, however, the provisions of this Section do not apply when such documents have been previously supplied to such Rating Agency and the Trustee has received written evidence to such effect, all as may be required by this Indenture. All notices and other items to the Rating Agencies required under this Section shall be delivered to Fitch at the below address or via electronic delivery to surveillance-abs-consumer@fitchratings.com and shall be delivered to S&P via electronic delivery to Servicer_reports@sandp.com or, for information not available in electronic format, to the below address:

Standard & Poor's Ratings Services
55 Water Street, 41st Floor
New York, New York 10041-0003
Attention: ABS Surveillance Group

Fitch Ratings
1 State Street Plaza, 32nd Floor
New York, New York 10004
Attention: ABS Student Loan Surveillance

Section 7.18 Merger of the Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Indenture, without the execution or filing of any paper of any further act on the part of any other parties hereto.

Section 7.19 Receipt of Funds from Servicer. The Trustee shall not be accountable or responsible in any manner whatsoever for any action of the Foundation, the Servicer or the depository bank of any funds of the Foundation, or for the application of funds or moneys by the Servicer until such time as funds are received by the Trustee. The Servicer shall prepare for filing with the Secretary any required reports.

Section 7.20 Trustee May Act Through Agents. The Trustee may execute any of the trusts or powers hereof and perform any duty hereunder, either itself or by or through independent agents appointed by it; provided, however, the Trustee shall be

answerable and accountable for any default, negligence or willful misconduct of any such agents. Notwithstanding the foregoing, upon satisfaction of the requirements of a Rating Notification to Fitch regarding the appointment of any such independent agent, the Trustee may execute any of the trusts or powers hereof and perform any duty hereunder by or through such agent of the Trustee, and it shall not be answerable or accountable for any default, negligence or willful misconduct of any such agent. All reasonable costs incurred by the Trustee and all reasonable compensation to all such persons as may be appointed by the Trustee in connection with the trusts hereof shall be paid by the Foundation.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.1 Supplemental Indentures Not Requiring Consent of Registered Owners. The Foundation and the Trustee may, without the consent of or notice to any of the Registered Owners of any Bonds enter into any indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this 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 this Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- (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 hereunder, or any additional or substitute Guaranty Agency or Servicer;
- (f) to add such provisions to or to amend such provisions of this Indenture as may, in Bond Counsel's opinion, be necessary or desirable to assure implementation of the Program in conformance with the Higher Education Act if along with such Supplemental Indenture there is filed a Bond Counsel's opinion to the effect that the addition or amendment of such provisions will in no way impair the existing security of the Registered Owners of any Outstanding Bonds;
- (g) to make any changes necessary to comply with the Higher Education Act or the Code;
- (h) to create any additional Funds or Accounts or Subaccounts under this Indenture deemed by the Trustee to be necessary or desirable; and

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- (i) to make any other change which, in the judgment of the Trustee is not to the material prejudice of the Registered Owners of any Bonds. In making any such judgment, the Trustee may rely upon an opinion of counsel.

Section 8.2 Supplemental Indentures Requiring Consent of Registered Owners. Exclusive of Supplemental Indentures covered by Section 8.1 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Bonds then Outstanding which are affected shall have the right, from time to time, to consent to and approve the execution by the Foundation and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (a) without the consent of all of the Registered Owners of all then Outstanding Bonds, (i) an extension of the Stated Maturity date or mandatory sinking fund redemption date, or the date of payment of the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) a privilege or priority of any Bonds or Bonds over any other Bonds or Bonds except as otherwise provided herein, or (iv) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (v) the creation of any lien other than a lien ratably securing all of the Bonds at any time Outstanding hereunder except as otherwise provided herein or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

If at any time the Foundation shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each Registered Owner of an Bond at the address listed herein. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Registered Owners. If, within 60 days, or such longer period as shall be prescribed by the Foundation, following the mailing of such notice, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented in writing to and approved the execution thereof as herein provided, no Registered Owner of any Bonds shall 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 Foundation from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as in this Section 8.2 permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

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Section 8.3 Additional Limitation on Modification of Indenture. None of the provisions of this Indenture (including Sections 8.1 and 8.2 hereof) shall permit an amendment to the provisions of the Indenture which permits the transfer of all or part of the Financed Eligible Loans originated under the Higher Education Act or granting of a security interest therein to any Person other than an Eligible Lender or the Servicer, unless the Higher Education Act is hereafter modified so as to permit the same.

No amendment to this Indenture or to the indentures supplemental thereto shall be effective unless the Trustee receives an opinion of Bond Counsel to the effect that such amendment was adopted in conformance with this Indenture and will not affect adversely the exclusion from gross income for federal income tax purposes of interest on the Bonds.

ARTICLE IX
PAYMENT AND CANCELLATION OF BONDS
AND SATISFACTION OF INDENTURE

Section 9.1 Trust Irrevocable. The trust created by the terms and provisions of this Indenture is irrevocable until the indebtedness secured hereby (the Bonds and interest thereon) are fully paid or provision made for its payment as provided in this Article.

Section 9.2 Satisfaction of Indenture.

(a) If the Foundation shall pay, or cause to be paid, or there shall otherwise be paid (i) to the Registered Owners of the Bonds, the principal of and interest on the Bonds, at the times and in the manner stipulated in this Indenture, (ii) all other amounts to be paid hereunder and (iii) to the United States of America, the amount required to be rebated in satisfaction of its obligations as described in the Tax Certificate, then the pledge of the Trust Estate, except the Rebate Fund, which is not pledged hereunder, and all covenants, agreements, and other obligations of the Foundation to the Registered Owners of Bonds other than as provided in Section 4.13 hereof shall thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Foundation all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver all money held by it under this Indenture to the party entitled to receive the same under this Indenture. If the Foundation shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of any Outstanding Bonds the principal of and interest on such Bonds, at the times and in the manner stipulated in this Indenture, such Bonds shall cease to be entitled to any lien, benefit, or security under this Indenture, and all covenants, agreements, and obligations of the Foundation to the Registered Owners thereof shall thereupon cease, terminate, and become void and be discharged and satisfied.

(b) Bonds or interest installments shall be deemed to have been paid within the meaning of Section 9.2(a) hereof if money for the payment or redemption thereof has been set aside and is being held in trust by the Trustee at the Stated Maturity or earlier redemption date thereof. Any Outstanding Bond shall, prior to the Stated Maturity or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in Section 9.2(a) hereof if (i) such Bond is to be redeemed on any date prior to its Stated Maturity and (ii) the Trustee shall have given notice of redemption as provided herein on said date, or the Foundation shall have given irrevocable instructions to the Trustee to provide notice of redemption in accordance with this Indenture and there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on

which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall 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, as certified by an independent firm of public accountants. Notwithstanding anything herein to the contrary, however, (A) no such deposit shall have the effect specified in this subsection (b) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding, and (B) no such deposit shall be made unless there shall be delivered to the Trustee an opinion of Bond Counsel to the effect that such deposit will not adversely affect any exclusion from gross income for federal income tax purposes of interest on any Bond. Neither Governmental Obligations nor money deposited with the Trustee pursuant to this subsection (b) nor principal or interest payments on any such Governmental Obligations shall be withdrawn or used for any purpose other than, and shall 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, shall, to the extent practicable, be reinvested in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest on such Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Foundation, 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 shall be made only against delivery of such Governmental Obligations. For the purposes of this Section, "Governmental Obligations" shall mean and include only non-callable direct obligations of the Department of the Treasury of the United States of America or portions thereof (including interest or principal portions thereof), and such Governmental Obligations shall be of such amounts, maturities, and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payments required herein, and which obligations have been deposited in an escrow account which is irrevocably pledged as security for the Bonds. Such term shall not include mutual funds and unit investment trusts.

(c) In no event shall the Trustee deliver over to the Foundation any Financed Eligible Loans originated under the Higher Education Act unless the Foundation is an Eligible Lender, if the Higher Education Act then in effect requires the owner or holder of such Financed Eligible Loans to be an Eligible Lender.

ARTICLE X GENERAL PROVISIONS

Section 10.1 Notices. Any notice, request or other instrument required by this Indenture to be signed or executed by the Registered Owners of Bonds may be executed by the execution of any number of concurrent instruments of similar tenor, and may be signed or executed by such Registered Owners of Bonds in person or by agent appointed in writing. As a condition for acting thereunder, the Trustee may demand proof of the execution of any such instrument and of the fact that any person claiming to be the owner of any of said Bonds is such owner and may further require the actual deposit of such Bond or Bonds with the Trustee. The fact and date of the execution of such instrument may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by any affidavit of a witness to such execution sworn to before such officer.

All notices, requests and other communications to any party hereunder shall be in writing or given by other Electronic Means at the following addresses, and each address shall constitute each party's respective "Principal Office" for purposes of the Indenture:

If intended for the Foundation: New Mexico Educational Assistance
Foundation
7400 Tiburon, N.E.
Albuquerque, New Mexico 87109
Attention: President
Telephone: (505) 761-2010
Telecopier: (505) 345-6381
E-mail: farbere@nmstudentloans.org

If intended for the Trustee: Wells Fargo Bank, National Association
625 Marquette
MAC N9311-115
Minneapolis, Minnesota 55479
Attention: Kimberly K. Johnson
Telephone: (612) 667-3552
Telecopier: (612) 667-2160
E-mail: kimberly.k.johnson@wellsfargo.com

Any party may change the address to which subsequent notices to such party are to be sent, or of its Principal Office, by notice to the others, delivered by hand or received by telecopier or registered first class mail, postage prepaid. Each such notice, request or other communication shall be effective when delivered by hand or received by telecopier or registered first class mail, postage prepaid.

Section 10.2 Covenants Bind Foundation. The covenants, agreements, conditions, promises, and undertakings in this Indenture shall extend to and be binding upon the successors and assigns of the Foundation, and all of the covenants hereof shall

bind such successors and assigns, and each of them, jointly and severally. All the covenants, conditions, and provisions hereof shall be held to be for the sole and exclusive benefit of the parties hereto and their successors and assigns and of the Registered Owners from time to time of the Bonds.

No extension of time of payment of any of the Bonds shall operate to release or discharge the Foundation, it being agreed that the liability of the Foundation, to the extent permitted by law, shall continue until all of the Bonds are paid in full, notwithstanding any transfer of Financed Eligible Loans or extension of time for payment.

Section 10.3 Lien Created. This Indenture shall operate effectually as (a) grant of lien on and security interest in, and (b) an assignment of, the Trust Estate.

Section 10.4 Severability of Lien. If the lien of this Indenture shall be or shall ever become ineffectual, invalid, or unenforceable against any part of the Trust Estate, which is not subject to the lien, because of want of power or title in the Foundation, the inclusion of any such part shall not in any way affect or invalidate the pledge and lien hereof against such part of the Trust Estate as to which the Foundation in fact had the right to pledge.

Section 10.5 Consent of Registered Owners Binds Successors. Any request or consent of the Registered Owner of any Bonds given for any of the purposes of this Indenture shall 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 Foundation or the Trustee in pursuance of such request or consent.

Section 10.6 Nonliability of Directors; No General Obligation. It is hereby expressly made a condition of this Indenture that any agreements, covenants, or representations herein contained or contained in the Bonds do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the incorporators, officers, employees, agents, or directors of the Foundation, or against the general credit of the Foundation, 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 Foundation shall arise therefrom. Nothing contained in this Section, however, shall relieve the Foundation from the observance and performance of the several covenants and agreements on its part herein contained. The obligation of the Foundation hereunder and under the Bonds is a special limited obligation, payable solely from the Trust Estate. Neither the State nor the Foundation shall be obligated to pay the Bonds or the interest thereon except in the case of the Foundation from the Trust Estate, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

Section 10.7 Nonpresentment of Bonds or Interest Checks. Should any of the Bonds or interest checks not be presented for payment when due, the Trustee shall retain from any money transferred to it for the purpose of paying the Bonds or interest checks so due, for the benefit of the Registered Owners thereof, a sum of money sufficient to pay

such Bonds or interest checks when the same are presented by the Registered Owners thereof for payment. Such money shall not be required to be invested. All liability of the Foundation to the Registered Owners of such Bonds or interest checks and all rights of such Registered Owners against the Foundation under the Bonds or interest checks or under this Indenture shall thereupon cease and determine, and the sole right of such Registered Owners shall thereafter be against such deposit. If any Bond or interest check shall not be presented for payment within the period of two years following its payment or redemption date, the Trustee shall to the extent permitted by law return to the Foundation the money theretofore held by it for payment of such Bond or interest check, and such Bond or interest check shall (subject to the defense of any applicable statute of limitation) thereafter be an unsecured obligation of the Foundation.

Section 10.8 Security Agreement. This Indenture constitutes a Financing Statement and a Security Agreement under the New Mexico Uniform Commercial Code.

Section 10.9 Laws Governing. It is the intent of the parties hereto that this Indenture shall in all respects be governed by the laws of the State.

Section 10.10 Severability. If any covenant, agreement, waiver, or part thereof in this Indenture contained be forbidden by any pertinent law or under any pertinent law be effective to render this Indenture invalid or unenforceable or to impair the lien hereof, then each such covenant, agreement, waiver, or part thereof shall itself be and is hereby declared to be wholly ineffective, and this Indenture shall be construed as if the same were not included herein.

Section 10.11 Exhibits. The terms of the Exhibits attached to this Indenture are incorporated herein in all particulars.

Section 10.12 Non Business Days. Except as may otherwise be provided herein, if the date for making payment of any amount hereunder or on any Bond, or if the date for taking any action hereunder, 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.

Section 10.13 Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Trustee, the paying agent, if any, and the Registered Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Foundation shall be for the sole and exclusive benefit of the Trustee, the paying agent, if any, and the Registered Owners of the Bonds.

Section 10.14 Financed Eligible Loans. The Foundation will cause to be transferred to the Trustee on the Date of Issuance all of the Financed Eligible Loans, in accordance with this Indenture. If for any reason a Financed Eligible Loan did not

constitute an Eligible Loan, or ceases to constitute an Eligible Loan, such loan shall continue to be subject to the lien of this Indenture as a Financed Eligible Loan and, except as otherwise expressly provided herein, shall otherwise be treated for all purposes of this Indenture as a Financed Eligible Loan.

Section 10.15 General Provisions Regarding Security Interest. The Foundation hereby represents and warrants: (a) this Indenture, when delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of New Mexico (the "UCC"). The pledge of the Trust Estate as provided for in this Indenture creates a valid and continuing security interest (as defined in the UCC) in the Trust Estate in favor of the Trustee, which security interest is prior to any other pledge, lien, charge or encumbrance thereon and is enforceable as such against creditors and purchasers from the Foundation.

(b) The Financed Eligible Loans, the notes evidencing the same and all other documentation relating to the same, shall be treated as "accounts" within the meaning of the UCC in accordance with the provisions of Section 432(m)(1)(E) of the Higher Education Act. The Investment Securities held in the Funds established under Section 5.1 of this Indenture constitute Securities, permitted investments and other assets credited to securities accounts. The accounts established under Section 5.1 of this Indenture constitute "securities accounts" within the meaning of the UCC.

(c) All of the Investment Securities have been and will have been credited to one of the accounts established by Section 5.1 of this Indenture. The Trustee has agreed to treat all assets credited to the accounts as "financial assets" within the meaning of the UCC.

(d) The Foundation owns and has good and marketable title to the Trust Estate free and clear of any lien, pledge, charge or encumbrance thereon.

(e) The Foundation has received all consents and approvals required by the terms of the Investment Securities to the transfer to the Trustee of its interest and rights in the Investment Securities under this Indenture.

(f) The Foundation has caused or will have caused, within ten days of the Date of Issuance of the Bonds, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdiction under applicable law in order to perfect the security interest in the (i) Financed Eligible Loans, the notes evidencing the same and all other documentation relating to the same, and (ii) the Investment Securities granted to the Trustee under this Indenture.

(g) The Foundation or agents of the Foundation have in their possession all original copies (including electronic copies) of the documentation that constitutes or evidences the Financed Eligible Loans, the notes evidencing the same and all other documentation relating to the same. The documentation that

constitutes or evidences the Financed Eligible Loans, the notes evidencing the same and all other documentation relating to the same does not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Trustee. All financing statements filed or to be filed against the Foundation in favor of the Trustee in connection herewith describing the Financed Eligible Loans, the notes evidencing the same and all other documentation relating to the same contain a statement to the following effect: "A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Trustee."

(h) The Foundation has taken all steps necessary to cause the Trustee to become the account holder of the accounts established under Section 5.1 of this Indenture.

(i) Other than the security interest granted to the Trustee pursuant to this Indenture, the Foundation has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Trust Estate.

(j) The Foundation has not authorized the filing of and is not aware of any financing statements against the Foundation that include a description of collateral covering the Financed Eligible Loans, the notes evidencing the same and all other documentation relating to the same, and the Investment Securities, other than any financing statement relating to the security interest granted to the Trustee under this Indenture or that has been terminated. The Foundation is not aware of any judgment or tax lien filings against the Foundation.

(k) The Investment Securities and accounts established under Section 5.1 of this Indenture are not in the name of any Person other than the Trustee.

(l) Notwithstanding any other provision of this Indenture to the contrary, the representations and warranties contained in this Section 10.15 shall survive the defeasance or payment in full of the Bonds and the term of this Indenture.

(m) Neither the Foundation nor the Trustee may waive any of the representations and warranties contained in this Section 10.15.

(n) The Foundation shall cause all financing statements to be continuously recorded and filed in such manner and in such places as may be required by law in order to fully protect and preserve the priority of the interest of the Registered Owners in the Trust Estate conveyed under this Indenture and the rights, privileges and options of the Trustee under this Indenture.

(o) From time to time, the Foundation shall file or cause to be filed continuation statements for the purpose of the continuing without lapse the effectiveness of (i) those financing statements which shall have been filed at or prior to the Issuance of Bonds in connection with the security for the Bonds issued pursuant to this Indenture pursuant to the authority of the UCC and (ii) any

previously filed continuation statements which shall have been filed as required by this Indenture.

IN WITNESS WHEREOF, the Foundation has caused this Indenture to be executed in its corporate name and behalf by its duly authorized officers, and the Trustee, to evidence its acceptance of the trusts hereby created, has caused this Indenture to be executed in its corporate name and behalf, all in multiple counterparts, each of which shall be deemed an original.

NEW MEXICO EDUCATIONAL
ASSISTANCE FOUNDATION

(SEAL)

By _____
Chairperson

By _____
President

ATTEST:

By _____
Secretary

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Name _____
Title _____

ATTEST:

By _____
Name _____

EXHIBIT A

FORM OF SERIES 2010-2 A-1[1][2][3] BOND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the New Mexico Educational Assistance Foundation or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

New Mexico Educational Assistance Foundation
Education Loan Bond
Series 2010-2 A-1[1][2][3]
(Tax-Exempt Non-AMT LIBOR Floating Rate Bonds)

REGISTERED NO. _____		REGISTERED \$ _____	
<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>	<u>CUSIP No.</u>
	Variable	December __, 2010	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

New Mexico Educational Assistance Foundation, a nonprofit corporation organized under the nonprofit corporation laws of the State of New Mexico as authorized by the Educational Assistance Act of such State (the "Foundation," which term includes any successor corporation under the Indenture of Trust, dated as of December 1, 2010 (the "Indenture"), between the Foundation and Wells Fargo Bank, National Association, as trustee (the "Trustee," which term includes any successor trustee under the Indenture)) for value received, hereby promises to pay to the Registered Owner (stated above) or registered assigns, the Principal Sum (stated above), but solely from the revenues and receipts hereinafter specified and not otherwise, on the Maturity Date specified above (subject to the right of prior redemption hereinafter described), upon presentation and surrender of this Bond at the Principal Office of the Trustee, or such other location as designated, as paying agent, trustee, and registrar for the Bonds, or a duly appointed successor paying agent, and to pay interest in arrears on said Principal Sum, but solely from the revenues and receipts hereinafter specified and not otherwise, to the Registered Owner (stated above) or registered assigns, from the Original Issue Date (stated above), or upon transfer, exchange or other replacement, from the most recent Interest Payment Date to which interest has been paid hereon, or if no interest has been paid, from the Original Issue Date, until the payment of said principal sum in full.

Any capitalized words and terms used as defined words and terms in this Bond and not otherwise defined herein shall have the meanings given to them in the Indenture.

This Bond shall bear interest at the LIBOR Rate, payable on each Interest Payment Date and on the date of payment or redemption of principal hereof to the extent of interest accrued on the principal then being paid or redeemed, such interest to accrue from the later of the date hereof or the date through which interest has been paid or duly provided for. Interest on this Bond shall be computed for the actual number of days elapsed on the basis of a year consisting of 360 days.

Such interest is payable by check or draft drawn upon the Trustee and mailed on the Interest Payment Date to the person who is the Registered Owner hereof on the Record Date at the address of such Registered Owner as it appears on the registration books maintained by the Trustee.

The principal of and interest on this Bond are payable in lawful money of the United States of America. If the specified date for any payment of principal or interest accrued to such specified date shall be a day other than a Business Day then such payment may be made on the next succeeding Business Day, with the same force and effect as if made on the specified date for such payment without additional interest.

This Bond is one of a series of Bonds of the Foundation designated Education Loan Bonds, Series 2010-2 A-1[1][2][3] (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds), dated the Original Issue Date, in the aggregate original principal amount of \$ _____ (the "Series 2010A-1[1][2][3] Bonds") which, together with the Foundation's Education Loan Bonds, Series 2010-2 A-1[1][2][3] (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) issued in the aggregate principal amount of \$ _____ (the "Series 2010A-1[1][2][3] Bonds") and the Foundation's Education Loan Bonds, Series 2010-2 A-1[1][2][3] (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) issued in the aggregate principal amount of \$ _____ (the "Series 2010A-1[1][2][3] Bonds" and collectively with the Series 2010A-1[1][2][3] Bonds and the Series 2010A-1[1][2][3] Bonds, the "Bonds"), have been authorized by the Foundation under a resolution dated November 16, 2010, and issued by the Foundation pursuant to the Indenture. The proceeds of the Bonds will be used by the Foundation for the purpose of providing funds to refund certain of the Foundation's outstanding bonds.

As provided in the Indenture, the Bonds are subject to mandatory redemption by the Foundation, upon notice as provided in the Indenture.

Reference is hereby made to the Indenture, copies of which are on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this Bond by acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds; the refunding of the Refunded Bonds; the revenues and other money pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the pledge; the conditions upon which the Indenture may be amended or supplemented with or without the consent of the Registered Owners of the Bonds; the rights and remedies of

the Registered Owner hereof with respect hereto and thereto, including the limitations upon the right of a Registered Owner hereof to institute any suit, action, or proceeding in equity or at law with respect hereto and thereto; the rights, duties, and obligations of the Foundation and the Trustee thereunder; the terms and provisions upon which the liens, pledges, charges, trusts, and covenants made therein may be discharged at or prior to the stated maturity or earlier redemption of this Bond, and this Bond thereafter shall no longer be secured by the Indenture or be deemed to be Outstanding, as defined in the Indenture, thereunder; and for the other terms and provisions thereof.

THE SERIES 2010A-[1]1[2][3] BONDS ARE SPECIAL OBLIGATIONS OF THE FOUNDATION, PAYABLE OUT OF AND SECURED SOLELY BY A PLEDGE OF THE TRUST ESTATE, AS DEFINED IN THE INDENTURE. NEITHER THE STATE NOR THE FOUNDATION SHALL BE OBLIGATED TO PAY THE SERIES 2010A-[1]1[2][3] BONDS OR THE INTEREST THEREON EXCEPT IN THE CASE OF THE FOUNDATION FROM THE TRUST ESTATE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2010A-[1]1[2][3] BONDS.

No recourse, either directly or indirectly, shall be had for the payment of the principal of and interest on this Bond or any claim based hereon or in respect hereof or of the Indenture, against the Trustee, or any incorporator, director, officer, employee, or agent of the Foundation, nor against the State of New Mexico, or any official thereof, but the obligation to pay all amounts required by the Indenture securing this Bond and the obligation to do and perform the covenants and acts required of the Foundation therein and herein shall be and remain the responsibility and obligation of said Foundation, limited as set forth in the Indenture.

This Bond is transferable on the bond register kept for that purpose by the Trustee, as registrar, upon surrender of this Bond for transfer at the principal office of the Trustee or such other location as designated, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by, the Registered Owner hereof or such Registered Owner's attorney duly authorized in writing, and thereupon one or more new Bonds of the same series, subseries, Stated Maturity, of authorized denominations, bearing interest at the same rate, and for the same aggregate principal amount will be issued to the designated transferee or transferees. At the option of the Registered Owner, any Bond may be exchanged for other Bonds in authorized denominations upon surrender of the Bond to be exchanged at the principal office of the Trustee or such other location as designated. Upon any such presentation for exchange, one or more new Bonds of the same series, subseries, Stated Maturity, in authorized denominations, bearing interest at the same rate, and for the same aggregate principal amount as the Bond or Bonds so surrendered will be issued to the Registered Owner of the Bond or Bonds so surrendered; and the Bond or Bonds so surrendered shall thereupon be cancelled by the Trustee.

The Foundation, the Trustee, and any agent of either of them shall treat the Person in whose name this Bond is registered as the Registered Owner hereof (a) on the record

date for purposes of receiving timely payment of interest hereon, and (b) on the date of surrender of this Bond for purposes of receiving payment of principal hereof at its stated maturity and (c) for all other purposes, whether or not this Bond is overdue, and neither the Foundation, the Trustee, nor any such agent shall be affected by notice to the contrary.

To the extent permitted by the Indenture, modifications or alterations of the Indenture and any supplemental indenture may be made with the consent of less than all of the Registered Owners of the Bonds then outstanding or without the consent of any of such Registered Owners in certain instances, but such modification or alteration is not permitted to extend the maturity date, reduce the interest rate, grant a privilege or priority except as otherwise permitted by the Indenture, reduce the percentage of any persons required to consent to supplemental indentures or create any lien other than as permitted by the Indenture, without the consent of all of the Registered Owners.

It is hereby certified and recited that all acts and things required by the laws of the State of New Mexico to happen, exist, and be performed precedent to and in the issuance of this Bond, and the passage of said resolution and the execution of said Indenture, have happened, exist and have been performed as so required.

IN TESTIMONY WHEREOF, the Board of Directors of New Mexico Educational Assistance Foundation has caused the seal of the Foundation to be impressed or a facsimile thereof to be printed hereon, and this Bond to be executed by the duly authorized officers of the Foundation all as of the Original Issue Date.

NEW MEXICO EDUCATIONAL
ASSISTANCE FOUNDATION

(SEAL)

By _____
Chairperson

By _____
President

ATTEST:

By _____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series 2010A-[1][2][3] Bonds designated therein and described in the within mentioned Indenture.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Signatory

Authentication Date: _____

ASSIGNMENT

FOR VALUE RECEIVED, _____,
the undersigned hereby sells, assigns, and transfers unto

(Social Security or Other Number of Assignee)

(Please Print or Typewrite Name and Address of Assignee)

the within bond and all rights thereunder; and hereby irrevocably constitutes and appoints
_____ attorney to transfer the within bond on the books kept for
registration thereof, with full power of substitution in the premises.

DATED:

Signature: _____

NOTICE: The signature on this Assignment
must correspond with the name of the
Registered Owner as it appears on the face
of the within bond in every particular.

Signature Guaranteed by:

Eligible Guarantor Institution

A-7

B-1

EXHIBIT B

REPRESENTATIONS LETTER

EXHIBIT C

FEE LIMITS

The Trustee's annual administration fee shall be as set forth in the fee letter from the Trustee to the Foundation as of the Date of Issuance, but not to exceed 0.015% per annum of the Bonds Outstanding.

The Servicer fees shall be limited to an amount equal to 0.90% per annum based on the Finance Eligible Loan balance

The Backup Servicer fees shall be limited to \$25,000 per annum.

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF THE NEW MEXICO
EDUCATIONAL ASSISTANCE FOUNDATION**

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NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Financial Statements with Single Audit Reports

June 30 | 2010





NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION
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Independent Auditor's Report

The Board of Directors
New Mexico Educational Assistance Foundation

We have audited the accompanying statements of net assets of New Mexico Educational Assistance Foundation (NMEAF, a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of NMEAF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMEAF as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, on our consideration of NMEAF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report and should be considered in assessing the results of our audit.

The Board of Directors
New Mexico Educational Assistance Foundation

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of NMEAF. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of NMEAF. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
October 18, 2010

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

Overview

The New Mexico Educational Assistance Foundation (the Foundation or NMEAF) functions as a lender and loan servicer to meet the financial needs of New Mexico students seeking post-secondary education. Funding of student loans is achieved through underwritings of tax-exempt and taxable debt securities issued by the Foundation for resale primarily to institutional investors. NMEAF services loans issued by affiliated lenders and purchases the loans in the secondary market as they enter repayment. NMEAF also services loans issued by universities acting as lender and purchases the loans in the secondary market once they are fully disbursed. The Foundation provides the following additional services:

- Perkins loan servicing and coordination of accounts receivable collections on behalf of affiliated colleges and universities throughout the state;
- assessment and collection of late & legal fees on delinquent loan balances;

As of June 30, 2010, the Foundation had 301,784 loans outstanding to 93,044 current and former students at a total principal value, net of an allowance of doubtful accounts, of approximately \$1.330 billion.

This Management's Discussion and Analysis is required supplementary information under Governmental Accounting Standards Board Statement (GASB) 34. The narrative will focus on changes in results of operations and financial position from the prior year, with emphasis on the current year. Reasons for these changes and economic factors affecting the Foundation's results will be highlighted.

The topics discussed in this Management's Discussion and Analysis, per GASB 34 guidelines, are the following:

- A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide;
- Condensed financial information derived from financial statements comparing the current year to prior years;
- An analysis of the entity's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations;
- An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund, or its equivalent;
- A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services;
- A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

I. Brief Discussion of Financial Statements

The financial statements presented herein are the following:

- Statement of Net Assets;
- Statement of Revenues, Expenses and Changes in Net Assets;
- Statement of Cash Flows.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

The Statement of Net Assets summarizes the Foundation's financial position as of the end of the fiscal year. It describes the various classifications of assets, liabilities and the residual net assets. This Statement is distinguished from the other two in that it provides a snapshot of account balances at a particular point in time, as opposed to an accumulation of activity during the period.

The Statement of Revenues, Expenses and Changes in Net Assets illustrate the Foundation's inflows and outflows of financial resources during the year. The accrual of revenue and expense items during the year will affect the year-end balances on the Statement of Net Assets. The increase or decrease in net assets computed on the Statement of Revenues, Expenses and Changes in Net Assets is added to or subtracted from the beginning net assets on the Statement of Net Assets to yield net assets as of the report date.

The Statement of Cash Flows lists the sources and uses of cash during the year, using the direct method. The Statement itemizes the changes in the balance of cash and equivalents from the beginning of the year to year-end. The inflows and outflows of cash during the year help explain the change in the balances of assets and liabilities on the Statement of Net Assets.

For internal management reporting purposes the Foundation segregates financial reporting into two funds – the Debt Fund and the General Fund. The Debt Fund monitors all activity and net assets relating to the Federal Family Education Loan Program (FFELP) student loans, the Foundation's alternative student loans, borrower incentive programs offered by the Foundation, and the outstanding debt issued to fund these programs. The General Fund consists of Foundation operating costs and net assets, primarily financed by an administrative allowance from the Debt Fund and service fees. Presentation of the two funds discretely helps distinguish the primary function of the Foundation – financing guaranteed FFELP loans – from general and administrative operations.

With the implementation of GASB Statement 34, the focus of the financial statements is on the overall entity. Therefore, the two funds, which do not meet the criteria for reporting as separate funds in the accompanying financial statements, are combined for presentation on this report. The financial statements are presented in a single-column format as enterprise fund business-type activities.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

II. Condensed Financial Information

Condensed financial information is presented below.

	June 30 (\$000's)		
	2010	2009	2008
Capital Assets	\$ 13,217	\$ 11,771	\$ 9,730
Student Loan Receivables and Other Assets	1,552,629	1,294,329	1,166,061
Total Assets	\$1,565,846	\$ 1,306,100	\$ 1,175,791
Long-Term Liabilities	\$1,127,830	\$ 1,032,487	\$ 1,030,938
Other Liabilities	333,199	182,177	49,897
Total Liabilities	1,461,029	1,214,664	1,080,835
Net Assets:			
Invested in Capital Assets	13,217	11,771	9,730
Unrestricted	13,869	17,671	25,232
Restricted	77,731	61,994	59,994
Total Net Assets	104,817	91,436	94,956
Total Liabilities & Net Assets	\$1,565,846	\$ 1,306,100	\$ 1,175,791

	Year Ended June 30 (\$000's)		
	2010	2009	2008
Revenues:			
Borrower Interest Income & Fees	\$ 45,731	\$ 40,560	\$ 37,809
Federal Subsidies	(10,000)	5,805	24,181
Increase in Fair Market Value of Derivative Instrument	8,154	-	-
Investment Revenue	533	2,028	8,366
Loan Servicing & Other Revenue	1,762	1,799	2,182
	46,180	50,192	72,538
Expenses:			
Direct Costs – Federal Family Education Loan Program	19,326	38,909	61,088
Overhead Costs – Federal Family Education Loan Program	6,088	6,730	7,908
Loan Servicing	7,385	8,074	370
	32,799	53,713	69,366
Change in Net Assets	\$ 13,381	\$ (3,521)	\$ 3,172

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

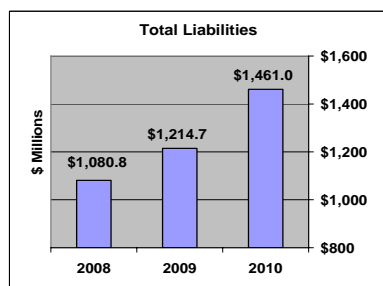
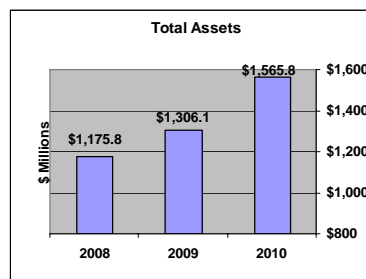
Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

III. Analysis of Overall Financial Position and Results of Operations

Analysis of Financial Position:

The Foundation's Total Assets at June 30, 2010 were nearly \$1.6 billion, an increase of approximately \$259.7 million over the balance at June 30, 2009. Total Assets at June 30, 2009 were \$1.3 billion, an increase of approximately \$130.3 million over the balance at June 30, 2008. Significant changes in Total Assets components included (approximately):

- As of June 30, 2010, there was an increase of \$161.2 million in student loans receivable representing a 14% increase. As of June 30, 2009, there was an increase of \$158.2 million in student loans receivable representing a 16% increase in growth.
- An increase of \$1.2 million in 2010 compared to a decrease of \$.5 million in 2009 of debt issuance cost and commitment fees is due to the issuance of the Series 2009 ABC Bond in 2010. The decrease between 2008 and 2009 was due to a large debt refinancing in 2008.
- The 2009 derivative instrument accounts for \$8.1 million as of June 30, 2010.
- Investments increased as of June 30, 2010 by \$82.3 million over the amount outstanding June 30, 2009. The most significant component of this increase was the issuance of the 2009 D and 2009 E bonds. Investments decreased as of June 30, 2009 by \$21.6 million over the amount outstanding June 30, 2008. The most significant component of this decrease was the use of investments for debt payments.
- As of June 30, 2010, cash and cash equivalents had decreased \$.4 million. Unrestricted cash decreased by \$1.6 million primarily due to a reduction in the trust administrative allowance draw and a decrease in interest earnings. Restricted cash increased by \$1.2 million due to more cash on hand awaiting reinvestment at the end of the year. In 2009 there was a decrease of \$6.2 million in cash and cash equivalents. Unrestricted cash decreased by \$3.6 million and is due to a reduction in the trust administrative allowance draw and a decrease in interest earnings. Restricted cash decreased by \$2.6 million due to less cash on hand awaiting reinvestment.
- Between 2009 and 2010, there was a \$7.9 million increase in student loan interest, federal interest subsidies, and late and legal fees. The increase in student loan volume lead to higher borrower interest receivable at the end of the year. The increase in student loan interest, federal interest subsidies, and late and legal fees as of June 30, 2009 was \$.2 million which was accomplished in spite of the low T-bill and Commercial Paper rates.
- As of June 30, 2010, UNM notes receivable decreased \$1.7 million. Other receivables decreased \$.3 million. As of June 30, 2009, UNM notes receivables net of other UNM receivables decreased \$.7 million over the balance of notes receivable at June 30, 2008. Other receivables decreased \$1.1 million.
- Capital assets increased \$1.4 million and \$2.0 million due to new systems initiatives in progress as of June 30, 2010 and 2009, respectively.



Total Liabilities increased by approximately \$246.3 million to \$1.461 billion as of June 30, 2010 as compared to an increase of approximately \$134 million to \$1.214 billion as of June 30, 2009. Increases were driven by the following primary changes (in approximate amounts):

- Notes payable increased by \$194 million due to the debt incurred for the Department of Education Loan Participation Program. As of June 30, 2009, notes payable had increased \$23 million as a result of using a

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

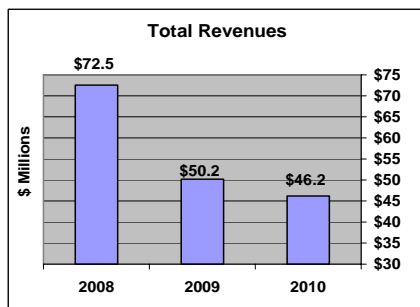
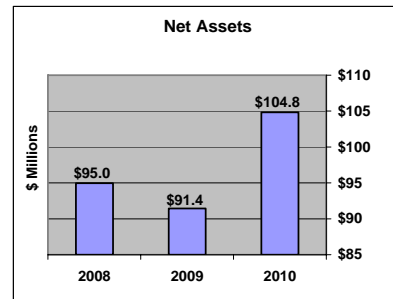
Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

- line of credit for short-term funding of student loans in anticipation of a bond issue.
- As of June 30, 2010, bonds payable increased by \$60.5 million due to the restructure of the 1998 indenture net of new issuances. As of June 30, 2009, bonds payable increased by \$106 million due to the issuance of 2008 Series D and E and net of debt pay downs.
 - In fiscal year 2010, interest due for the Loan Participation Program and accrued Facility Fees in the 1998 indenture caused the increase in the year end accrual by \$.2 million compared to the prior year. In fiscal year 2009, interest rates continued to drop on many debt issues which reduced the year end accrual by \$2.3 million compared to the prior year. Also in fiscal year 2009, Accounts Payable and Other Liabilities decreased by \$.9 million.
 - As of June 30, 2010, the reserve for excess earnings and arbitrage rebate decreased by \$10.5 million due to the restructure of the 1998 indenture and payments made to the Internal Revenue Service. As of June 30, 2009, the reserve for excess earnings increased by \$2.3 million due to decreasing interest rates on debt.
 - As of June 30, 2010, special allowance payable increased by \$2.1 million compared to the prior year. As of June 30, 2009, special allowance payable increased by \$5.8 million. This is due to a reduction in special allowance and negative special allowance due to recent changes in FFELP program regulations and falling T-Bill and Commercial Paper rates.

Net Assets grew by 15% to \$104.8 million and Net Assets comprised approximately 7% of Total Assets at June 30, 2010. Net Assets shrank by 4% to \$91.4 million and Net Assets comprised approximately 7% of Total Assets at June 30, 2009.

Analysis of Results of Operations:

Total Revenues for the Year Ended June 30, 2010 were approximately \$46.2 million, a decrease of \$4 million from the prior year. Total Revenues for the Year Ended June 30, 2009 were approximately \$50.2 million, a decrease of \$22.3 million from the prior year. The decreases are primarily attributable to:



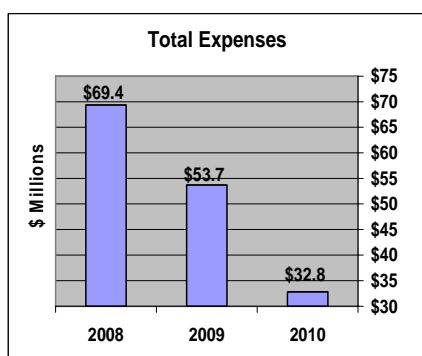
- In 2010 and 2009, an increase in student loan interest and interest subsidy due to loan growth was offset by a reduction in special allowance and even negative special allowance (amounts due back to ED) due to recent changes in FFELP program regulations and falling T-Bill and Commercial Paper rates.
- Investment revenue increased due to the fair market value of the 2009 derivative instrument. Otherwise, lower earnings in funds held in investments were experienced during the years ending June 30, 2010 and 2009 due to a lower investment balance and declining interest rates.
- For the year ended June 30, 2010, investment revenue in the General Fund decreased nearly \$100 thousand, investment revenue in the Debt Fund increased approximately \$6.7 million, and interest and special allowance revenue for the Debt Fund decreased by \$10.6 million. For the year ended June 30, 2009, investment revenue in the General Fund decreased approximately \$.6 million, investment revenue in the Debt Fund decreased approximately \$5.7 million, and interest and special allowance revenue for the Debt Fund decreased by nearly \$16 million.

Total Expenses for the year ended June 30, 2010 were \$32.8 million, which was a decrease of \$20.9 million or 39% over prior year expense. Total Expenses for the year ended June 30, 2009 were \$53.7 million, which was a decrease of \$15.6 million or 23% over prior year expense. The primary drivers behind the changes were:

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

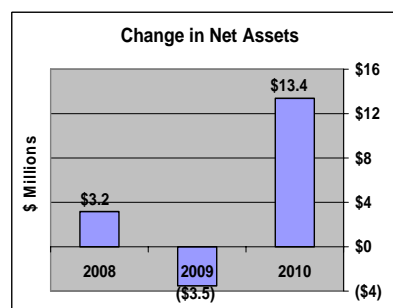
- During the year ended June 30, 2010, interest expense decreased by over \$11.7 million. This was due to declining interest rates as well as declining debt balances. During the year ended June 30, 2009, interest expense decreased by over \$19 million. This was due to declining interest rates.
- For the year ended June 30, 2010, the expense for arbitrage rebate and excess earnings liability decreased \$10.8 million as a result of the restructure of the 1998 indenture. For the year ended June 30, 2009, the expense for arbitrage rebate and excess earnings liability increased over \$7 million due to lower interest rates in the calculation of these liabilities.
- During fiscal year 2010, decreases in salaries and benefits, and Department of Education fees were offset by increases in student loan costs, trust expenses, other costs, and the provision for student loan losses. During fiscal year 2009, decreases in salaries and benefits, student loan costs, trust expenses, and other costs were offset by increases in the provision for student loan losses, and Department of Education fees. The increase in the provision for student loan losses in 2010 is reflective of the current economic condition. The increase in the provision for student loan losses in 2009 is reflective of the economic condition at the time.



In 2010, the Debt Fund expenses decreased by nearly \$20.5 million due to a decrease in interest expense, excess earnings, and arbitrage net of an increase in debt issuance and related costs. The General Fund operating expenses decreased by approximately \$4 million primarily due to a decrease in salaries and employee benefits. In 2009, expenses decreased for the Debt Fund by \$13.1 million due to a decrease in interest expense, trustee fees, and student loan costs. The General Fund operating expenses decreased by \$2.5 million due to a decrease in salaries, employee benefits, and loan forgiveness.

For the year ended June 30, 2010, the Change in Net Assets (excess revenue) was \$13.4 million. This is an increase of \$16.9 million from the prior year. This is primarily due to the decrease in excess earnings and arbitrage rebate expenses as well as revenue recognized from the derivative instrument. For the year ended June 30, 2009, the Change in Net Assets (deficit) was \$(3.5) million. This is a decrease of \$6.7 million from the prior year. This is due to special allowance revenues continuing to decline as the T-Bill and Commercial Paper rates dropped throughout the year.

The Debt Fund contributed \$11.9 million of the Change in Net Assets while the General Fund contributed \$1.5 million. The Debt Fund contribution came from the decrease in interest expense as well as a reduction in excess earnings and arbitrage rebate expense. Also, the increase is due to the investment revenue recognized for the fair market value of the 2009 derivative instrument. The General Fund's improvement in operating income was driven by a reduction in operating expenses. In comparison, for the year ended June 30, 2009, the Debt Fund contributed a deficit of \$(5.1) million of the Change in Net Assets while the General Fund contributed \$1.6 million. The Debt Fund deficit came from the reduction in special allowance revenue net against the reduction in the allowance for uncollectible 9.5% floor special allowance, interest and trust expense. The General Fund's improvement in operating income was driven by a reduction in operating expenses and borrower incentive plans.



The primary interfund transactions are periodic payments to the General Fund from the Debt Fund of a "trust administrative allowance." The allowance is a federally prescribed yield on the student loan receivable balance that can be utilized unencumbered by the agency to cover general administrative costs. The allowance comprised 75% of the General Fund's Total Revenues for the year ended June 30, 2010. In

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Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

2009, the allowance comprised 76% of the General Fund's Total Revenues, a decrease from 79% for the prior year. The allowance is driven by the growing balance in student loans receivable. In consolidating the two Funds for presentation in the financial statements, Trust Administrative Allowance Revenue and Expense were eliminated from the Statement of Revenues, Expenses, and Changes in Net Assets.

The amount of Net Assets invested in capital assets at June 30, 2010 was \$13.2 million, an increase of \$1.4 million over the prior year. The amount of Net Assets invested in capital assets at June 30, 2009 was \$11.8 million, an increase of \$2 million over the prior year. For both years, the increase is primarily due to work in progress on new systems development projects. For the Fiscal Year Ended June 30, 2010, the Restricted Net Assets balance of \$77.7 million - which must be reserved to collateralize outstanding bond debt - increased by \$15.7 million. The Restricted Net Assets balance of \$62 million, which must be reserved to collateralize outstanding bond debt, increased by nearly \$2 million in fiscal year 2009. Unrestricted Net Assets, which are unencumbered, decreased by \$3.8 million to \$13.9 million as of June 30, 2010 and decreased by \$7.6 million to \$17.7 million as of June 30, 2009.

III. Analysis of Significant Budgetary Variations

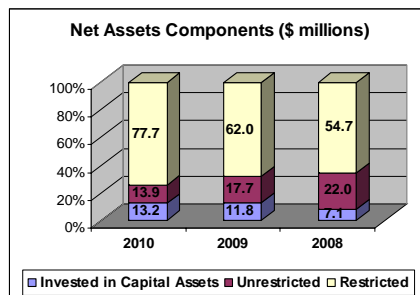
In May 2010 and 2009, respectively, the Foundation's board of directors adopted the fiscal year 2010-2011 and 2009-2010 operating budgets for the Debt Fund, the General Fund and the entity as a whole. These budgets were final, although not legally binding and therefore are not an integral part of the financial statements. It is the Foundation's policy to freeze the revenue and expense budget as initially approved and treat new income streams and subsequent approved expenses as non-budgeted items during the year.

In fiscal year 2010, actual total revenues of \$46.2 million were short to budget by \$1.4 million, or 3%. Revenues were lower than projected in fiscal year 2010 due to reductions in the special allowance rates paid by the Department of Education and the rate of return on investments. Total expenses (combined operating and non-operating) of \$32.8 million were favorable to budget by \$18.3 million, or approximately 36%. During fiscal year 2010, interest rates on debt were significantly lower than projected which yielded over a \$12 million reduction in interest expense. Also, a negative excess earnings expense offset increases in bank service fees and trust expense. Investment Revenue increased \$8.2 million due to the recognition of the 2009 derivative instrument. The change in net assets of \$13.4 million exceeded the budgeted amount of \$(3.5) million.

In fiscal year 2009, actual total revenues of \$50.2 million were short to budget by \$33.4 million, or 40%. Revenues were lower than projected in fiscal year 2009 due to reductions in borrower interest rates, the special allowance rates paid by the Department of Education, and the rate of return on investments. Total expenses (combined operating and non-operating) of \$53.7 million were favorable to budget by \$18 million, or approximately 25%. During fiscal year 2009, interest rates on debt were significantly lower than projected which yielded over a \$19 million reduction in interest expense. An increase in excess earnings was partially offset by decreases in payroll and trust expense. The change in net assets of \$(3.5) million did not reach the budgeted amount of \$11.8 million.

IV. Description of Significant Capital Asset and Long-Term Debt Activity

Capital Assets



The approved capital budget for year ended June 30, 2010 was \$2.9 million. The total capital expenditures for the year were \$2 million or \$900 thousand under budget. This included development costs for a new loan servicing system of \$1.8 million, which will not be depreciated until the new loan servicing system is in production. The major categories of capital expenditures during the year were: Building, Office Equipment, Furniture & Fixtures, Information Technology (IT) Hardware, and IT Software.

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The approved capital budget for year ended June 30, 2009 was \$6.3 million. The total capital expenditures for the year were \$2.7 million or \$3.6 million under budget. This included development costs for a new loan servicing system of \$2.5 million, which will not be depreciated until the new loan servicing system is in production. The major categories of capital expenditures during the year were: Building, Office Equipment, Furniture & Fixtures, Information Technology (IT) Hardware, and IT Software.

Long-Term Debt

On August 1, 2009, the Foundation issued \$40 million of tax-exempt and \$60 million of taxable bonds to the New Mexico Office of the State Treasurer. The maturity date for the taxable bond is September 30, 2010 and the tax-exempt bond matures in August of 2039. The proceeds were used to originate and purchase loans during the fiscal year. On September 16, 2009, the Foundation issued the Series 2009 Bond that consisted of reoffered issues for Senior Series 2001A, 2002A, 2003A and 2004A totaling \$219.1 million (MAT) plus a new series 2009A (AMT) at \$42.5 million, 2009 B (No AMT) at \$190.6 million, and 2009C (AMT) at \$59.1 million. The ratings for each Series is Aaa (Moody's) with the exception of 2001B which is A2.

On August 1, 2008, the Foundation issued \$50 million in taxable bonds to the New Mexico Office of the State Treasurer maturing in March 2009. The maturity was later extended to September 30, 2009. The Foundation issued a \$95.135 million tax-exempt bond to the New Mexico Office of the State Treasurer on December 15, 2008 maturing in June 2009. The maturity on this bond was extended to September 30, 2009 as well. Both bond proceeds were used to fund student loans for the 2008-2009 academic year. In June 2008, the Foundation issued \$435.975 million in bonds in a strategic response to disruptions in the variable rate auction market. The new bond issue was used to retire debt with unfavorable interest rates. The rating for this bond issue is tied to the ratings of the banks providing credit support.

V. Discussion of Currently Known Facts, Decisions, or Conditions Expected to Have a Significant Effect on Financial Position or Results of Operations.

Economic Concentration

The University of New Mexico, the state's largest post-secondary educational institution, transitioned its student loan volume to the Foundation during fiscal year 2005. In the year ended June 30, 2010, the Foundation realized approximately \$79.4 million in student loan volume from the University of New Mexico. In the year ended June 30, 2009, the Foundation realized approximately \$78.8 million in student loan volume from the University of New Mexico.

Legislation

The Reconciliation Act of 2010 (H.R. 4872) was passed on March 30, 2010 and eliminated the Federal Family Education Loan Program (FFELP) beginning July 1, 2010. As a result, student loans were no longer disbursed by the Foundation on or after that date. Within the Reconciliation Act is an opportunity for not-for-profit entities, such as the Foundation, to service Direct Loans.

Subsequent Events

On September 17, 2010, the Foundation received a final purchase price of \$8.3 million for loans that were sold to the Department of Education under the Loan Participation Put program established under the Higher Education Act. Of this amount, a little over \$8 million represented the principal and interest of the underlying loans, \$83 thousand was a reimbursement of the lender fee paid by the Foundation for these

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Management's Discussion and Analysis Fiscal Year Ended June 30, 2010 and 2009

loans and \$202 thousand was a loan servicing fee. The proceeds of this sale were used to retire the remaining balance on series 2009 D.

On October 12, 2010, the Foundation received a final purchase price of \$224.7 million for loans that were sold to the Department of Education under the Loan Participation Put program established under the Higher Education Act. Of this amount, \$218.3 million represented the principal and interest of the underlying loans, \$2.1 million was a reimbursement of the lender fee paid by the Foundation for these loans and \$4.3 million was a loan servicing fee. The proceeds of this sale were used to retire the underlying notes payable due to the Department of Education, reimburse the foundation for fees and negative special allowance paid on the underlying loans and to cover the costs of data conversion for these sales.

On September 22, 2010, the Foundation issued \$198.7 million in tax-exempt bonds maturing December 2038. The issues were sold at a premium of \$9.3 million and the total proceeds, \$208 million, were used to refund a portion of the series 2008A bond.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Net Assets June 30, 2010 and 2009

<u>ASSETS</u>	June 30, 2010	June 30, 2009
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 2,149,460	\$ 3,948,473
Cash and Cash Equivalents - Restricted	2,613,133	1,204,273
Funds Held In Custody For Others	162,275	161,863
Investments	164,242,650	81,908,978
Receivables:		
Current Portion of Student Loans Receivable, Net	66,476,648	62,367,263
Student Loan Interest Receivable, Net of Allowance of \$70,126 and \$63,905	29,758,179	23,085,150
Accrued Interest Receivable On Funds Held by Trustee and Investment	81,691	169,248
Student Loan Late and Legal Fees Receivable, Net of Allowance of \$1,871,332 and \$1,618,305	2,568,364	2,051,321
Interest Subsidy Receivable	5,231,511	4,523,949
Other	291,792	2,320,965
Total Current Assets	<u>273,575,703</u>	<u>181,741,483</u>
<i>Long-Term and Other Assets:</i>		
Student Loans Receivable, Net, Less Current Portion	1,263,056,320	1,105,948,225
Debt Issuance Costs and Commitment Fees	7,842,863	6,639,350
Derivative Instrument	8,153,817	-
Total Long-Term and Other Assets	<u>1,279,053,000</u>	<u>1,112,587,575</u>
<i>Capital Assets:</i>		
Property, Plant & Equipment, net	<u>13,216,904</u>	<u>11,770,854</u>
Total Assets	<u>\$ 1,565,845,607</u>	<u>\$ 1,306,099,912</u>
<u>LIABILITIES</u>		
<i>Current Liabilities:</i>		
Accounts Payable and Accrued Liabilities	\$ 3,804,967	\$ 3,841,167
Bonds Payable, Current Portion	101,256,640	146,535,000
Accrued Interest on Bonds and Note Payable	3,089,332	2,860,304
Special Allowance Payable	8,039,206	5,825,090
Arbitrage Payable to Federal Government, Current Portion	-	29,034
Funds Held In Custody For Others	13,731	5,322
Notes Payable	216,994,742	22,886,853
Other	206	194,833
Total Current Liabilities	<u>333,198,824</u>	<u>182,177,603</u>
<i>Long-Term Liabilities:</i>		
Bonds Payable, Less Current Portion	1,104,656,768	998,860,000
Reserves For Excess Earnings	22,964,392	30,912,990
Arbitrage Payable to Federal Government, Less Current Portion	208,940	2,713,880
Total Long-Term Liabilities	<u>1,127,830,100</u>	<u>1,032,486,870</u>
Total Liabilities	<u>1,461,028,924</u>	<u>1,214,664,473</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	13,216,904	11,770,854
Unrestricted	13,869,326	17,670,792
Restricted, Bond Indenture	77,730,453	61,993,793
Total Net Assets	<u>104,816,683</u>	<u>91,435,439</u>
Total Liabilities & Net Assets	<u>\$ 1,565,845,607</u>	<u>\$ 1,306,099,912</u>

See accompanying notes to financial statements.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Revenues, Expenses and Changes in Net Assets Years Ended June 30, 2010 and 2009

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
OPERATING REVENUES:		
Student Loan Interest	\$ 43,809,117	\$ 38,857,915
Interest Subsidy and Special Allowance	(9,999,929)	5,805,156
Increase in Fair Market Value of Derivative Instrument	8,153,817	-
Interest on Funds Held by Trustee and Investment	532,810	2,027,607
Student Loan Late and Legal Fees, Net	1,922,211	1,701,810
Servicing and Administration Agreements:		
New Mexico Student Loan Guarantee Corporation	1,325,172	1,406,316
Servicing Fees	436,315	348,829
Other	77	43,836
Total Operating Revenues	<u>46,179,590</u>	<u>50,191,469</u>
OPERATING EXPENSES:		
Interest Expense on Bonds and Note Payable	13,590,671	25,282,100
General and Administration:		
Salaries and Employee Benefits	9,434,593	9,915,776
Depreciation and Amortization	535,630	619,376
Provision for Student Loan Losses	1,151,738	845,717
Department of Education Fees	6,113,799	6,228,123
Other Student Loan Related Costs	3,150,675	2,813,335
Other	3,636,406	3,466,310
Trustee Fees, Amortization of Debt Issuance Costs,		
Commitment Fees and Other Trust Expenses	3,210,338	1,756,645
Total Operating Expenses	<u>40,823,850</u>	<u>50,927,382</u>
Operating Income (Loss)	<u>5,355,740</u>	<u>(735,913)</u>
NON-OPERATING (RECOVERIES) EXPENSES:		
Arbitrage Rebate	(76,906)	452,948
Excess Earnings	(7,948,598)	2,332,258
Total Non-Operating (Recoveries) Expenses	<u>(8,025,504)</u>	<u>2,785,206</u>
Change in Net Assets	<u>\$ 13,381,244</u>	<u>\$ (3,521,119)</u>
NET ASSETS:		
Beginning	\$ 91,435,439	\$ 94,956,558
Ending	<u>\$ 104,816,683</u>	<u>\$ 91,435,439</u>

See accompanying notes to financial statements.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Cash Flows Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Cash Received from or on behalf of Borrowers	\$ 166,390,211	\$ 115,445,720
Cash Disbursed to or paid on Behalf of Borrowers	(306,290,473)	(230,156,201)
Cash Received from Others	1,964,733	1,892,286
Cash Paid to Employees	(9,453,062)	(9,444,846)
Cash Paid to Suppliers	(3,850,490)	(4,880,535)
Cash Received From Investments	597,946	2,412,507
Cash Paid For Interest On Notes/Bonds	(14,150,865)	(27,063,904)
Net Cash Used by Operating Activities	<u>(164,792,000)</u>	<u>(151,794,973)</u>
Cash Flows From Non-Capital Financing Activities:		
Proceeds on Bonds/Notes	632,131,186	193,094,919
Payments on Bonds/Notes	(376,731,159)	(64,048,066)
Trust Expenditures, Arbitrage, and Excess Earnings Expenditures	(6,675,419)	(2,280,887)
Net Cash Provided by Non-Capital Financing Activities	<u>248,724,608</u>	<u>126,765,966</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase of Capital Assets	(1,997,086)	(2,693,256)
Net Cash Used by Capital and Related Financing Activities	<u>(1,997,086)</u>	<u>(2,693,256)</u>
Cash Flows From Investing Activities:		
Redemptions of Investments	634,275,358	606,704,566
Purchases of Investments	(716,609,030)	(585,116,798)
Funds Held in Custody for Others	7,997	(71,465)
Net Cash (Used) Provided by Investing Activities	<u>(82,325,675)</u>	<u>21,516,303</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(390,153)	(6,205,960)
Cash and Cash Equivalents, Beginning of Year	<u>5,152,746</u>	<u>11,358,706</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,762,593</u>	<u>\$ 5,152,746</u>

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NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Statements of Cash Flows Years Ended June 30, 2010 and 2009

	2010	2009
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:		
Operating Income (Loss)	\$ 5,355,740	\$ (735,913)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Increase in Fair Market Value of Derivative Instrument	(8,153,817)	-
Gain on Sale of Fixed Asset	-	17,120
Depreciation and Amortization Expense	(238,100)	619,376
Trustee Fees, Amortization of Debt Issuance Costs, Commitment Fees, and Other Trust Expense	3,210,338	1,756,645
Changes in Assets & Liabilities:		
Increase in Student Loans Receivable, net	(161,217,480)	(158,199,286)
(Increase) Decrease in Student Loan Interest Receivable, Interest Subsidy Receivable, Special Allowance Payable, & Late & Legal Fees Receivable	(5,683,518)	5,659,653
Decrease in Investment Income Receivable	87,557	384,900
Decrease (Increase) in Other Current Assets	2,029,173	1,412,747
Decrease in Accounts Payable & Other Accrued Liabilities	(181,893)	(2,710,215)
Net Cash Used by Operating Activities	\$ (164,792,000)	\$ (151,794,973)
Supplemental Disclosures of Cash Flow Information:		
Interest Collected on FFELP Student Loans	\$ 16,948,503	\$ 16,443,314
Net Interest Subsidy & Special Allowance (Paid to) Received from the U.S. Department of Education	\$ (8,493,375)	\$ 16,029,002
Arbitrage Rebate (Recovery) Expense Incurred & Liability Accrued	\$ (76,906)	\$ 452,948
Excess Earnings (Recovery) Expense Incurred & Liability Accrued	\$ (7,948,598)	\$ 2,332,258
Principal Amount of Bonds Refunded or Retired	\$ 308,035,000	\$ 38,975,000

See accompanying notes to financial statements.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

(1) Organization

The New Mexico Educational Assistance Foundation (the Foundation or NMEAF) was organized under the laws of the State of New Mexico on July 1, 1981, as a quasi-governmental, not-for-profit organization for the purpose of improving the educational opportunities of the residents of New Mexico and students who attend New Mexico post-secondary educational institutions. The Foundation's primary purpose is to provide a program for making, financing, holding, and purchasing federally insured educational loans. The Foundation services loans and provides administrative support and other services for in-state educational and lending institutions and administers federal financial aid programs. The Foundation also provides administrative support for the New Mexico Student Loan Guarantee Corporation (Corporation), a quasi-governmental, not-for-profit entity operating as a guarantee agency under the Federal Family Education Loan Program (FFELP).

In October of 2003, the Foundation and the Corporation filed a "doing business as" trade name of *New Mexico Student Loans* with the New Mexico State Corporation Commission. As of that date, both entities hold themselves out to the public as one organization in order to improve awareness and understanding of their inter-related purpose.

The University of New Mexico, the state's largest post-secondary educational institution, transitioned its student loan volume to the Foundation during fiscal year 2005. In the year ended June 30, 2010, the Foundation realized approximately \$79.4 million in student loan volume from the University of New Mexico. In the year ended June 30, 2009, the Foundation realized approximately \$78.8 million in student loan volume from the University of New Mexico.

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (H.R. 4872/P.L. 111-152) which eliminated the Federal Family Education Loan Program (FFELP) beginning July 1, 2010, was signed into law by President Obama. As a result, student loans were no longer disbursed by the Foundation on or after that date.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

NMEAF meets the definition of a governmental entity as set forth in the AICPA Audit and Accounting Guide, *Audits of State and Local Governmental Units*. The financial statements of the Foundation are prepared on the basis of an enterprise fund as defined by the Governmental Accounting Standards Board (GASB). Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the entity is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the entity has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Foundation's government-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into one column, and consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. The Foundation carries on no governmental activities. It has neither fiduciary funds nor component units that are fiduciary in nature.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred. NMEAF has elected not to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, which is an alternative followed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*.

Amounts reported as program revenues include:

- Borrower interest income and fees;

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

- Federal subsidies;
- Investment interest income;
- Loan servicing and other revenue.

Essentially all of the Foundation's revenues are program revenues.

Enterprise funds distinguish operating revenues and expenses from non-operating items. All of the Foundation's revenue streams are considered operating in nature. The principal non-operating expenses are arbitrage rebate and excess earnings expense.

When both restricted and unrestricted net assets are available to cover a designated expense, it is the Foundation's policy to use restricted resources first, and then utilize unrestricted resources as they are needed.

(b) Fund Accounting

The General and Debt Funds (Funds) are separate sets of self-balancing accounts established to account for all transactions pertaining to the general administration, student lending and debt issues of NMEAF. These funds do not meet the criteria for reporting as separate funds in the accompanying financial statements, but are used for internal reporting purposes. Each fund utilizes the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The effect of interfund activity has been eliminated from the combined financial statements.

All transactions relating to the Funds, which are not presented distinctly in the financial statements, are recorded as described below:

- General Fund: The receipt of revenue and transfers for the payment of expenses for the administration of the Foundation's programs are recorded in the General Fund.
- Debt Fund: Transactions relating to the Foundation's borrowings to finance student loans through the issuance of debt are recorded in the Debt Fund. All revenue and expenses associated with these student loans and all related trust indenture activity are recorded in this fund. The Debt Fund reimburses the General Fund for expenses incurred on its behalf. Various assets and liabilities of each respective debt issue are combined in the accompanying balance sheet although there are various restrictive covenants associated with each issue. Net Assets of the Fund generally are restricted for the repayment of Debt Fund obligations and to satisfy certain reserve requirements specified by the various indentures.

(c) Use of 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 revenue and expenses during the reporting period. The allowance for student loan losses, late and legal fees, special allowance revenue, and arbitrage rebate and excess earnings liabilities are the principal areas involving estimates and judgments. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents, Cash and Cash Equivalents – Restricted, Investments

NMEAF considers cash on hand, in banks, and similar highly liquid instruments to be cash and cash equivalents. Cash equivalents are carried at cost. Cash earmarked for loan disbursement to students and cash collected on student loans but not yet remitted to the Bond trustees are restricted from use for Foundation operations and are shown as Cash and Cash Equivalents – Restricted on the Statement of Net Assets. NMEAF considers all other invested funds to be Investments.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

Funds held by Bond trustees, recorded as investments on the Statement of Net Assets, consist of the following:

- Money market and deposit funds that are fully secured by a pledge of direct obligations of or guaranteed by the United States of America or certain federal agencies. These investments are carried at cost, which approximates market value.
- Guaranteed investment contracts that are carried at cost, which approximates market value.

(e) *Funds Held in Custody for Others*

NMEAF is the agent for various in-state educational institutions and the private lending community. As an agent, NMEAF holds and disburses funds for the institutions to qualified students.

(f) *Premiums and Borrower Incentive Plan Fees*

NMEAF defers the recognition of premiums paid on student loan notes purchased and amortizes them over the estimated life of the loans as an adjustment to the yield of the related loans. Borrower incentives costs such as origination fees and default fees are also amortized over the estimated life of the related loans. Amortization of these costs is included in other student loan costs expense on the Statement of Revenues, Expenses, and Changes in Net Assets.

(g) *Student Loan Late and Legal Fees Receivable*

NMEAF records late and legal fees to each borrower's account when assessed, in accordance with its litigation policy. However, management believes that a portion of these amounts will not be received from the borrower. As a result, NMEAF records late and legal fees revenue, net of estimated amounts deemed uncollectible.

(h) *Allowance for Student Loan Losses*

NMEAF provides allowances for the following items in the student loan portfolio: student loans receivable (principal), student loan interest, and late and legal fees receivable. To the extent NMEAF has properly serviced the student loan portfolio in accordance with the U.S. Department of Education's (ED) due diligence regulations and other requirements, student loan principal and interest receivable was insured by the ED between 97% and 100%, depending on the year of origination, of the principal and interest balance during the year.

Allowance considerations are applied to student loan late and legal fees receivable because the only recourse for collection of such receivables is the borrower. Allowances recorded by NMEAF are amounts that, in the judgment of management, are adequate to absorb known and estimated risks in the student loan portfolio. Management considers various factors in providing for these losses, including the amount of loans with due diligence violations, litigation results and estimated successful due diligence cure and collection results on student loans.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements
June 30, 2010

(i) ***Amortization of Debt Issuance Costs and Commitment Fees***

Debt issuance costs and commitment fees are amortized using the bonds outstanding method, which approximates the effective interest rate method, over the contractual repayment term or life of the associated debt (ranging from one to thirty years) or over the commitment period (typically less than one year).

(j) ***Capital Assets***

Capital assets are recorded at cost, net of accumulated depreciation. The capitalization threshold is \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives of the fixed assets are as follows:

Building and building improvements	30 and 10 years, respectively
Software Development	5 years
Building equipment	5 years
Data processing hardware, personal computers	3 years
Data processing hardware, other than personal computers	4 years
Data processing software	3 years
Furniture and fixtures	10 years
Vehicles	3 years

Maintenance and repairs that do not extend the assets' useful lines are charged to expense as incurred. Software development is for internal use. Only the costs paid externally for study, design, and programming will be capitalized.

NMEAF did not receive donations of capital assets during the years ending June 30, 2010 and 2009.

(k) ***Restricted Net Assets***

Net Assets held as collateral on outstanding Bonds Payable are classified as Restricted Net Assets.

(l) ***Revenue Recognition***

NMEAF records student loan interest, interest subsidy, and special allowance as revenue when earned.

Under the FFELP program, the ED makes quarterly interest payments to the Foundation while the subsidized Stafford loan is in an in-school or in-grace status and until the student is required, under the provisions of the Higher Education Act, to begin repayment. Interest becomes due from individual borrowers once the loan goes into repayment status. Interest on non-subsidized loans is due from individual borrowers once the loan is disbursed. Borrowers under the FFELP program may defer their interest payments on unsubsidized Stafford loans until the end of their in-school and in-grace period. Interest, both subsidized and due from the borrower, is equivalent to the annual student loan interest rate multiplied by the daily unpaid loan balance.

The ED also provides a special allowance subsidy to lenders participating in the FFELP. Special allowances are computed and paid quarterly on the average daily unpaid principal balance of qualifying student loans outstanding based on an annual rate equal to the average bond equivalent rate of 91-day United States Treasury Bills for subsidized loans during the calendar quarter, or for loans first disbursed after January 1, 2000, the 90-day commercial paper rate. For loans first disbursed on or after April 1, 2006, if the special allowance calculation based on the 90-day commercial paper rate is less than zero, the Foundation must return this "negative" special allowance to the ED. For loans first disbursed on or after October 1, 2007, the special allowance rates decreased by 40 basis points. The Foundation records interest subsidy and special allowance, net of any negative special allowance, as revenue when earned.

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Notes to Financial Statements June 30, 2010

For loans originated after July 1, 2008 and July 1, 2009, origination fee rates of 1%, and .5% respectively were paid by NMEAF on behalf of student loan borrowers and paid to the ED along with a 1% lender fee. Payment of the origination fee to the ED occurs through an offset to the interest subsidy and special allowance payments received from the ED.

Late and legal fees are recorded as revenue when they have been assessed to each borrower's account in accordance with NMEAF's litigation policy. Service agreement revenue is recorded as earned over the life of the contract, and servicing fees are recorded as earned.

(m) *Income Taxes*

NMEAF is a tax-exempt, quasi-governmental organization under Section 501(c) (3) of the Internal Revenue Code (IRC). All of NMEAF's income is from tax-exempt activities. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

(n) *Reclassifications*

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation.

(3) Cash and Cash Equivalents and Investments

NMEAF considers cash deposits in banks, unrestricted money market funds, and cash on hand to be cash and cash equivalents. Other invested funds, including guaranteed investment contracts, U.S. Treasury securities, trustee-held money markets, and certificates of deposit, are classified as investments. GASB Statement No. 40 amends GASB Statement No. 3 to change required disclosures relating to cash and equivalents and investments. While this new Statement changes the custodial credit risk categorization requirements, additional disclosures are now required, including estimation of fair value as of the report date, and exposure of each investment to credit risk, if any, as measured by nationally recognized statistical rating organizations. For purposes of presentation on this footnote, all cash and cash equivalents and investments are displayed in a single schedule.

(a) *Concentration of Credit Risk*

The Foundation's investment policy specifies that all investments must comply with New Mexico State Statute 21-21A-17. Generally, this Statute permits investment of funds in the following types of instruments:

- Direct obligations of the United States or its agencies (GNMA, FNMA, FHLB, etc.),
- Certificates of deposit fully collateralized by the above;
- If proceeds from a bond issue, in securities specified under the trust indenture.

As of June 30, 2010, approximately 23% of total cash and investments are in Investment Agreements as defined by the trust indentures. Nearly 57% of total cash and investments are in money markets that invest in government securities. The remaining cash is in repurchase agreements or demand deposit accounts.

As of June 30, 2009, approximately 38% of total cash and investments are in Investment Agreements as defined by the trust indentures. Nearly 48% of total cash and investments are in money markets that invest in government securities. The remaining cash is in repurchase agreements or demand deposit accounts.

(b) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. NMEAF has a policy to ensure sufficient collateral on its deposits through U.S. Agency Securities to meet state requirements.

Investments listed below as guaranteed investment contracts and money market funds are carried at cost, which approximates market value due to the short-term nature of the accounts. The credit ratings of these investments

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Notes to Financial Statements June 30, 2010

are obtained from Moody's Investors Service. They are restricted to the extent required by the bond indentures. Money market funds have no stated maturities.

Cash and cash equivalents and investments balances, June 30, 2010:

	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Guaranteed Investment Contracts:			
2001 Series A & B – Trinity	9/1/2031	Aa2	\$ 5,802,427
2002 Series A – Trinity	11/1/2032	Aa2	8,487,937
2003 Series A – Trinity	9/1/2033	Aa2	10,457,167
2004 Series A – Trinity	4/1/2034	Aa2	13,631,255
Money Market Funds – AIM-Government	N/A	Aaa	67,543,532
Money Market Fund – Fidelity - Government	N/A	Aaa	13,829,524
Money Market Fund – Fidelity – Treasury	N/A	N/A	3,475,177
Money Market Fund – JP Morgan 100% Treasury	N/A	Aaa	14,723,822
Demand Deposits – Zions First National Bank	N/A		25,078,036
Other			<u>1,213,773</u>
Total Investments			164,242,650
Money Market Fund - Bank of the West	N/A	N/A	1,141,965
Demand Deposits and Cash on Hand	N/A	N/A	<u>3,620,628</u>
Total			\$ <u><u>169,005,243</u></u>

Cash and cash equivalents and investments balances, June 30, 2009:

	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Guaranteed Investment Contracts:			
1995 Series A Float – Westdeutsche	11/1/2010	Aa1	\$ 8,992,710
1995 Series A Reserve – Trinity	11/1/2010	Aa2	210,000
1996 Series A & B – Bayerische	11/1/2025	Aaa	4,335,641
1998 Series A, B & C – Bayerische	11/1/2028	Aaa	6,325,368
1999 Series A & B – Societe Generale	11/1/2028	Aa2	1,946,715
2001 Series A & B – Trinity	9/1/2031	Aa2	436,206
2002 Series A – Trinity	11/1/2032	Aa2	1,304,299
2003 Series A – Trinity	9/1/2033	Aa2	4,064,751
2004 Series A – Trinity	4/1/2034	Aa2	4,647,546
2005 Series A & B – Pallas	10/1/2035	Aaa	1,232,874
Money Market Funds – AIM-Government	N/A	Aaa	11,520,239
Money Market Funds – Fidelity - Government	N/A	Aaa	28,847,494
Money Market Fund – Fidelity – Treasury	N/A	N/A	6,363,074
Money Market Fund – Dreyfus Investments	N/A	Aaa	1,479,927
Demand Deposits	N/A	N/A	<u>202,134</u>
Total Investments			81,908,978
Money Market Fund - Bank of the West	N/A	N/A	1,161,457
Demand Deposits and Cash on Hand	N/A	N/A	<u>3,991,289</u>
Total			\$ <u><u>87,061,724</u></u>

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(4) Student Loans Receivable

Student loans receivable by bond issue and status, June 30, 2010:

Bond Issue	Status		Total
	Student	Repayment	
General Fund	\$ 159,927	\$ 1,912,583	\$ 2,072,510
2001 Series A & B	971,834	23,790,947	24,762,781
2002 Series A	17,233,362	50,620,923	67,854,285
2003 Series A	14,491,134	56,763,754	71,254,888
2004 Series A	27,006,835	78,074,263	105,081,098
2007 Series A	7,843,709	165,094,320	172,938,029
2008 Series A	52,666,903	335,432,494	388,099,397
2009 Series A, B & C	124,539,499	154,854,113	279,393,612
2009 Series D	16,473,259	298,789	16,772,048
Participated with the Department of Education	190,870,626	11,726,858	202,597,484
Total	452,257,088	878,569,044	1,330,826,132
Less allowance for uncollectible principal	(439,461)	(853,703)	(1,293,164)
Total	<u>\$ 451,817,627</u>	<u>\$ 877,715,341</u>	<u>\$ 1,329,532,968</u>

Student Loans Receivable by bond issue and status, June 30, 2009:

Bond Issue	Status		Total
	Student	Repayment	
General Fund	\$ 17,146,487	\$ 6,593,683	\$ 23,740,170
1995 Series A	34,252	2,315,921	2,350,173
1996 Series A	871,698	12,821,706	13,693,404
1996 Series B	1,954,465	14,418,915	16,373,380
1998 Series A, B & C	6,678,586	23,865,100	30,543,686
1999 Series A, B & C	4,152,509	5,171,426	9,323,935
2001 Series A, B, C, & D	2,150,746	32,597,589	34,748,335
2002 Series A, B, & C	13,507,154	58,241,290	71,748,444
2003 Series A, B, C, & D	4,297,069	79,499,503	83,796,572
2004 Series A	10,094,235	103,086,198	113,180,433
2005 Series A	2,473,250	4,347,935	6,821,185
2006 Series A & B	1,128,015	8,675,901	9,803,916
2007 Series A & B	73,410,828	108,688,930	182,099,758
2008 Series A & B	90,794,423	336,870,872	427,665,295
2008 Series E	92,935,232	1,536,383	94,471,615
2008 Series D	45,830,937	3,209,601	49,040,538
Total	367,459,886	801,940,953	1,169,400,839
Less allowance for uncollectible principal	(341,049)	(744,302)	(1,085,351)
Total	<u>\$ 367,118,837</u>	<u>\$ 801,196,651</u>	<u>\$ 1,168,315,488</u>

Student loans receivable had variable and fixed interest rates, ranging from 2.875% to 10% at June 30, 2010, and from 2.75% to 10% at June 30, 2009.

Student loans are classified as being in either "in-school/in-grace" or "repayment" status. In-school/in-grace

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status represents the period from the date the loan is made until a student is out of school for a grace period, plus any authorized deferment periods, at which time the repayment status commences. Substantially all student loans receivable are loans provided under the FFELP and are guaranteed.

Management estimates that approximately \$66.5 million or about 5% of the outstanding balance of student loans receivable is due within one year for 2010. Management estimated that approximately \$62.4 million or about 5% of the outstanding balance of student loans receivable was due within one year for 2009. Generally, Foundation loans are structured with a ten-year repayment period.

Notes Receivable

NMEAF entered into an agreement with the University of New Mexico (UNM) to advance funds for the purpose of UNM's School as Lender program. Per this agreement, dated July 1, 2008, NMEAF will advance funds for new loan originations up to \$65 million. The advanced funds are fully collateralized by the underlying student loan promissory notes. Interest is charged on the unpaid principal at a rate equal to the average of the 3-month Commercial Paper Rate at the end of the preceding quarter. The maturity date of this Note is June 30, 2011. As of June 30, 2010, the outstanding balance was \$44,362, as compared to an outstanding balance of \$1,739,305 as of June 30, 2009.

(5) Capital Assets

Capital asset activity, year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets, Not Being Depreciated				
Land	\$ 1,011,520	\$ -	\$ -	\$ 1,011,520
Total Capital Assets, Not Being Depreciated	1,011,520	-	-	1,011,520
Capital Assets, Being Depreciated				
Building, Building Equipment & Improvements	5,747,533	17,384	-	5,764,917
Furniture and Fixtures	645,723	-	-	645,723
Data Processing Hardware	1,425,763	73,417	(707)	1,498,473
Data Processing Software	7,702,049	1,890,467	-	9,592,516
Vehicles	154,700	-	-	154,700
Total Capital Assets, Being Depreciated	15,675,768	1,981,268	(707)	17,656,329
Less Accumulated Depreciation:				
Building, Building Equipment & Improvements	(1,163,462)	(215,329)	-	(1,378,791)
Furniture and Fixtures	(339,268)	(61,373)	-	(400,641)
Data Processing Hardware	(1,085,117)	(203,905)	74	(1,288,948)
Data Processing Software	(2,213,601)	(29,432)	-	(2,243,033)
Vehicles	(114,986)	(24,546)	-	(139,532)
Total Accumulated Depreciation	(4,916,434)	(534,585)	74	(5,450,945)
Total Capital Assets, Being Depreciated, Net	10,759,334	1,446,683	(633)	12,205,384
Capital Assets, Net	\$ 11,770,854	\$ 1,446,683	\$ (633)	\$ 13,216,904

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Capital asset activity, year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital Assets, Not Being Depreciated				
Land	\$ 1,011,520	\$ -	\$ -	\$ 1,011,520
Total Capital Assets, Not Being Depreciated	<u>1,011,520</u>	<u>-</u>	<u>-</u>	<u>1,011,520</u>
Capital Assets, Being Depreciated				
Building, Building Equipment & Improvements	5,753,416	1,027	(6,910)	5,747,533
Furniture and Fixtures	645,723	-	-	645,723
Data Processing Hardware	1,373,450	99,604	(47,291)	1,425,763
Data Processing Software	5,144,368	2,576,101	(18,420)	7,702,049
Vehicles	<u>154,700</u>	<u>-</u>	<u>-</u>	<u>154,700</u>
Total Capital Assets, Being Depreciated	<u>13,071,657</u>	<u>2,676,732</u>	<u>(72,621)</u>	<u>15,675,768</u>
Less Accumulated Depreciation:				
Building, Building Equipment & Improvements	(942,907)	(227,465)	6,910	(1,163,462)
Furniture and Fixtures	(277,027)	(62,241)	-	(339,268)
Data Processing Hardware	(893,485)	(238,923)	47,291	(1,085,117)
Data Processing Software	(2,157,617)	(57,284)	1,300	(2,213,601)
Vehicles	<u>(82,247)</u>	<u>(32,739)</u>	<u>-</u>	<u>(114,986)</u>
Total Accumulated Depreciation	<u>(4,353,283)</u>	<u>(618,652)</u>	<u>55,501</u>	<u>(4,916,434)</u>
Total Capital Assets, Being Depreciated, Net	<u>8,718,374</u>	<u>2,058,080</u>	<u>(17,120)</u>	<u>10,759,334</u>
Capital Assets, Net	<u>\$ 9,729,894</u>	<u>\$ 2,058,080</u>	<u>\$ (17,120)</u>	<u>\$ 11,770,854</u>

Depreciation expense, segregated by function, is as follows:

	Year Ended June 30, 2010	Year Ended June 30, 2009
Building and Building Improvements	215,329	\$ 227,465
Furniture and Fixtures	61,373	62,241
Data Processing Hardware	203,831	238,923
Data Processing Software	29,432	57,284
Vehicles	<u>24,546</u>	<u>32,739</u>
Total Depreciation Expense	<u>\$ 534,511</u>	<u>\$ 618,652</u>

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(6) Long-term Liabilities

Long-term liabilities for the year ended June 30, 2010:

	*Balance 06/30/2009	Increases	Decreases	Due Within One Year	Balance 06/30/2010
Bonds Payable	\$ 1,145,395,000	\$ 678,672,138	\$ (624,537,138)	\$ (100,225,000)	\$ 1,099,305,000
Bond Premium	-	7,157,138	(773,730)	(1,031,640)	5,351,768
Reserves for Excess Earnings	30,912,990	1,873,705	(9,822,303)	-	22,964,392
Arbitrage Rebate Payable	2,742,914	14,000	(2,547,974)	-	208,940
Total Long-Term Liabilities	<u>\$ 1,179,050,904</u>	<u>687,716,981</u>	<u>(637,681,145)</u>	<u>(101,256,640)</u>	<u>\$ 1,127,830,100</u>

Long-term liabilities for the year ended June 30, 2009:

	*Balance 06/30/2008	Increases	Decreases	Due Within One Year	Balance 06/30/2009
Bonds Payable	\$ 1,039,235,000	\$ 145,135,000	\$ (38,975,000)	\$ (146,535,000)	\$ 998,860,000
Reserves for Excess Earnings	28,580,732	2,332,258	-	-	30,912,990
Arbitrage Rebate Payable	2,814,208	452,948	(524,242)	(29,034)	2,713,880
Total Long-Term Liabilities	<u>\$ 1,070,629,940</u>	<u>\$ 147,920,206</u>	<u>\$ (39,499,242)</u>	<u>\$ (146,564,034)</u>	<u>\$ 1,032,486,870</u>

*Beginning balance includes current portion of long-term liabilities.

Student Loan Revenue bonds activity and balances by bond issue for the year ended June 30, 2010:

Bond Issue	Interest Rate Range	Maturity Range	Bonds Outstanding 06/30/2009	Issued / (Retired) FY 2010	Bonds Outstanding 06/30/2010
1995 Series A	Variable – 6.60%	11/1/2010	4,200,000	(4,200,000)	-
1996 Series A	6.30% to 6.65%	11/1/2008-2025	9,365,000	(9,365,000)	-
1996 Series B	Variable	11/1/2025	30,000,000	(30,000,000)	-
1998 Series A & B	Variable	11/1/2010-2028	33,500,000	(33,500,000)	-
1998 Series C	5.50%	11/1/2010	2,000,000	(2,000,000)	-
1999 Series A & B	Variable	11/1/2028	9,000,000	(9,000,000)	-
2001 Series A & B	Variable - 5.90%	9/1/2009-2031	34,015,000	(7,000,000)	27,015,000
2002 Series A	Variable	11/1/2032	70,000,000	-	70,000,000
2003 Series A	Variable	12/15/2005-9/1/2033	77,100,000	(7,100,000)	70,000,000
2004 Series A	Variable	4/1/2034	109,750,000	-	109,750,000
2005 Series A & B	Variable	4/1/2009-9/1/2010	8,850,000	(8,850,000)	-
2006 Series A	Variable	9/1/2010	1,075,000	(1,075,000)	-
2007 Series B	Variable	4/1/2010 – 2037	175,430,000	(810,000)	174,620,000
2008 Series A	Variable	5/1/2012 – 4/1/2036	435,975,000	(50,000,000)	385,975,000
2008 Series D (taxable)	Variable	4/1/2036	50,000,000	(50,000,000)	-
2008 Series E	Variable	9/30/2009	95,135,000	(95,135,000)	-
2009 Series A	Variable	11/1/28	-	42,500,000	42,500,000
2009 Series B & C	.70% to 4.10%	9/1/10 to 9/1/20	-	249,670,000	249,670,000
2009 Series D	Variable	9/30/10	-	40,000,000	40,000,000
2009 Series E (taxable)	Variable	9/30/10	-	30,000,000	30,000,000
			<u>\$ 1,145,395,000</u>	<u>\$ 54,135,000</u>	<u>\$ 1,199,530,000</u>
2009 Series A, B & C Bond Premium			-	<u>6,383,408</u>	<u>6,383,408</u>
			<u>\$ 1,145,395,000</u>	<u>\$ 60,518,408</u>	<u>\$ 1,205,913,408</u>

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As of June 30, 2010, interest rates for the variable bond issues are as follows: 2001 Series A1– .280%; 2002 Series A1-.753%; 2002 Series A-2-.280%; 2003 Series A1 and A2 – .280%; 2004 Series A1 to A3 – .280%; 2007 Series A1-.310%; 2007 Series A2 (taxable) .439%; 2008 Series A1 to A3-.28% to .30%; 2009 Series D– 1.26; 2009 Series E–1.04% and 2009 Series A .280%.

Student Loan Revenue bonds activity and balances by bond issue for the year ended June 30, 2009:

Bond Issue	Interest Rate Range	Maturity Range	Bonds Outstanding 06/30/2008	Issued / (Retired) FY 2008	Bonds Outstanding 06/30/2009
1995 Series A	Variable – 6.60%	11/1/2010	\$ 4,200,000	-	4,200,000
1996 Series A	6.30% to 6.65%	11/1/2008-2025	15,060,000	(5,695,000)	9,365,000
1996 Series B	Variable	11/1/2025	30,000,000	-	30,000,000
1998 Series A & B	Variable	11/1/2010-2028	33,500,000	-	33,500,000
1998 Series C	5.50%	11/1/2010	2,000,000	-	2,000,000
1999 Series A & B	Variable	11/1/2028	9,000,000	-	9,000,000
2001 Series A & B	Variable - 5.90%	3/1/2009-9/1/2031	67,245,000	(33,230,000)	34,015,000
2002 Series A	Variable	11/1/2032	70,000,000	-	70,000,000
2003 Series A	Variable	9/1/2010-9/1/2033	77,100,000	-	77,100,000
2004 Series A	Variable	4/1/2034	109,750,000	-	109,750,000
2005 Series A & B	Variable	4/1/2009-9/1/2010	8,900,000	(50,000)	8,850,000
2006 Series A	Variable	9/1/2010	1,075,000	-	1,075,000
2007 Series B	Variable	4/1/2010-2037	175,430,000	-	175,430,000
2008 Series A	Variable	5/1/2012-4/1/2036	435,975,000	-	435,975,000
2008 Series D (taxable)	Variable	4/1/2036	-	50,000,000	50,000,000
2008 Series E	Variable	9/30/2009	-	95,135,000	95,135,000
			<u>\$ 1,039,235,000</u>	<u>\$ 106,160,000</u>	<u>\$ 1,145,395,000</u>

As of June 30, 2009, interest rates for the variable bond issues are as follows: 1995 Series A – .63%; 1996 Series B – .63%; 1998 Series A and B – .63%; 1999 Series – .63%; 2001 Series A1– .858%; 2002 Series A1 and A2 – .858%; 2003 Series A1 and A2 – .858%; 2004 Series A1 to A3 – .858%; 2005 Series A – .858%; 2006 Series A1 – .858%; 2007 Series A1-.65%; 2007 Series A2 (taxable) 1.1225%; 2008 Series A1 to A3-.37% to .45%; and 2008 Series A4 and A5-.70%; 2008 Series D–1.41; 2008 Series E–1.34%.

Interest is payable on a semi-annual basis except for certain taxable bonds which are monthly and the 2008 Series D & E and 2009 Series E bonds which are paid quarterly. Depending on the bond, principal is payable annually or at specified times during the bond maturity period. All bonds are secured as described in the applicable bond resolutions. Related purchased and financed student loans and investments secure the bonds.

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Principal maturity and interest requirements on bonds payable were as follows:

June 30, 2010			June 30, 2009		
Year	Bond Principal	Bond Interest	Year	Bond Principal	Bond Interest
2011	\$ 100,225,000	\$ 11,963,664	2010	\$ 146,535,000	\$ 7,642,508
2012	19,100,000	11,328,758	2011	32,925,000	6,855,217
2013	30,300,000	11,215,127	2012	19,100,000	6,771,987
2014	31,355,000	11,194,247	2013	30,300,000	6,595,662
2015	47,395,000	10,218,999	2014	200,000	6,563,262
2016-2020	140,895,000	31,655,189	2015-2019	-	32,815,558
2021 – 2025	-	21,627,608	2020 – 2024	-	32,815,558
2026 – 2030	102,100,000	16,334,705	2025 – 2029	131,175,000	29,254,715
2031 – 2035	357,665,000	11,953,144	2030 – 2034	364,665,000	21,555,821
2036 - 2038	370,495,000	1,392,734	2035 - 2038	420,495,000	4,706,537
	<u>\$ 1,199,530,000</u>	<u>\$ 138,884,175</u>		<u>\$ 1,145,395,000</u>	<u>\$ 155,576,825</u>

Bond interest for the variable bond issues was calculated using the Auction, Securities Industry and Financial Market Association (SIFMA), and London Inter-Bank Offer Rate (LIBOR) rates as of June 30, 2010 (see bonds activity schedules for lists of variable rates at June 30, 2010).

In accordance with the provisions of the Internal Revenue Code (IRC) and related regulations, retainable earnings from non-purpose investments related to the Foundation's tax-exempt bond issues, generally, are limited to the bond yield of the related bond issue. The bond indentures require NMEAF to make annual arbitrage calculations to determine if investments of excess bond proceeds are earning rates of interest in excess of the bond yield. Such amounts, if any, are required to be set aside in arbitrage rebate accounts for each bond issue. The balance in the arbitrage rebate accounts may increase or decrease annually (but not below zero) based on interest rates earned on the investments provided by the bond financing. At the end of each five-year period over the life of the bonds, NMEAF is required to remit any positive arbitrage rebate liability amount to the federal government. Based on the most recent calculation as of May 1, 2010, there are arbitrage rebate liabilities in an aggregate amount of \$208,940 which represent the current calculation of excess investment income for the 2007 bond issues that are payable at future dates. The aggregate amount as of May 1, 2009 was \$2,742,914 which represents the current calculation of excess investment income for the 1995 Series A, 1996 Series A and B, 1998, 1999, 2004, 2005, 2006 and 2007 bond issues that are payable at future dates.

Similarly, student loan income on all tax-exempt bond issues that may be retained by NMEAF in order to fund operations is limited to the bond yield plus an allowable spread, ranging from 1.50% to 2.00%. The excess earnings liability is computed on an annual basis. Excess earnings calculations are completed based on the respective bond year, which may differ from the Foundation's fiscal year end. The excess earnings reserve can be used over time to forgive principal and/or interest on financed student loans or on other programs that would effectively reduce the Foundation's yield. Amounts not used in this manner are required to be paid to the federal government at the end of each ten-year period and at final maturity of the related bond issues. Based on the most recent calculations as of May 1, 2010, there are excess earnings reserves in an aggregate amount of \$22,964,392 which represent the current calculation of excess loan income for the 2002, 2003, and 2004 bond issues that are payable at future dates. The aggregate amount calculated for 2009 was \$30,912,990 for the 1995 Series A, 1996 Series B, 1998, 1999, 2002, 2003 and 2004 bond issues.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

In September 2009 the Foundation issued \$511.27 million in bonds, of which \$219.1 million were reoffered and \$292.17 million were new tax exempt issues. \$256.635 million of the proceeds were used to refund existing debt issues for the purpose of restructuring bonds that were being traded in the auction debt market. These proceeds, included in Bonds Payable in the accompanying financial statements, will serially mature over a period from 2010 to 2028. The refunding transactions decreased the cash flow requirements related to the refunded amounts by approximately \$9.9 million at an economic gain (difference between the present values of the old and new debt service payments) of approximately \$14.7 million. The refunding by outstanding series was as follows:

2009 Series A, B and C Bonds (issued September, 2009)

Issue Size \$511,270,000
Refunded Bonds \$256,935,000

Refunded Issue	Refund Amount
1995 Series A-1	\$ 4,200,000
1996 Series A-2 and 1996 Series B-1	38,775,000
1998 A-2 & 1998 B-1 & 1998 C-1	35,500,000
1999 Series A1 & A2	9,000,000
2001 Series A-1	7,000,000
2003 Series A-1	7,100,000
2005 Series A-1	8,850,000
2006 Series A-1	1,075,000
2008 Series D (taxable)	50,000,000
2008 Series E	95,135,000
	\$256,635,000

In August of 2009, the Foundation issued \$100 million in bonds of which \$40 million were tax exempt and \$60 million taxable. The proceeds will be included in bonds payable in the accompanying financial statements, and will serially mature on September 30, 2010 for the taxable portion and August 1, 2039 for the tax exempt portion.

(7) Notes Payable

Summary of changes in short-term debt for the year ended June 30, 2010:

Short-Term Notes (Due Within One Year)	Balance 06/30/2009	Issuances	Retirements	Balance 06/30/2010
Notes Payable	\$ 22,886,853	\$ 231,050,243	\$ (36,942,354)	\$ 216,994,742

Summary of changes in short-term debt for the year ended June 30, 2009:

Short-Term Notes (Due Within One Year)	Balance 06/30/2008	Issuances	Retirements	Balance 06/30/2009
Notes Payable	\$ -	\$ 47,959,919	\$ (25,073,066)	\$ 22,886,853

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

The entire June 30, 2010 Notes Payable balance of \$216,994,742 is due to the Department of Education for the Loan Participation Program. At June 30, 2010, the Foundation does not have any active lines of credit with banks.

The Foundation had a letter of credit in the amount of \$20 million with Bank of America with a maturity date of April 1, 2010. As of June 30, 2010, the balance was zero. State and federal statutes limit the Foundation's bond capacity (or ability to issue tax-exempt bonds). Management entered into this short-term note and investment transaction to capture bond capacity for subsequent tax-exempt bond issues. The Foundation periodically enters into similar short-term investment and note payable agreements to preserve bond capacity.

The Foundation entered into a separate revolving line of credit agreement with Bank of America (the Bank) on June 19, 2006 to assist with funding loans. The line of credit amount was \$20 million as of June 30, 2009. This line was a revolving line of credit and the balance was zero as of June 30, 2010 and \$9.6 million as of June 30, 2009. The maturity date on this line of credit was April 1, 2010. The borrowing base for this line of credit was 98% of acceptable student loans funded and these loans make up the collateral. The interest rate (annual) was equal to the Wall Street Journal LIBOR Daily Floating Rate plus 45 basis points. There was also a \$30,000 loan fee and unused commitment fees based on the average daily amount of credit outstanding at .125% (annual).

The Foundation had a variable rate nondisclosable revolving line of credit in the amount of \$20 million with Bank of the West with a maturity of August 14, 2009. The balance was zero as of June 30, 2010 and \$13.3 million as of June 30, 2009. The borrowing base for this line of credit was 100% of acceptable student loans first disbursed and funded after May 1, 2008 and these loans make up the collateral. The interest rate (annual) was equal to the 1 month LIBOR Rate as quoted from the Bloomberg Financial Market screen plus 0.8% for an initial rate of 3.266%. There was also an \$80,000 loan origination fee.

The Foundation entered into Letter of Credit and Reimbursement Agreements dated June 1, 2008 with various banks with regard to the Series 2008 Bonds in the amount of \$435,975,000 issued on June 26, 2008. Each Letter of Credit will be issued in an amount (the "Original Stated Amount") equal to the aggregate principal amount of the outstanding Series 2008 Bonds secured by such Letter of Credit, plus (i) 200 day's interest on Series 2008 Tax Exempt Bonds secured by such Letter of Credit, at the rate of 12% per annum and (ii) 47 day's interest on Series 2008 Taxable Bonds secured by such Letter of Credit, at the rate of 12% per annum. At June 30, 2010 and 2009, there was no balance nor has there been activity on these Letters of Credit.

The Foundation entered into Letter of Credit and Reimbursement Agreements dated September 1, 2009 in the amount of \$319,265,000 issued on September 16, 2009 for Senior Series 2001 A-1, 2002 A-2, 2003 A-1, 2003 A-2, 2004 A-1, 2004 A-2, 2004 A-3, and 2009 A. Each Letter of Credit was issued in an amount (the "Original Stated Amount") equal to the aggregate principal amount of the outstanding bonds secured by such Letter of Credit. At June 30, 2010 there was no balance nor has there been activity on these Letters of Credit.

(8) Derivative Instrument

(a) Summary

At June 30, 2010, NMEAF had the following derivative instrument outstanding:

<u>Type</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>Fair Value</u>
Receive Fixed Interest Rate Swap	\$219,445,000	9/16/2009	9/1/2020	Receive 3.075% pay daily average 3 Month LIBOR	\$8,153,817

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

It was determined that this derivative instrument did not meet the criteria for hedge effectiveness and therefore the increase in the fair value of \$8,153,817 is reported as investment revenue for the year ended June 30, 2010.

The fair value of the interest rate swap was estimated based on the present value of the estimated future cash flows.

(b) Risks

Credit risk

The counter party to this interest rate swap is Royal Bank of Canada. The credit ratings for Royal Bank of Canada are Aaa (long term) and P-1 (short term) by Moody's Investor Service and AA and F1+ by Fitch Ratings.

NMEAF's policy is to require counterparty collateral posting provisions in its derivative instruments. The terms of this interest rate swap require full collateralization in an asset position net of the effect of netting arrangements should the counterparty's credit rating fall below A2 and P-1 as issued by Moody's Investor Service and A and F1 as issued by Fitch Ratings. Collateral posted is to be in the form of Cash, U.S Treasury or Agency Securities.

The fair value of this interest rate swap represents the maximum loss that would be recognized at the reporting date if the counterparty failed to perform as contracted.

Interest Rate Risk

NMEAF is exposed to interest rate risk on its interest rate swap. As LIBOR increases, NMEAF's net payment on the swap increases.

(9) Contractual Arrangements

NMEAF has certain contractual arrangements as follows:

(a) The New Mexico Student Loan Guarantee Corporation

The Corporation's primary purpose is to guarantee, on behalf of the ED, the repayment of eligible student loans made by participating lenders to residents of New Mexico and students who attend New Mexico educational and vocational institutions under the FFELP. Under terms of a service agreement, NMEAF provides office space and administers and performs certain duties and functions for the Corporation, subject to the direction of the Corporation's officers and board of directors. These duties and functions were provided by the Foundation for a board-approved fixed fee of \$1,300,176 and \$1,400,160 based upon estimated costs for the Corporation's years ended September 30, 2010 and 2009, respectively.

(b) Servicing Fees

NMEAF has agreements whereby it provides various legal, servicing, collections and financial aid support services to other in-state education-related institutions, the private lending community and the New Mexico Student Loan Guarantee Corporation. The education-related institutions include the University of New Mexico, New Mexico State University, New Mexico Highlands University, New Mexico Military Institute, Northern New Mexico, New Mexico Institute of Mining and Technology, St. Johns College, and Central New Mexico Community College. The Foundation also provides collection activity through contract sources for the New Mexico Higher Education Department.

On April 1, 2005 the Foundation began acting as the disbursing agent for most lenders who utilize the New Mexico Student Loan Guarantee Corporation as their loan guarantor. Commencement of this service was in concert with the Corporation's conversion to a new loan guarantee servicing system.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

Under the disbursement agreements the Foundation is required to transfer funds received from lender accounts to educational institutions on behalf of the lenders and return cancelled loan amounts to the lender accounts.

Fees earned under agreements to service various student receivables, which are assets or responsibilities of the education-related institutions, were \$357,640 and \$293,091 for the years ended June 30, 2010 and 2009, respectively. Fees earned under other agreements with the private lending community were \$78,675 and \$55,738 for the years ended June 30, 2010 and 2009, respectively.

(10) Defined Contribution Plan

The Foundation maintains a Defined Contribution Retirement Plan (the Plan). Participation in the Plan is available to employees regularly scheduled to work 1,000 hours or more in a computation period. Eligibility begins on the first day of the month following the completion of 30 days of employment. Each eligible participant is required to contribute a minimum of 3.5% of his or her pay to the Plan. The Foundation contributes 7% of the participant's compensation when the participant contributes the minimum percentage to the Plan. Vesting in the Foundation contributions occurs on a step schedule as follows: 1 year 0%, 2 years 25%, 3 years 50%, 4 years 75%, and 5 years 100%. A participant receives a year of service for vesting purposes if he/she completes 1000 hours in an anniversary year and he/she is employed on the last day of the anniversary year. If the participant terminates before the date of full vesting, the non-vested amount of the participant's account is forfeited and used by the Foundation to reduce its Plan contributions for the next year. The Foundation may terminate this Plan at any time, and all participant accounts would become 100% vested. The Foundation does not intend to terminate the Plan at this time. For the years ended June 30, 2010 and 2009, The Foundation's contribution was approximately is \$465,122 and \$531,901, respectively.

(11) Self-funded Employee Health and Dental Insurance Plans

On January 1, 2005, the Foundation abandoned its traditional employee medical and dental insurance coverage in favor of a self-funded arrangement managed by a third party administrator. The goal of self-funding is to provide employees with sufficient coverage while combating accelerating medical costs. Under the arrangement, NMEAF accrues an expense for estimated claims and pays claims presented to the administrator from operating funds. A "stop loss" policy was purchased to mitigate the risk of loss by capping the total annual maximum exposure to the Foundation at 125% of estimated claims or \$1.46 million. Meanwhile, employee health and dental benefits were held at similar levels to those offered prior to conversion to self-funding.

Health and dental expense was \$808,330 and \$561,799 for the years ended June 30, 2010 and 2009, respectively. As of June 30, 2010, the Foundation estimated the liability for unpaid claims at \$157,000. This estimate was based primarily on claims subsequent to year-end and other data.

Claims Liability	Provision for	Claims	Claims Liability
July 1, 2009	Incurred	Payments	June 30, 2010
	Claims		
<u>\$ 165,000</u>	<u>\$ 814,130</u>	<u>\$ (822,130)</u>	<u>\$ 157,000</u>

(12) Bonus Plan (Management and Employee Incentive Plan)

In April 2005, the board of directors approved the implementation of an annual management incentive plan (the plan). All Foundation employees are covered by the plan. Payment amounts are contingent on the level of

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

achievement of specific corporate and team-level objectives. The plan contains both current payout and deferred provisions. Deferred amounts were completely paid out in July 2009 and were recognized in the expense amount of \$250,133 for the year ended June 30, 2009.

(13) Related Parties

The Foundation's board of directors is established by and defined in New Mexico state statute and is made up of six regent members representing each of the higher education institutions established by the state. Each of the regent members is appointed by the regent board of each institution. Pursuant to statute, the regent members appoint three members: two members who are officers or directors of financial institutions located in New Mexico and one member who is an administrator of a private college, university or vocational school located in New Mexico. In addition, one member of a governing board of a two-year public community or technical college is appointed by a representative body of the community and technical colleges. The state treasurer is the final member of this 11 member board.

The Foundation has bank deposits and letters of credit with certain financial institutions; officers of one or more of these financial institutions are members of the Foundation's board. The Foundation also processes and services student loans for these financial institutions and for some of the state higher education institutions, private colleges and community colleges. If discussion and action by the Foundation board of directors specifically involves an entity to which an individual board member has any ties, that board member must abstain from voting on that decision.

In August of 2009, the Foundation issued \$100 million in bonds of which \$40 million were tax exempt and \$60 million taxable with the State of New Mexico State Treasurer's Office. The State Treasurer serves on the Foundation's board of directors. In August of 2008, the Foundation issued a bond in the amount of \$50 million and in December of 2008, the Foundation issue a bond in the amount of \$95.1 million with the State Treasurer's Office. These bonds were no longer outstanding as of June 30, 2010.

(14) Commitments and Contingencies

(a) Litigation Matters

NMEAF is involved in various legal actions incident to its operations that, in the opinion of management and the Foundation's legal counsel, will not materially affect the Foundation's financial position or results of its operations.

(b) Department of Education Reviews

The ED periodically performs site visits of the Foundation. The last ED site visit was performed in January 2004. The purpose of site visits is to review the Foundation's compliance with the Higher Education Act of 1965, as amended, and the regulations under the FFELP with respect to the Foundation's originating, servicing and collecting of student loans under this program. All ED site visits have been closed.

(c) Purchase of Student Loan Notes

During the normal course of business, NMEAF makes commitments with various banks and other student loan originators to purchase student loan notes. As of June 30, 2010, NMEAF had purchased all student loans from the University of New Mexico for the School as Lender program. As of June 30, 2009, NMEAF had a commitment outstanding with the University of New Mexico for the School as Lender program to purchase student loans of approximately \$1.7 million.

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

(d) *Risk Management*

NMEAF 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. NMEAF carries commercial insurance to cover losses related to such risks to which it may be exposed.

(e) *Lease Commitments*

During the year ended June 30, 2010, the Foundation leased a backup and recovery site for its data processing facilities. The operating lease was entered into on May 20, 2003 as an occupancy and services agreement for provision of disaster recovery functions. Currently, the monthly minimum recurring charge associated with this agreement is \$2,700, with an initial term of 36 months. The term automatically renews for one year, unless the lessee or lessor notifies the other party within thirty days that it does not wish to renew.

NMEAF leases its internal telecommunications system. This operating lease was entered into on September 15, 2001 for a 60-month term at a minimum monthly amount of \$10,832. An addendum to the lease was executed August 30, 2002, resulting in a monthly payment of \$15,315. An additional addendum to the lease was executed and renewed on January 16, 2008, resulting in a monthly payment of \$8,728 for 36 months.

NMEAF leases its AS400 Copy/Printing System. This operating lease was entered into on January 22, 2007 for a 40-month term at a minimum monthly amount of \$1,748.

NMEAF leases its mail machine system. This lease was entered into on June 23, 2007 for a 48-month term at a minimum monthly amount of \$974.

NMEAF leases its mail stream solution system. This lease was entered into on June 28, 2007 for a 51-month term at a minimum monthly amount of \$1,155.

The total expense relating to these lease commitments included on the Statement of Revenues, Expenses and Changes in Net Assets as General and Administration – Other Expense for the years ended June 30, 2010 and 2009 was \$183,657 and \$202,612, respectively.

The total minimum lease expense commitment under the above leases is due as follows, as of June 30, 2010:

Minimum Lease Commitment	
As of June 30, 2010	
<hr/>	
Year ended June 30:	
2011	\$ 130,316
2012	34,710
2013	32,400
2014	32,400
2015	32,400
	<hr/>
	<u>\$ 262,226</u>

NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION

Notes to Financial Statements June 30, 2010

(f) *Special Allowance Revenue*

During the years ended June 30, 2010 and 2009, Independent Auditors completed agreed-upon procedures engagements of the 9.5% floor according to Department of Education's specifications. The June 30, 2009 report was accepted by the Department of Education and the Foundation received a little over \$7.5 million in payment for 9.5% floor billings for the period of December 31, 2006 through December 31, 2008. The June 30, 2010 report is still pending acceptance from the Department of Education.

(15) Subsequent Events

(a) *Department of Education Loan Purchase Program*

On September 17, 2010, the Foundation received a final purchase price of \$8.3 million for loans that were sold to the Department of Education under the Loan Participation Put program established under the Higher Education Act. Of this amount, a little over \$8 million represented the principal and interest of the underlying loans, \$83 thousand was a reimbursement of the lender fee paid by the Foundation for these loans and \$202 thousand was a loan servicing fee. The proceeds of this sale were used to retire the remaining balance on series 2009 D.

On October 12, 2010, the Foundation received a final purchase price of \$224.7 million for loans that were sold to the Department of Education under the Loan Participation Put program established under the Higher Education Act. Of this amount, \$218.3 million represented the principal and interest of the underlying loans, \$2.1 million was a reimbursement of the lender fee paid by the Foundation for these loans and \$4.3 million was a loan servicing fee. The proceeds of this sale were used to retire the underlying notes payable due to the Department of Education, reimburse the Foundation for fees and negative special allowance paid on the underlying loans and to cover the costs of data conversion for these sales.

(b) *Bond Issue*

On September 22, 2010, the Foundation issued \$198.7 million in tax-exempt bonds maturing December 2038. The issues were sold at a premium of \$9.3 million and the total proceeds, \$208 million, were used to refund a portion of the series 2008A bond.

APPENDIX D

PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL

Upon the issuance of the Bonds, Ballard Spahr LLP, Co-Bond Counsel, proposes to issue their approving opinion in substantially the following form:

We have acted as co-bond counsel to the New Mexico Educational Assistance Foundation (the "Foundation") in connection with the issuance by the Foundation of its Education Loan Bonds, Series 2010-2 A-1 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) in the aggregate principal amount of \$48,400,000, Education Loan Bonds, Series 2010-2 A-2 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) in the aggregate principal amount of \$53,900,000, and Education Loan Bonds, Series 2010-2 A-3 (Tax-Exempt Non-AMT LIBOR Floating Rate Bonds) in the aggregate principal amount of \$65,000,000 (collectively, the "Bonds"). The Foundation was authorized to be formed by the Educational Assistance Act, Sections 21-21A-1 to 21-21A-23, NMSA 1978, as amended (the "Educational Assistance Act") of the State of New Mexico (the "State") and organized pursuant to the Nonprofit Corporation Act, Sections 53-8-1 to 53-8-99, NMSA, 1978, as amended (the "Act") of the State. The Bonds are issued pursuant to the provisions of the Educational Assistance Act, the Act, a resolution of the Foundation's Board of Directors adopted on November 16, 2010 (the "Resolution") and an Indenture of Trust, dated as of December 1, 2010 (the "Indenture"), between the Foundation and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Resolution and the Tax Certificate of the Foundation with respect to the Bonds, certificates of the Foundation, the Trustee and others, opinions of counsel to the Foundation, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed, without undertaking to verify the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Foundation.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof we are of the following opinions:

1. The Foundation is a nonprofit corporation under the Act and the Educational Assistance Act, duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Bonds.
2. The Bonds constitute valid and binding limited obligations of the Foundation, payable solely from the revenues and other assets pledged therefor under the Indenture.
3. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Foundation. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds of the revenues, the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (except the Rebate Fund), and of the rights and interests of the Foundation in and to the Financed Eligible Loans, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
4. The Bonds shall not be deemed to constitute a debt, liability, or obligation of or a pledge of the faith and credit, or the taxing power of the State of New Mexico or any political subdivision thereof, but shall be payable solely from the revenues or assets of the Foundation pledged for such payment under the Indenture.
5. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Foundation and continuing compliance by the Foundation with the requirements of the Internal Revenue Code of 1986. Interest on the Bonds is exempt from individual and corporate federal alternative minimum tax ("AMT") and is not includable in adjusted current earnings for purposes of corporate AMT.

6. Interest on the Bonds is exempt from State of New Mexico personal income taxes.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or any other offering material relating to the Bonds; and

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

Respectfully submitted,

Upon the issuance of the Bonds, Sutin, Thayer & Browne A Professional Corporation, Co-Bond Counsel, proposes to issue their approving opinion in substantially the following form:

We have acted as co-bond counsel to the New Mexico Educational Assistance Foundation (the "Foundation") in connection with the issuance by the Foundation of its Education Loan Bonds, Series 2010-2 A-1 in the aggregate principal amount of \$48,400,000, Education Loan Bonds, Series 2010-2 A-2 in the aggregate principal amount of \$53,900,000 and Education Loan Bonds, Series 2010-2 A-3 in the aggregate principal amount of \$65,000,000 (together, the "Bonds"). The Foundation was authorized to be formed by the Educational Assistance Act, Sections 21-21A-1 to 21-21A-23, NMSA 1978, as amended (the "Educational Assistance Act") of the State of New Mexico (the "State") and organized pursuant to the Nonprofit Corporation Act, Sections 53-8-1 to 53-8-99, NMSA, 1978, as amended (the "Act") of the State. The Bonds are issued pursuant to the provisions of the Educational Assistance Act, the Act, a resolution of the Foundation's Board of Directors adopted on November 16, 2010 (the "Resolution") and an Indenture of Trust, dated as of December 1, 2010 (the "Indenture"), between the Foundation and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Resolution and the Tax Certificate of the Foundation with respect to the Bonds (the "Tax Certificate"), certificates of the Foundation, the Trustee and others, opinions of counsel to the Foundation, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed, without undertaking to verify the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the Foundation.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof we are of the following opinions:

1. The Foundation is a nonprofit corporation under the Act and the Educational Assistance Act, duly organized and validly existing under the laws of the State of New Mexico, and has lawful authority to issue the Bonds.
2. The Bonds constitute valid and binding limited obligations of the Foundation, payable solely from the revenues and other assets pledged therefor under the Indenture.
3. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Foundation. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds of the revenues, the proceeds of the Bonds and any other amounts held in any fund or account established pursuant to the Indenture (except the Rebate Fund), and of the rights and interests of the Foundation in and to the Financed Eligible Loans, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
4. The Bonds shall not be deemed to constitute a debt, liability, or obligation of or a pledge of the faith and credit, or the taxing power of the State of New Mexico or any political subdivision thereof, but shall be payable solely from the revenues or assets of the Foundation pledged for such payment under the Indenture.
5. Interest on the Bonds is exempt from State of New Mexico personal income taxes.

In rendering our opinion, we wish to advise you that:

(a) The rights of the holders of the Bonds and the enforceability thereof and of the documents identified in this opinion may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases;

(b) We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement or any other offering material relating to the Bonds; and

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

Very truly yours,

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this "**Disclosure Certificate**") is executed and delivered by the NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION, a non-profit corporation duly organized and existing under the laws of the State of New Mexico (the "**Foundation**"), in connection with the issuance of Education Loan Bonds, Series 2010-2 A-1, Series 2010-2 A-2 and Series 2010-2 A-3 (collectively, the "**Bonds**"). The Bonds are being issued pursuant to the Indenture of Trust dated as of December 1, 2010 (the "**Indenture**") between the Foundation and the Wells Fargo Bank, National Association, as trustee (the "**Trustee**").

BACKGROUND

1. The Bonds are being issued to refund certain outstanding obligations of the Foundation and otherwise attain the goals of the Foundation pursuant to the New Mexico Educational Assistance Act.

2. In order to allow the Participating Underwriter (as defined in the Rule defined below) of the Bonds to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) to the date hereof, the Foundation has agreed to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds.

3. This Disclosure Certificate is intended to satisfy the requirements of said Rule 15c2-12, as in effect on the date hereof.

FOUNDATION COVENANTS AND AGREEMENTS

Section 1. Definitions.

(a) "Annual Financial Information" means the financial information or operating data with respect to the Foundation, delivered at least annually pursuant to Section 2(a) and 2(b) hereof, of the type set forth in the sections of the final Official Statement captioned "DESCRIPTION OF THE FOUNDATION'S ELIGIBLE LOAN FINANCING PROGRAM," "NEW MEXICO EDUCATIONAL ASSISTANCE FOUNDATION" and "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS." Annual Financial Information includes Audited Financial Statements.

(b) "Audited Financial Statements" means the annual financial statements for the Foundation, prepared in accordance with generally accepted accounting principles consistently applied, as in effect from time to time, audited by a firm of certified public accountants.

(c) "Event Information" means the information delivered pursuant to Section 2(d) hereof.

(d) "MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the United States Securities and Exchange Commission to receive reports pursuant to Rule 15c2-12. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) system of the MSRB available on the Internet at <http://emma.msrb.org>.

(e) "Official Statement" means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(f) "Quarterly Financial Information" means the information substantially similar to the type set forth in **Exhibit A** hereto as of each Interest Payment Date.

(g) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as the same may be amended.

(h) "SEC" means the U.S. Securities and Exchange Commission.

(i) "Senior Manager" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, a wholly-owned subsidiary of Bank of America Corporation.

(j) "State" means the State of New Mexico.

Section 2. Provision of Annual Information and Reporting of Event Information.

(a) Commencing with the fiscal year ending June 30, 2011 and annually while the Bonds remain outstanding, the Foundation agrees to provide or cause to be provided the Annual Financial Information to the MSRB in electronic format (with a copy, upon request, to the Senior Manager) annually.

(b) Such Annual Financial Information shall be provided not later than 180 days after the end of each fiscal year for the Foundation (i.e., each June 30). If the Audited Financial Statements are not available by the time the other Annual Financial Information must be provided, unaudited financial statements shall be provided as part of the Annual Financial Information. If not provided as a part of the Annual Financial Information, the Audited Financial Statements will be provided when available.

(c) The Foundation may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the Foundation, which have been made available to the public on the Internet website of the MSRB or filed with the SEC; provided, however, that if the document so referenced is a final official statement within the meaning of the Rule, such final official statement must also be available from the MSRB. The Foundation shall clearly identify each such other document so incorporated by cross-reference.

(d) (1) At any time the Bonds are outstanding, the Foundation shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of an event, to the MSRB in electronic format, with a copy to the Senior Manager, notice of any of the following events with respect to the Bonds:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity providers, or their failure to perform;

(v) 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 material events affecting the tax status of the Bonds;

(vi) Defeasances;

(vii) Rating changes;

(viii) Tender offers; and

- (ix) Bankruptcy, insolvency, receivership, or similar event of the obligated person.

For the purposes of the event identified in paragraph (d)(1)(ix) of this Section 2, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(2) At any time the Bonds are outstanding, in a timely manner not in excess of ten (10) business days after the occurrence of an event, the Foundation shall file or cause to be filed with the MSRB in electronic format, with a copy to the Senior Manager, notice of any of the following events with respect to the Bonds, if material:

- (i) Non-payment related defaults;
- (ii) Modifications to the rights of the holders of the Bonds;
- (iii) Bond calls;
- (iv) Release, substitution or sale of property securing repayment of the Bonds;
- (v) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (vi) Appointment of a successor or additional trustee or the change of name of a trustee.

Whenever the Foundation obtains knowledge of the occurrence of an event specified in paragraph (d)(2) of this Section 2, the Foundation shall as soon as possible determine if such event would constitute material information for owners of the Bonds.

(e) At any time the Bonds are outstanding, the Foundation shall provide, in a timely manner, to the MSRB, with a copy to the Senior Manager, notice of any failure of the Foundation to timely provide the Annual Financial Information as specified in Sections 2(a) and 2(b) hereof.

Section 3. Method of Transmission for Annual and Event Information. Subject to technical and economic feasibility, the Foundation shall employ such methods of electronic or physical information transmission as is requested or recommended by the MSRB unless otherwise required by law. The filing of information with the MSRB pursuant to this Disclosure Certificate shall be accompanied by such identifying information as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

Section 4. Provision of Quarterly Financial Information. While the Bonds remain outstanding, the Foundation agrees to provide or cause to be provided the Quarterly Financial Information by means of the Foundation's Internet website no more than thirty (30) days following each Interest Payment Date (as defined in the Indenture).

Section 5. Enforcement. The obligations of the Foundation hereunder shall be for the benefit of the owners (including the beneficial owners) of the Bonds. The owner or beneficial owner of any Bonds is authorized to take action to seek specific performance by court order to compel the Foundation to comply with its obligations under this Disclosure Certificate, which action shall be the exclusive remedy available to it or any other owners or beneficial owners of the Bonds. Any such action shall be brought only in a court of competent jurisdiction in Bernalillo County, New Mexico; provided, that any action challenging the adequacy of the content of any filing or to compel the inclusion of specific information in any such filing must be taken by the owners or beneficial owners of not less than 10% in aggregate principal amount of the Bonds. BREACH OF THE OBLIGATIONS OF THE FOUNDATION HEREUNDER SHALL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE INDENTURE AND NONE OF THE RIGHTS AND REMEDIES PROVIDED BY THE INDENTURE SHALL BE AVAILABLE TO THE OWNERS OF THE BONDS OR THE TRUSTEE THEREIN APPOINTED.

Section 6. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Foundation 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 quarterly or annual information or notice of occurrence of an event which is not Event Information, in addition to that which is required by this Disclosure Certificate; provided that the Foundation shall not be required to do so. If the Foundation chooses to include any quarterly or annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, the Foundation shall have no obligation under this Disclosure Certificate to update such information or include it in any future quarterly or annual filing or Event Information filing.

Section 7. Term. This Disclosure Certificate shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earliest of (a) the date all principal and interest on the Bonds shall have been paid or legally defeased pursuant to the terms of the Indenture, (b) the date that the Foundation shall no longer constitute an "obligated person" with respect to the Bonds within the meaning of the Rule; or (c) the date on which those portions of the Rule which require this Disclosure Certificate are determined to be invalid by a court of competent jurisdiction in a nonappealable action, have been repealed retroactively or otherwise do not apply to the Bonds. Any determination made by the Foundation pursuant to the previous sentence shall be evidenced by a written notice to the Senior Manager accompanied by an opinion of counsel experienced in federal securities laws selected by the Foundation and reasonably acceptable to the Senior Manager.

Section 8. Amendments and Waivers. Notwithstanding any other provision of this Disclosure Certificate, the Foundation may amend this Disclosure Certificate from time to time, and any provision of this Disclosure Certificate may be waived, without the consent of the owners or beneficial owners of the Bonds upon the Foundation's receipt of an opinion of counsel experienced in federal securities laws selected by the Foundation and reasonable acceptable to the Senior Manager to the effect that such amendment or waiver will not adversely affect compliance with the Rule. Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Foundation shall provide notice of any such amendment or waiver to the MSRB and the Senior Manager.

Section 9. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Foundation, the Participating Underwriter and the owners (including beneficial owners) from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: December __, 2010

NEW MEXICO EDUCATIONAL ASSISTANCE
FOUNDATION

By: _____
Authorized Officer

EXHIBIT A

Quarterly Financial Information

1. Ratio of Aggregate Market Value to aggregate principal amount of Bonds outstanding ("**Parity Ratio**").
2. Aggregate School Type (4-year Public, 4-year Private, 2-year Public, 2-year Private, Proprietary, Other) by amount, percentage and number of loans.
3. Aggregate Loan Type (Subsidized Stafford, Unsubsidized Stafford, PLUS and PLUG, SLS, Consolidated-Subsidized, Consolidated-Unsubsidized, Other) by amount, percentage and number of loans.
4. Aggregate Status (In school, Grace, Repayment, Deferment, Forbearance, Default/Claim) by amount, percentage and number of loans.
5. Servicer Breakdown by amount, percentage and number of loans.
6. Delinquency Data by amount, percentage and number of loans.
7. Guarantor Breakdown by amount, percentage and number of loans.
8. Par amount and interest rates of Bonds Outstanding.

APPENDIX F

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

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

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

The CPR model assumes that Financed Eligible Loans will prepay in each month according to the following formula:

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

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

	<u>0% CPR</u>	<u>2% CPR</u>	<u>4% CPR</u>	<u>6% CPR</u>	<u>8% CPR</u>
Monthly Prepayment	\$0.00	\$1.68	\$3.40	\$5.14	\$6.92

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

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

- the Statistical Cut-off Date for the Financed Eligible Loans pledged under the Indenture is November 30, 2010;
- the pool balance of Financed Eligible Loans (which does not include any accrued interest) is assumed to be approximately \$175,352,888, as of November 30, 2010 and remains unchanged on the date of issuance;
- accrued interest to be capitalized on the Financed Eligible Loans totals approximately \$3,317,592, of which approximately \$1,078,308 is capitalized on the date of issuance of the Bonds;
- the pool of Financed Eligible Loans consists of 131 representative loans ("rep lines"), which have been created for modeling purposes from individual eligible loans based on combinations of similar individual eligible loan characteristics, which include, but are not limited to, loan status, interest rate, loan type, SAP index, servicer, and remaining term;
- the Date of Issuance is December 15, 2010;
- the Financed Eligible Loans (as grouped in "rep lines") that are in school status are assumed to remain in school until their status end date and then enter a 6 month grace term before entering repayment. All rep lines in grace status remain in grace until status end date (and then enter repayment). All other rep lines are assumed to be in repayment;

- prepayments on the Financed Eligible Loans begin immediately on all rep lines, including rep lines in school or grace status;
- there are government payment delays of 60 days for interest subsidy and special allowance payments;
- there are payment delays of 60 days for interest rebates and interest floor payments;
- no borrower benefits are utilized;
- no delinquencies or defaults occur on any of the Financed Eligible Loans, no purchases from the trust estate for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;
- 3-Month LIBOR remains at 0.35%, 90-day commercial paper remains at 0.25% and 91-day Treasury bill remains fixed at 0.15% for the life of the transaction;
- quarterly distributions begin on March 1, 2011 for the Bonds, and payments are made quarterly on the first day of every March, June, September and December thereafter, whether or not the first day is a Business Day, from revenues received on the Financed Eligible Loans as of the last day of each January, April, July and October preceding each quarterly distribution;
- the interest rate for the Series 2010A-1 Bonds, Series 2010A-2 Bonds and Series 2010A-3 Bonds at all times will be 1.05%, 1.65% and 1.51%, per annum, respectively;
- interest accrues on the Bonds on an actual/360 day count basis;
- Trustee Fees equal 0.015% per annum of the aggregate outstanding principal amount of Bonds and are paid annually, in advance, under the Indenture commencing December 2011. Trustee fees will be subject to a \$2,500 per annum minimum;
- Servicing Fees under the Indenture are paid monthly in arrears at 0.90% per annum of the aggregate principal balance of the Financed Eligible Loans;
- a consolidation loan rebate fee equal to 1.05% per annum of the outstanding principal balance of the Financed Eligible Loans that are consolidation loans, is paid monthly under the Indenture to the Department of Education and are subject to a payment delay of 30 days;
- to the extent funds are available, additional Administrative Expenses are paid (under 7th of "Flow of Funds") equaling \$65,000 annually, due each December 1st, commencing December 1, 2011, and any unpaid amounts are not due on any subsequent interest payment date;
- miscellaneous fees totaling \$25,000 are paid (under 3rd of "Flow of Funds") annually under the Indenture commencing December 2011;
- the Debt Service Reserve Fund pledged under the Indenture has an initial balance equal to 1.00% of the aggregate principal amount of the Bonds as of the date of issuance and thereafter has a balance equal to the greater of (a) 1.00% of the principal amount of Outstanding Bonds immediately prior to such quarterly distribution date or (b) \$250,950;
- the Bonds will be paid off using funds on deposit in the Debt Service Reserve Fund;
- all payments are assumed to be made at the end of the month and amounts on deposit in the Revenue Fund and the Debt Service Reserve Fund pledged under the Indenture, including reinvestment income earned in the previous month, net of Servicing Fees, are reinvested in eligible investments at the assumed reinvestment rate of 0.15% per annum through the end of the collection period; reinvestment earnings from the prior collection period are available for distribution;

- the Revenue Fund pledged under the Indenture has an initial balance of approximately \$6,228;
- no excess cashflow will be released;
- for modeling purposes, Bond principal distributions were assumed to be in \$0.01 denominations and the Bonds are not subject to mandatory sinking fund redemption;
- no optional redemption clean-up call or purchase of the Financed Eligible Loans under the Indenture occurs; and
- no event of default has occurred or is continuing to occur under the Indenture.

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

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

**WEIGHTED AVERAGE LIVES AND EXPECTED MATURITY DATES
OF THE BONDS AT VARIOUS PERCENTAGES OF THE CPR**

<u>Bonds</u>	<u>0% CPR</u>	<u>2% CPR</u>	<u>4% CPR</u>	<u>6% CPR</u>	<u>8% CPR</u>
<u>Weighted Average Life (Years)⁽¹⁾</u>					
Series 2010A-1 Bonds	3.5	2.9	2.5	2.2	1.9
Series 2010A-2 Bonds	10.1	9.1	8.2	7.5	6.9
Series 2010A-3 Bonds	7.0	6.2	5.5	5.0	4.5
<u>Expected Maturity Date</u>					
Series 2010A-1 Bonds	March 1, 2017	June 1, 2016	December 1, 2015	March 1, 2015	December 1, 2014
Series 2010A-2 Bonds	March 1, 2029	March 1, 2027	March 1, 2025	September 1, 2023	September 1, 2022
Series 2010A-3 Bonds	March 1, 2029	March 1, 2027	March 1, 2025	September 1, 2023	September 1, 2022

⁽¹⁾ The weighted average life of each of the Bonds (assuming a 360 day year consisting of twelve 30 day months) is determined by: (a) multiplying the amount of each principal payment on such Bonds by the number of years from the date of issuance to the related quarterly distribution date, (b) adding the results, and (c) dividing that sum by the aggregate principal amount of such Bonds as of the date of issuance.

PERCENTAGES OF ORIGINAL PRINCIPAL AMOUNT OF THE BONDS REMAINING AT CERTAIN
QUARTERLY DISTRIBUTION DATES
AT VARIOUS PERCENTAGES OF THE CPR

Payment Date	0% CPR			2% CPR			4% CPR			6% CPR			8% CPR		
Date of Issuance	A-1	A-2	A-3	A-1	A-2	A-3	A-1	A-2	A-3	A-1	A-2	A-3	A-1	A-2	A-3
Dec-11	87	100	94	84	100	92	80	100	90	76	100	89	72	100	87
Dec-12	74	100	88	66	100	84	59	100	81	52	100	77	45	100	74
Dec-13	58	100	80	48	100	75	38	100	71	28	100	66	19	100	62
Dec-14	41	100	72	28	100	66	16	100	60	5	100	55	0	95	50
Dec-15	23	100	64	9	100	57	0	96	51	0	86	45	0	76	40
Dec-16	4	100	55	0	90	48	0	79	41	0	68	36	0	58	31
Dec-17	0	87	46	0	74	39	0	62	33	0	52	27	0	43	22
Dec-18	0	70	37	0	57	30	0	46	24	0	37	20	0	29	15
Dec-19	0	54	28	0	42	22	0	33	17	0	25	13	0	18	9
Dec-20	0	39	21	0	30	16	0	21	11	0	15	8	0	9	5
Dec-21	0	31	16	0	22	11	0	14	8	0	8	4	0	4	2
Dec-22	0	23	12	0	15	8	0	8	4	0	3	2	0	0	0
Dec-23	0	16	9	0	9	5	0	4	2	0	0	0	0	0	0
Dec-24	0	12	6	0	6	3	0	1	*	0	0	0	0	0	0
Dec-25	0	9	5	0	3	2	0	0	0	0	0	0	0	0	0
Dec-26	0	6	3	0	1	*	0	0	0	0	0	0	0	0	0
Dec-27	0	3	2	0	0	0	0	0	0	0	0	0	0	0	0
Dec-28	0	*	*	0	0	0	0	0	0	0	0	0	0	0	0
Dec-29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dec-30	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dec-31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

* Less than 0.5%, but greater than 0.