

NEW ISSUE
BOOK-ENTRY-ONLY

Ratings: (See "RATINGS" herein)

In the opinion of Inglesino, Wyciskala & Taylor, LLC, Bond Counsel, and assuming continuing compliance with certain tax covenants described herein, under existing statutes and court decisions, interest on the Series 2014-1 Publicly Offered Bonds (as hereinafter defined) is excluded from gross income of the owners thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), but such interest is an item of tax preference for purposes of the alternative minimum tax imposed by the Code with respect to individuals and corporations. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2014-1 Publicly Offered Bonds. Further, in the opinion of Bond Counsel, interest on the Series 2014-1 Publicly Offered Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

\$195,000,000*

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
(State of New Jersey)

STUDENT LOAN REVENUE BONDS, SERIES 2014-1

consisting of

\$182,000,000* Senior Student Loan Revenue Bonds, Series 2014-1A-1

and

\$13,000,000* Subordinate Student Loan Revenue Bonds, Series 2014-1B

Dated: Date of Delivery

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

The Higher Education Student Assistance Authority (the "Authority") \$195,000,000* Higher Education Student Assistance Authority Student Loan Revenue Bonds, Series 2014-1, consisting of the \$182,000,000* Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "Senior Series 2014-1A-1 Bonds") and \$13,000,000* Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "Subordinate Series 2014 Bonds" and, together with the Senior Series 2014-1A-1 Bonds, the "Series 2014-1 Publicly Offered Bonds"), will be issued by the Authority pursuant to the Act and the 2012 Indenture (each as hereinafter defined) and will mature on the respective dates and in the respective principal amounts set forth on the inside front cover page of this Official Statement. Simultaneously with the issuance and delivery of the Series 2014-1 Publicly Offered Bonds, the Authority expects to issue \$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds) (the "Series 2014-1 Directly Purchased Bonds") and, together with the Series 2014-1 Publicly Offered Bonds, the "Series 2014-1 Bonds" which have been directly purchased from the Authority by Banc of America Preferred Funding Corporation, pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014. The Series 2014-1 Directly Purchased Bonds mature on December 1, 2023 and interest thereon is payable quarterly for each Interest Accrual Period, other than the first Interest Accrual Period, at a rate equal to the applicable Three-Month LIBOR, plus 1.50% (but in no event greater than 8.00%) as calculated by the Trustee. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Third Supplemental Indenture - SCHEDULE B-2 - FORM OF SENIOR SERIES 2014-1A-2 BOND)" hereto. The Senior Series 2014-1A-1 Bonds and the Series 2014-1 Directly Purchased Bonds are hereinafter collectively referred to as the "Senior Series 2014 Bonds". **The Series 2014-1 Directly Purchased Bonds are not being offered by means of this Official Statement.**

The Series 2014-1 Publicly Offered Bonds, when issued, will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Series 2014-1 Publicly Offered Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2014-1 Publicly Offered Bonds purchased. So long as DTC is the registered owner of the Series 2014-1 Publicly Offered Bonds, payments of the principal of and interest on the Series 2014-1 Publicly Offered Bonds will be made directly to DTC. Disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants. See "THE SERIES 2014-1 BONDS - Book-Entry-Only System - Series 2014-1 Bonds" herein. Wells Fargo Bank, National Association, shall act as trustee, paying agent and bond registrar (the "Trustee") for the Series 2014-1 Bonds.

The Series 2014-1 Publicly Offered Bonds will be dated the date of delivery thereof and will bear interest at the respective rates per annum set forth on the inside front cover page hereof, payable initially on December 1, 2014 and semiannually thereafter on each June 1 and December 1, **provided, however, no interest on the Subordinate Series 2014 Bonds otherwise due on any Suspended Interest Payment Date (as defined herein) shall be paid to Holders of Subordinate Series 2014 Bonds and no interest on the Subordinate Series 2014 Bonds shall accrue during a Suspended Interest Period (as defined herein) and, provided further, that the principal of the Subordinate Series 2014 Bonds is payable after all principal payments on the outstanding Senior Series 2014 Bonds (as defined herein) have been paid and no Senior Series 2014 Bonds remain Outstanding.** See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Priority of Use and Disbursement of Revenue Fund Moneys; Suspension of Interest on Subordinate Series 2014 Bonds" and "THE SERIES 2014-1 BONDS - Payment of Subordinate Series 2014 Bonds" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE" hereto. Each Series of the Series 2014-1 Publicly Offered Bonds will mature on December 1 in the respective years and in the respective principal amounts set forth on the inside front cover page hereof.

The Series 2014-1 Publicly Offered Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2014-1 BONDS - Redemption Provisions - Series 2014-1 Bonds" herein.

The Series 2014-1 Bonds are being issued under the Indenture of Trust, dated as of June 1, 2012, as heretofore amended and supplemented as of June 1, 2012 and June 1, 2013 (collectively, the "Trust Indenture"), and as further amended and supplemented from time to time, including by a Third Supplemental Indenture, dated as of June 1, 2014 (the "Third Supplemental Indenture" and together with the Trust Indenture, the "2012 Indenture"), between the Higher Education Student Assistance Authority (the "Authority") and the Trustee, and pursuant to a resolution of the Authority adopted April 3, 2014. The Series 2014-1 Bonds, together with other available Authority funds, are issued for the purpose of: (i) making a deposit into the Student Loan Fund established pursuant to the 2012 Indenture to be applied as set forth therein including, without limitation, to originate Student Loans (as hereinafter defined); (ii) making a deposit into the 2014-1 Capitalized Interest Account of the Capitalized Interest Fund established pursuant to the 2012 Indenture; (iii) making a deposit into the 2014-1 Debt Service Reserve Account of the Debt Service Reserve Fund to satisfy the Debt Service Reserve Fund Requirement applicable to the Series 2014-1 Bonds and (iv) paying all or a portion of the costs incurred in connection with the issuance and delivery of the Series 2014-1 Bonds, at the election of the Authority.

The Series 2014-1 Bonds are secured by a pledge, subject to the terms of the 2012 Indenture, of the Student Loans (including notes evidencing the same) held as part of the Trust Estate pursuant to the 2012 Indenture, including the 2014-1 NJCLASS Loans (as hereinafter defined), and the moneys and securities in the various funds established under the 2012 Indenture (except the Rebate Fund and the Excess Yield Fund), and the Revenues and Recoveries of Principal. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - General" herein.

The Series 2014-1 Bonds are additionally secured by the 2014-1 Debt Service Reserve Account within the Debt Service Reserve Fund (funded initially with a portion of the proceeds of the Series 2014-1 Bonds), into which moneys may be paid by the State of New Jersey pursuant to a provision of the Act, subject to and dependent upon annual appropriations by the Legislature of the State of New Jersey for such purpose, as more fully described herein. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations" herein. Such provision does not constitute a legally enforceable obligation on the part of the State of New Jersey or create a debt or liability on behalf of the State of New Jersey enforceable against the State.

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

THE SERIES 2014-1 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY HAS NO POWER TO LEVY OR TO COLLECT TAXES. THE SERIES 2014-1 BONDS DO NOT CREATE ANY DEBT OR LIABILITY ON BEHALF OF THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF NEW JERSEY NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014-1 BONDS, EXCEPT FROM THE MONEYS AND FUNDS OF THE AUTHORITY PLEDGED UNDER THE 2012 INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014-1 BONDS.

The Series 2014-1 Publicly Offered Bonds will be offered subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, and are subject to the final approving opinion of Inglesino, Wyciskala & Taylor, LLC, Parsippany, New Jersey, Bond Counsel to the Authority, and to certain other conditions described herein. Certain legal matters will be passed upon for the Underwriters by Parker McCay P.A., Mount Laurel, New Jersey, counsel to the Underwriters. It is expected that the Series 2014-1 Publicly Offered Bonds will be available for delivery through the facilities of DTC on or about June 19, 2014.

BofA Merrill Lynch
Ramirez & Co., Inc.

* Preliminary, subject to change.

\$195,000,000*
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
 (State of New Jersey)
STUDENT LOAN REVENUE BONDS, SERIES 2014-1
 consisting of
\$182,000,000* Senior Student Loan Revenue Bonds, Series 2014-1A-1
 and
\$13,000,000* Subordinate Student Loan Revenue Bonds, Series 2014-1B

MATURITY SCHEDULE*

\$ _____ **Senior Series 2014-1A-1 Serial Bonds**

<u>Due</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u> **
2015	\$	%	%		646080__
2016					646080__
2017					646080__
2018					646080__
2019					646080__
2020					646080__
2021					646080__
2022					646080__
2024					646080__
2025					646080__
2026					646080__
2027					646080__
2028					646080__
2029					646080__
2032					646080__
2036					646080__

\$ _____ % **Term Bonds Due December 1, 2030*** - Yield _____%, Price _____%
 CUSIP No. 646080__**

\$13,000,000* Subordinate Series 2014-1B Bonds

<u>Due</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP No.</u> **
2044	\$	%	%	%	646080__

* Preliminary, subject to change.

** A registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2014-1 Publicly Offered Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2014-1 Publicly Offered Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2014-1 Publicly Offered Bonds.

No dealer, broker, salesperson or other person has been authorized by the Higher Education Student Assistance Authority (the "Authority") to give any information or to make any representations with respect to the Series 2014-1 Publicly Offered Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2014-1 Publicly Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Information set forth herein has been furnished by the Authority and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above or that the other information or opinions are correct as of any time subsequent to the date hereof. References in this Official Statement to the Act and the 2012 Indenture (as hereinafter defined) do not purport to be complete and potential purchasers are referred to the Act and the 2012 Indenture for full and complete details of the provisions thereof.

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

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2014-1 PUBLICLY OFFERED BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2014-1 PUBLICLY OFFERED BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014-1 PUBLICLY OFFERED BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Upon issuance, the Series 2014-1 Publicly Offered Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the 2012 Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2014-1 Publicly Offered Bonds and the security therefor, including an analysis of the risks involved. The Series 2014-1 Publicly Offered Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the Series 2014-1 Publicly Offered Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Series 2014-1 Publicly Offered Bonds have been

registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Series 2014-1 Publicly Offered Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement or approved the Series 2014-1 Publicly Offered Bonds for sale.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the Series 2014-1 Publicly Offered Bonds and limited description of the Series 2014-1 Directly Purchased Bonds which are parity Senior Bonds (as hereinafter defined) with the Senior Series 2014-1A-1 Bonds and the outstanding Senior Series 2013 Bonds (as hereinafter defined) and Senior Series 2012 Bonds (as hereinafter defined), certain documents related to the security for the Series 2014-1 Bonds and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the Series 2014-1 Bonds, and all references to the Series 2014-1 Bonds are qualified in their entirety by reference to the respective definitive forms thereof and the information with respect thereto contained in the 2012 Indenture. This Official Statement is submitted in connection with the sale of the Series 2014-1 Publicly Offered Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and no conclusion should be drawn from the order of material or information presented in this Official Statement. The offering of the Higher Education Student Assistance Authority's Student Loan Revenue Bonds, Series 2014-1, consisting of \$182,000,000* Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "Senior Series 2014-1A-1 Bonds") and \$13,000,000* Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "Subordinate Series 2014 Bonds" and, together with the Senior Series 2014-1A-1 Bonds, the "Series 2014-1 Publicly Offered Bonds") to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All capitalized terms used in this Summary Statement shall have the same meaning as defined in this Official Statement.

Simultaneously with the issuance and delivery of the Series 2014-1 Publicly Offered Bonds, the Authority expects to issue \$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds) (the "Series 2014-1 Directly Purchased Bonds" and, together with the Series 2014-1 Publicly Offered Bonds, the "Series 2014-1 Bonds") which have been directly purchased from the Authority by Banc of America Preferred Funding Corporation, pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014. The Series 2014-1 Directly Purchased Bonds mature on December 1, 2023 and interest thereon is payable quarterly for each Interest Accrual Period, other than the first Interest Accrual Period, at a rate equal to the applicable Three-Month LIBOR, plus 1.50% (but in no event greater than 8.00%) as calculated by the Trustee. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Third Supplemental Indenture – SCHEDULE B-2 – FORM OF SENIOR SERIES 2014-1A-2 BOND)" hereto. The Senior Series 2014-1A-1 Bonds and the Series 2014-1 Directly Purchased Bonds are hereinafter collectively referred to as the "Senior Series 2014 Bonds". **The Series 2014-1 Directly Purchased Bonds are not being offered by means of this Official Statement.**

Reference in this Official Statement to making, originating, purchasing or acquiring (or similar words) Student Loans (as hereinafter defined) shall mean and include all such terms and words.

The Authority

The Higher Education Student Assistance Authority (the "Authority") was created pursuant to the Higher Education Student Assistance Authority Law, *N.J.S.A. 18A:71A-1 et seq.*, as amended and supplemented (the "Act"), as a public body corporate and politic and an instrumentality of the State of New Jersey (the "State"). The Authority was established in 1999 as the successor to the New Jersey Higher Education Assistance Authority to provide further access to post-secondary education, whether by loans, grants, scholarships or other means. Prior to the establishment of the Authority, the New Jersey Higher Education Assistance Authority, created in 1959, served as lender and guarantor of federally guaranteed student loans for the State. References herein to the Authority include the predecessor authority where the context so requires.

* Preliminary, subject to change.

As of February 28, 2014, the Authority had originated approximately 266,400 New Jersey College Loans to Assist State Students loans, including NJCLASS Consolidation Loans (defined below) (collectively, "NJCLASS Loans") in an aggregate principal amount of \$3,273,530,796 under its NJCLASS Loan Program to assist New Jersey students and their parents, spouses or other relatives providing financial support in meeting the costs of the students' education at an eligible institution located within or outside the State. Approximately 243,100 of the NJCLASS Loans have been originated pursuant to the Authority's Prior Indentures (as hereinafter defined). As of February 28, 2014, 23,198 loans in an aggregate principal amount of \$379,564,004 had been originated pursuant to the 2012 Indenture. This is the third Series of Bonds to be issued pursuant to the 2012 Indenture (as hereinafter defined). See "THE AUTHORITY – Outstanding Indebtedness of the Authority" herein.

As of February 28, 2014, the Authority had \$88,518,107 aggregate principal amount of Federal Family Education Loans ("FFELP Loans") outstanding originated by the Authority under the FFEL Program (as hereinafter defined) since the inception of the Authority's FFELP Loans secondary market program in 2001. See "SUMMARY STATEMENT - Authority Loan Programs-The FFEL Program" herein. No proceeds of the Series 2014-1 Bonds will be applied to make or acquire FFELP Loans.

Authority Loan Programs

The NJCLASS Loan Program. The NJCLASS Loan Program is a supplemental loan program initiated by the Authority in September 1991. The NJCLASS Loan Program offers a supplemental source of financial support to students and their parents, spouses, legal guardians or other relatives in meeting the costs of the student's education at an eligible institution of higher education. The NJCLASS Loan Program is not part of the federal guaranteed student loan programs identified under the Federal Higher Education Act of 1965, as amended (the "Higher Education Act"), as the Federal Family Education Loan Program and NJCLASS Loans are not guaranteed or insured pursuant to the FFEL Program. See "INTRODUCTION" and "THE LOAN FINANCE PROGRAM" herein. Approximately \$1.85 billion of outstanding NJCLASS Loans, comprised of all NJCLASS Loans originated or acquired from proceeds of the Authority's bonds issued under the Prior Indentures, are currently pledged to secure such bonds, but these outstanding NJCLASS Loans *do not* secure the Series 2014-1 Bonds issued under the 2012 Indenture.

The FFEL Program. Title IV of the Higher Education Act ("Title IV") provides for a program of (a) reinsurance of FFELP Loans guaranteed or insured by a state agency or private non-profit corporation (the "FFEL Program"), (b) direct federal insurance of student loans ("FDSLPL") and (c) a campus-based federally funded student loan program (the "Perkins Loan Program"). Under the FFEL Program, which is one program offered under Title IV, funds are lent to the borrower by a private lender that participates in the FFEL Program. FFELP Loans include certain loan programs under Title IV, including Subsidized and Unsubsidized Stafford, PLUS/SLS, and Consolidation Loans. Title II of the Health Care and Education Reconciliation Act of 2010 (Pub.L. 111-152) signed into law by President Barack Obama on March 30, 2010 contains various student loan reforms including the termination of the process of the federal government giving subsidies to private banks to originate federally insured loans and, instead, the loans will be administered directly by the U.S. Department of Education. As a result, the Authority has not originated or acquired FFELP Loans since June 30, 2010.

2012 Indenture Student Loan Program. The 2012 Indenture permits the financing of fixed or variable interest rate student loans made to finance post-secondary education that satisfy the administrative rules of the Authority's NJCLASS Loan Program as in effect from time to time and the credit criteria set forth in the Supplemental Indenture applicable to the disposition of the proceeds of Bonds issued pursuant to such Supplemental Indenture. See "THE LOAN FINANCE PROGRAM" herein for a further description of the NJCLASS Loan Program.

The Indenture of Trust, dated as of June 1, 2012, as heretofore amended and supplemented as of June 1, 2012 and June 1, 2013 (collectively, the "Trust Indenture"), and as further amended and supplemented from time to time, including by a Third Supplemental Indenture, dated as of June 1, 2014 (the "Third Supplemental Indenture" and together with the Trust Indenture, the "2012 Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee, paying agent and bond registrar (the "Trustee"), sets forth the application of the Series 2014-1 Bond proceeds. The Authority expects to use proceeds of the Series 2014-1 Bonds deposited in the Student Loan Fund established pursuant to the 2012 Indenture to originate student loans consisting of: Standard NJCLASS Loans (as hereinafter defined) (including Fixed Rate Ten Year Option 1 Loans (as hereinafter defined) in a not-to-exceed amount of \$25,000,000 (of which up to \$5,000,000 may be transferred from the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account to the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account and used to Originate 15-year Option 1 Loans) and Variable Rate Ten Year Option 1 Loans (as hereinafter defined) in a not-to-exceed amount of \$25,000,000), Graduate/Professional NJCLASS Loans (as hereinafter defined) in a not-to-exceed amount of \$6,000,000, and NJCLASS Consolidation Loans (as hereinafter defined) in a not-to-exceed amount of \$35,000,000 (excluding any amounts transferred from the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account allowing up to \$41,000,000 of NJCLASS Consolidation Loans) (collectively, the "2014-1 NJCLASS Loans"). See "ESTIMATED SOURCES AND USES OF FUNDS" herein for a description of the uses of proceeds of the Series 2014-1 Bonds. The 2014-1 NJCLASS Loans so financed and pledged under the 2012 Indenture, together with all other Eligible Loans (as defined in the 2012 Indenture) and any loans financed with proceeds of Additional Bonds issued under the 2012 Indenture or certain other available moneys under the 2012 Indenture, are referred to herein, collectively, as the "Student Loans."

The 2012 Indenture permits changes in the terms of the Authority's NJCLASS Loan Program and the terms thereof subject in certain instances to the delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P.

Cash Flow and Other Assumptions

Based on certain assumptions, the Authority expects that the Trust Estate will be sufficient to meet debt service payments on the Series 2014-1 Bonds. See "THE LOAN FINANCE PROGRAM – Cash Flow and Other Assumptions" herein for a more detailed discussion of the Authority assumptions regarding the Student Loan portfolio and anticipated Revenues and Recoveries of Principal with respect thereto. **NO ASSURANCE CAN BE GIVEN THAT THE ASSUMPTIONS (INCLUDING THE ASSUMPTIONS AS TO DEMAND FOR 2014-1 NJCLASS LOANS MADE WITH AN EXPENDITURE FROM THE 2014-1 ACCOUNTS (AS HEREINAFTER DEFINED)) WILL BE REALIZED.**

Characteristics of the Portfolio of Existing Loans

Certain characteristics of the portfolio of existing NJCLASS Loans originated under the 2012 Indenture (the "Existing 2012 Loans") are described in more detail in this Official Statement under the caption "EXISTING NJCLASS LOANS HELD UNDER THE 2012 INDENTURE."

Outstanding Bonds Under the 2012 Indenture

The Authority has previously issued pursuant to the 2012 Indenture its (i) \$259,300,000 aggregate original principal amount of Student Loan Revenue Bonds, Series 2012-1, consisting of \$248,300,000 Senior Student Loan Revenue Bonds, Series 2012-1A (the "Senior Series 2012 Bonds") and \$11,000,000 Subordinate Student Loan Revenue Bonds, Series 2012-1B (the "Subordinate Series 2012 Bonds" and, together with the Senior Series 2012 Bonds, the "Series 2012-1 Bonds") and (ii) \$200,000,000 aggregate original principal amount of Student Loan Revenue Bonds, Series 2013-1, consisting of \$180,000,000 Senior Student Loan Revenue Bonds, Series 2013-1A (the "Senior Series 2013 Bonds") and \$20,000,000 Subordinate Student Loan Revenue Bonds, Series 2013-1B (the "Subordinate Series 2013 Bonds" and, together with the Senior Series 2013 Bonds, the "Series 2013-1 Bonds").

The Authority may hereafter issue Additional Bonds under the 2012 Indenture on a parity with the Senior Series 2014 Bonds, the Senior Series 2013 Bonds and the Senior Series 2012 Bonds (the Senior Series 2014 Bonds, the Senior Series 2013 Bonds and the Senior Series 2012 Bonds, together with any Additional Bonds issued on a parity therewith are hereinafter collectively referred to as "Senior Bonds") and may issue Subordinate Obligations on a parity with the Subordinate Series 2014 Bonds, the Subordinate Series 2013 Bonds and the Subordinate Series 2012 Bonds (such Subordinate Obligations are hereinafter collectively referred to as the "Subordinate Bonds") payable on a subordinate basis to the related Series of Senior Bonds (in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations). See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Additional Bonds; Subordinate Obligations" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE" hereto.

The Series 2014-1 Publicly Offered Bonds

The Series 2014-1 Publicly Offered Bonds are being issued under the 2012 Indenture. Each Series of the Series 2014-1 Publicly Offered Bonds will be dated the date of delivery thereof and will bear interest at the respective rates per annum set forth on the inside front cover page hereof, payable initially on December 1, 2014 and semiannually thereafter on each June 1 and December 1, ***provided, however, no interest on the Subordinate Series 2014 Bonds otherwise due with respect to a Suspended Interest Period (as hereinafter defined) shall be paid to Holders of the Subordinate Series 2014 Bonds until the applicable Restoration Interest Date (as hereinafter described) and, provided further, that the principal of the Subordinate Series 2014 Bonds is payable after all principal payments on the Senior Series 2014 Bonds have been paid and no Senior Series 2014 Bonds remain Outstanding.*** The Subordinate Series 2014 Bonds constitute "Subordinate Obligations" pursuant to the 2012 Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1

BONDS – Priority of Use and Disbursement of Revenue Fund Moneys; Suspension of Interest on Subordinate Series 2014 Bonds" and "THE SERIES 2014-1 BONDS – Payment of Subordinate Series 2014 Bonds" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE" hereto. Each Series of the Series 2014-1 Publicly Offered Bonds will mature on December 1 in the respective years and in the respective principal amounts set forth on the inside front cover page hereof.

The Series 2014-1 Bonds are issued for the purposes of providing the Authority with funds which, together with other available Authority funds, will be used to: (i) make a deposit into the Student Loan Fund established pursuant to the 2012 Indenture to be applied as set forth therein including, without limitation, to originate Student Loans (as hereinafter defined); (ii) make a deposit into the 2014-1 Capitalized Interest Account of the Capitalized Interest Fund established pursuant to the 2012 Indenture; (iii) make a deposit into the 2014-1 Debt Service Reserve Account of the Debt Service Reserve Fund to satisfy the Debt Service Reserve Fund Requirement applicable to the Series 2014-1 Bonds; and (iv) pay all or a portion of the costs incurred in connection with the issuance and delivery of the Series 2014-1 Bonds, at the election of the Authority. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. In addition, upon issuance of the Series 2014-1 Bonds, the Authority will use other available Authority funds to make a deposit into the Student Loan Fund to be applied for the respective purposes of such Fund as set forth in the 2012 Indenture.

Sources of Payment and Security for the Series 2014-1 Bonds

General. The Series 2014-1 Bonds are limited obligations of the Authority, secured by and payable solely from, subject to the terms of the 2012 Indenture: (i) the proceeds derived from the sale of the Series 2014-1 Bonds (until expended for the purposes for which the Series 2014-1 Bonds were issued); (ii) Student Loans (and notes evidencing the same) held as part of the Trust Estate pursuant to the 2012 Indenture, including the 2014-1 NJCLASS Loans; (iii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on Student Loans); (iv) the 2014-1 Debt Service Reserve Account within the Debt Service Reserve Fund funded in the amount of the 2014-1 Reserve Requirement (as hereinafter defined) and (v) the moneys and securities in the various other funds established under the 2012 Indenture (except the Rebate Fund and the Excess Yield Fund) (collectively, the "Trust Estate"). Upon issuance of the Series 2014-1 Bonds, the initial Parity Percentage will be at least 106.0%* and the Senior Parity Percentage will be at least 113.4%*, which reflects the net proceeds of the Series 2014-1 Bonds, plus the value of the Student Loans held as part of the Trust Estate pursuant to the 2012 Indenture, plus other available Authority funds deposited into the Student Loan Fund.

The initial amount to be deposited in the 2014-1 Debt Service Reserve Account within the Debt Service Reserve Fund in connection with the issuance of the Series 2014-1 Bonds is two percent (2%) of the original principal amount of the Series 2014-1 Bonds and, thereafter, the amount required to be on deposit therein shall equal the greater of (i) two percent (2%) of the principal amount of Outstanding Series 2014-1 Bonds or (ii) \$1,000,000 (the "2014-1 Reserve Requirement"). The 2014-1 Reserve Requirement will be funded with a portion of the proceeds of the Series 2014-1 Bonds. In lieu (in whole or in part) of a cash deposit to the 2014-1 Debt

* Preliminary, subject to change.

Service Reserve Account of the Debt Service Reserve Fund in the amount of the 2014-1 Reserve Requirement, the Authority may provide a Funding Instrument to satisfy all or a portion of such 2014-1 Reserve Requirement.

Priority of Use and Disbursement of Revenue Fund Moneys; Suspension of Interest on Subordinate Series 2014 Bonds. Pursuant to the 2012 Indenture, the principal of the Subordinate Series 2014 Bonds is payable after all principal payments on the Senior Series 2014 Bonds have been paid and no Senior Series 2014 Bonds remain Outstanding. Interest on the Senior Series 2014 Bonds is payable prior to the payment of interest or principal on the Subordinate Series 2014 Bonds, and no interest on the Subordinate Series 2014 Bonds otherwise due with respect to a Suspended Interest Period shall be paid to Subordinate Series 2014 Bondholders until the applicable Restoration Interest Date. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS – Priority of Use and Disbursement of Revenue Fund Moneys; Suspension of Interest on Subordinate Series 2014 Bonds" and "THE SERIES 2014-1 BONDS – Payment of Subordinate Series 2014 Bonds" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE" hereto.

Application of Amounts on Deposit in 2014-1 Capitalized Interest Account. Pursuant to the Third Supplemental Indenture, there is established a 2014-1 Capitalized Interest Account within the Capitalized Interest Fund. Amounts on deposit in the 2014-1 Capitalized Interest Account are to be applied, pursuant to the terms of the 2012 Indenture, to pay the interest due on the Series 2014-1 Bonds on the applicable Interest Payment Dates; provided that, the Trustee may, at the written direction of the Authority, reduce the amount on deposit in the 2014-1 Capitalized Interest Account in accordance with the schedule set forth in the Third Supplemental Indenture and any amounts in excess of the amounts set forth in such schedule shall be transferred from the 2014-1 Capitalized Interest Account to the 2014-1 Revenue Account; and provided further that, pursuant to the terms of the 2012 Indenture, certain Program Expenses may be paid from the 2014-1 Capitalized Interest Account if and to the extent indicated in a Certificate of an Authorized Officer of the Authority delivered to the Trustee on the Issue Date, and from time to time thereafter in conformance with the 2012 Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS – Application of Amounts on Deposit in the 2014-1 Capitalized Interest Account" and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Trust Indenture – Article V – Pledge of Indenture; Establishment of Funds and Accounts)" and " – (Third Supplemental Indenture – Article III – Establishment of Accounts (Section 3.1), Application of Series 2014-1 Bond Proceeds and Use of 2014-1 Accounts (Section 3.2); and Instructions to Trustee Concerning Certain Program Expenses and Certain Costs of Issuance (Section 3.3))" hereto.

Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations. The Act contains a specific budgetary procedure with respect to bonds issued by the Authority pursuant to which the Chairman of the Authority is required to annually certify to the Legislature of the State (the "State Legislature") the amount of any deficiency in the debt service reserve fund maintained to meet payments of debt service on Authority bonds. The Act provides that the amount of the deficiency shall be appropriated by the State Legislature and paid to the Authority for deposit to the debt service reserve fund during the State's then current fiscal year. The State's obligation to make such payments is subject to and dependent upon annual appropriations by the State Legislature for such purpose. In addition, because the 2014-1

Reserve Requirement is less than the maximum amount of principal of and interest on the Series 2014-1 Bonds in certain future Bond Years, even in the event that the State Legislature makes all appropriations contemplated by the Act, the amount available in the 2014-1 Debt Service Reserve Account of the Debt Service Reserve Fund may be insufficient to pay debt service on the Series 2014-1 Bonds as the same becomes due and payable. Such provision of the Act does not constitute a legally enforceable obligation on the part of the State or create a debt or liability on behalf of the State enforceable against the State. To date, the Authority has not had a revenue deficiency which required the State to appropriate funds pursuant to the Act. There is no statutory limitation on the amount of "moral obligation" bonds which may be issued by the Authority. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations" herein.

Authority Debt Collection Powers. The Authority has broad debt collection powers pursuant to New Jersey statutes and regulations to significantly enhance its debt collection efforts from both borrowers and cosigners on defaulted Student Loans which are NJCLASS Loans including, but not limited to, enforcement of the New Jersey Set-Off Individual Liability Law which allows the Authority to file a claim against State income tax refunds, property tax rebates and/or homestead rebates due defaulted borrowers or to offset State lottery prize winnings in excess of \$1,000; administrative wage garnishment for public sector employees as well as private sector employees (both New Jersey and non-New Jersey based) which can be initiated against all parties on the loan prior to default; filing suit against all parties to the loan; and requiring professional and other occupational licensing boards to define delinquent or default loan status as misconduct punishable by the denial, suspension or revocation of the borrower's professional or occupational license by the applicable licensing board. See "THE LOAN FINANCE PROGRAM - Loan Servicing - *Defaults*; and - *Collections on Defaulted Loans – Authority Enforcement Procedures*" herein.

Redemption

The Series 2014-1 Bonds are subject to optional redemption, mandatory redemption resulting from non-origination, special optional redemption from Excess Revenue and special mandatory redemption from Excess Revenue. See "THE SERIES 2014-1 BONDS - Redemption Provisions – Series 2014-1 Bonds" herein.

Origination Periods

The Authority has made certain estimates of the demand for NJCLASS Loans in the 2014-2015 academic year in determining the principal amount of the Series 2014-1 Bonds. The Origination Periods under the Third Supplemental Indenture are as follows: (i) the period commencing on the date of issuance and delivery of the Series 2014-1 Bonds (the "Issue Date") and ending on February 1, 2015, with respect to the origination of \$70 million in 2014-1 Student Loans by the Authority (excluding Variable Rate Ten Year Option 1 Loans), (ii) the period commencing February 2, 2015 and ending on July 1, 2015 with respect to the cumulative origination of \$130 million in 2014-1 Student Loans by the Authority (excluding Variable Rate Ten Year Option 1 Loans), (iii) the period commencing on the Issue Date and ending on February 1, 2015, with respect to the origination of \$15 million of all Variable Rate Ten Year Option 1 Loans; (iv) the period commencing February 2, 2015 and ending on July 1, 2015 with respect to the cumulative origination of \$20 million of all Variable Rate Ten Year Option 1

Loans; and (v) the period commencing July 2, 2015 and ending on October 1, 2015 with respect to the cumulative origination of the remaining amounts originally deposited into the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, and 2014-1 Consolidation Loan Account by the Authority.

Each of the Origination Periods described above may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and S&P. Such estimates are based on the Authority's prior experience with the NJCLASS Loan Program and an analysis of the relationship between the NJCLASS Loan Program and various federal programs. No assurance can be given that the estimates will be realized. At the expiration of each Origination Period under the Third Supplemental Indenture, moneys remaining in the 2014-1 Accounts are required to be used to redeem Series 2014-1 Bonds to the extent the origination milestones set forth for each Origination Period were not met. See "THE SERIES 2014-1 BONDS - Redemption Provisions – Series 2014-1 Bonds--*Mandatory Redemption Resulting From Non-Origination*," "THE LOAN FINANCE PROGRAM - Cash Flow and Other Assumptions" and "CERTAIN RISK FACTORS ASSOCIATED WITH THE 2012 INDENTURE" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Third Supplemental Indenture – Section 1.2 - Definitions)" hereto.

Recycling

The 2012 Indenture permits Recoveries of Principal on Student Loans to be used to originate additional Student Loans ("Recycling"). The Recycling Period under the Third Supplemental Indenture with respect to Student Loans originated with expenditures from the 2014-1 Accounts ends on October 1, 2015 with respect to the use of Recoveries of Principal to Originate new Fixed Rate Standard NJCLASS Option 1 or 2 (fifteen year) Loans, with respect to fixed rate loan Recycling, or Variable Rate Ten Year Option 1 Loans, with respect to variable rate loan Recycling. The termination of Recycling may result in Excess Revenues (consisting of Revenues and Recoveries of Principal in excess of amounts necessary to pay scheduled Debt Service on the Series 2014-1 Bonds) being applied to the redemption of Series 2014-1 Bonds prior to their stated maturity. See "THE SERIES 2014-1 BONDS - Redemption Provisions – Series 2014-1 Bonds--*Special Optional Redemption From Excess Revenue*" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Third Supplemental Indenture – Section 1.2 – Definitions)" hereto.

Release of Excess Trust Estate Assets

Upon issuance of the Series 2014-1 Bonds, the initial Parity Percentage will be at least 106.0%* and the Senior Parity Percentage will be at least 113.4%*, which reflects the net proceeds of the Series 2014-1 Bonds, plus the value of the Student Loans held as part of the Trust Estate pursuant to the 2012 Indenture, plus other available Authority funds deposited into the Student Loan Fund. The 2012 Indenture provides that the Trustee shall transfer to the

* Preliminary, subject to change.

Authority from time to time, at the direction of the Authority, free and clear of the lien of the 2012 Indenture, amounts held in the Revenue Fund established under the 2012 Indenture periodically if, after reserving the Debt Service requirements to be made on the next succeeding Payment Date and after all payments and transfers required by Section 5.5(A)(1)(i) through (xii) of the 2012 Indenture have been made, the Parity Percentage Requirement of 108% (provided Accrued Assets include not less than two million dollars (\$2,000,000) of cash) has been satisfied or such other percentage as may be determined by the Authority if there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P; provided, however, in no event shall any release be made if the Parity Percentage would be less than 105%; and provided further that no release of funds in the Revenue Fund shall be permitted on or after December 1, 2023 unless the Authority shall have delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. Upon receipt of such Rating Agency Condition, the revised Parity Percentage Requirement shall apply to all Series of Bonds and Subordinate Obligations issued under the 2012 Indenture. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Trust Indenture – Section 5.5 – Use and Disbursements of Revenue Fund Moneys)" hereto.

Rating Agency Condition

The 2012 Indenture provides that the Rating Agencies have various notice rights and further requires as a condition of certain actions or determinations that a Rating Agency Condition be delivered to the Trustee from Moody's and that twenty (20) days prior written notice be given to S&P pursuant to the 2012 Indenture including, but not limited to, in connection with the sale or transfer of Student Loans; changes in credit underwriting criteria; and replacement of the Authority as Servicer. The 2012 Indenture also provides that the Authority may issue Additional Bonds or Subordinate Obligations (in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations) upon the delivery to the Trustee of a Rating Agency Condition from both Rating Agencies. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Rating Agency Condition" herein.

Certain Risk Factors

Attention should be given to certain investment considerations described in this Official Statement which could affect the ability of the Authority to pay debt service on the Series 2014-1 Bonds and which could have an effect on the market price of the Series 2014-1 Bonds to an extent that cannot be determined. See "CERTAIN RISK FACTORS ASSOCIATED WITH THE 2012 Indenture" herein. Each prospective purchaser of Series 2014-1 Bonds should read this entire Official Statement, including the cover page and Appendices hereto.

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ENDED JUNE 30, 2013 AND JUNE 30, 2012

OFFICIAL STATEMENT

Relating to

\$195,000,000*

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

(State of New Jersey)

STUDENT LOAN REVENUE BONDS, SERIES 2014-1

consisting of

\$182,000,000* Senior Student Loan Revenue Bonds, Series 2014-1A-1

and

\$13,000,000* Subordinate Student Loan Revenue Bonds, Series 2014-1B

INTRODUCTION

This Official Statement, including the cover page and inside front cover page hereof, the Summary Statement and the Appendices hereto, sets forth information regarding the issuance by the Higher Education Student Assistance Authority (the "Authority") of \$195,000,000* aggregate principal amount of its Student Loan Revenue Bonds, Series 2014-1 consisting of \$182,000,000* Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "Senior Series 2014-1A-1 Bonds") and \$13,000,000* Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "Subordinate Series 2014 Bonds" and, together with the Senior Series 2014-1A-1 Bonds, the "Series 2014-1 Publicly Offered Bonds"). Terms used in this Official Statement and not otherwise defined herein shall have the same meanings set forth in APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE" hereto.

Simultaneously with the issuance and delivery of the Series 2014-1 Publicly Offered Bonds, the Authority expects to issue \$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds) (the "Series 2014-1 Directly Purchased Bonds" and, together with the Series 2014-1 Publicly Offered Bonds, the "Series 2014-1 Bonds") which have been directly purchased from the Authority by Banc of America Preferred Funding Corporation, pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014. The Series 2014-1 Directly Purchased Bonds mature on December 1, 2023 and interest thereon is payable quarterly for each Interest Accrual Period, other than the first Interest Accrual Period, at a rate equal to the applicable Three-Month LIBOR, plus 1.50% (but in no event greater than 8.00%) as calculated by the Trustee. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Third Supplemental Indenture – SCHEDULE B-2 – FORM OF SENIOR SERIES 2014-1A-2 BOND)" hereto. The Senior Series 2014-1A-1 Bonds and the Series 2014-1 Directly Purchased Bonds are hereinafter collectively referred to as the "Senior Series 2014 Bonds". **The Series 2014-1 Directly Purchased Bonds are not being offered by means of this Official Statement.**

The Series 2014-1 Bonds are being issued under the authority of and pursuant to the Higher Education Student Assistance Authority Law, *N.J.S.A. 18A:71A-1 et seq.*, as amended and supplemented and any successor legislation (the "Act"), the Indenture of Trust, dated as of

* Preliminary, subject to change.

June 1, 2012, as heretofore amended and supplemented as of June 1, 2012 and June 1, 2013 (collectively, the "Trust Indenture"), and as further amended and supplemented from time to time, including by a Third Supplemental Indenture, dated as of June 1, 2014 (the "Third Supplemental Indenture" and together with the Trust Indenture, the "2012 Indenture"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), registrar (the "Registrar") and paying agent (the "Paying Agent"), and pursuant to a resolution of the Authority adopted on April 3, 2014 (the "Resolution"). Pursuant to the provisions of the Act, the State of New Jersey (the "State") has pledged to the holders of bonds issued by the Authority that it will not limit the contractual obligations of the Authority to bondholders. The 2012 Indenture contains this statutory pledge as part of the Authority's contract with holders of the Series 2014-1 Bonds.

The Series 2014-1 Bonds are subject to redemption prior to maturity as set forth under "THE SERIES 2014-1 BONDS – Redemption Provisions" herein.

The Act authorizes the Authority, among other things, to loan money to students or to parents, spouses, legal guardians of, or other relatives providing financial support for, students to assist them to pay for the cost of the students' attendance at eligible institutions of higher education located within or without the State. The Authority has developed the New Jersey College Loans to Assist State Students Loan Program (the "NJCLASS Loan Program") in response to this legislative authorization and has been originating student loans under the NJCLASS Loan Program (collectively, the "NJCLASS Loans") since 1991. See "THE LOAN FINANCE PROGRAM - General" herein for descriptions of the various NJCLASS Loans, including NJCLASS Consolidation Loans. Effective upon issuance of the Series 2014-1 Directly Purchased Bonds, the Authority will initiate an additional NJCLASS Loan option to originate 10-year variable rate NJCLASS Student Loans (the "Variable Rate Ten Year Option 1 Loans") for New Jersey students and families or for students attending school in New Jersey (the "Variable Rate Ten Year Option 1 Loan Program"). The Authority may not make Variable Rate Ten Year Option 1 Loans in an aggregate principal amount exceeding \$25,000,000, including additional Variable Rate Ten Year Option 1 Loans made from Recoveries of Principal during the period commencing on the Issue Date and ending on October 1, 2015 (the "Recycling Period"), without prior written notice to the Rating Agencies such that in the aggregate at no time shall there be more than \$25,000,000 Variable Rate Ten Year Option 1 Loans outstanding. For a discussion of the new Variable Rate Ten Year Option 1 Loan Program, see "THE LOAN FINANCE PROGRAM - General" herein.

To finance the NJCLASS Loan Program, the Authority is authorized to borrow money and issue obligations, payable from, among other sources, the revenues derived from such loans. See "THE LOAN FINANCE PROGRAM" herein for a further description of the NJCLASS Loan Program. The Authority expects to use the proceeds of the Series 2014-1 Bonds deposited into the Student Loan Fund established pursuant to the 2012 Indenture to originate or acquire Standard NJCLASS Loans (including Fixed Rate Ten Year Option 1 Loans and Variable Rate Ten Year Option 1 Loans), Graduate/Professional NJCLASS Loans and NJCLASS Consolidation Loans (collectively, the "2014-1 NJCLASS Loans") only.

In addition to the NJCLASS Loan Program, the Authority is also authorized pursuant to the Act to make loans to students or their parents pursuant to the Federal Higher Education Act of 1965, as amended (the "Higher Education Act"), to purchase, sell and service such loans, and

to guarantee such loans in its capacity as the designated state guaranty agency which are insured by the United States Department of Education (the "Department of Education"). Such loans made pursuant to the Higher Education Act are referred to in this Official Statement, collectively, as "FFELP Loans", and the Authority's FFELP Loan portfolio (the "Authority's FFELP Portfolio"). Eligibility criteria and sources of payment for, and terms of, FFELP Loans are significantly different from those of NJCLASS Loans. Title II of the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) signed into law by President Barack Obama on March 30, 2010 contains various student loan reforms including the termination of the process of the federal government giving subsidies to private banks to originate federally insured loans and, instead, the loans will be administered directly by the U.S. Department of Education. As a result, the Authority has not originated or acquired FFELP Loans after June 30, 2010.

The 2012 Indenture permits the financing of fixed or variable interest rate student loans made to finance post-secondary education that satisfy the administrative rules of the Authority's NJCLASS Loan Program as in effect from time to time and the credit criteria set forth in the 2012 Indenture applicable to the disposition of the proceeds of Bonds issued pursuant to such 2012 Indenture. The amounts deposited into the Student Loan Fund established pursuant to the 2012 Indenture from the proceeds of the Series 2014-1 Bonds will be applied to finance 2014-1 NJCLASS Loans only and not FFELP Loans.

The Authority has previously issued pursuant to the 2012 Indenture its (i) \$259,300,000 aggregate original principal amount of Student Loan Revenue Bonds, Series 2012-1, consisting of \$248,300,000 Senior Student Loan Revenue Bonds, Series 2012-1A (the "Senior Series 2012 Bonds") and \$11,000,000 Subordinate Student Loan Revenue Bonds, Series 2012-1B (the "Subordinate Series 2012 Bonds" and, together with the Senior Series 2012 Bonds, the "Series 2012-1 Bonds") and (ii) \$200,000,000 aggregate original principal amount of Student Loan Revenue Bonds, Series 2013-1, consisting of \$180,000,000 Senior Student Loan Revenue Bonds, Series 2013-1A (the "Senior Series 2013 Bonds") and \$20,000,000 Subordinate Student Loan Revenue Bonds, Series 2013-1B (the "Subordinate Series 2013 Bonds" and, together with the Senior Series 2013 Bonds, the "Series 2013-1 Bonds"). The Authority may hereafter issue Additional Bonds under the 2012 Indenture on a parity with the Senior Series 2014 Bonds, the Senior Series 2013 Bonds and the Senior Series 2012 Bonds (the Senior Series 2014 Bonds, the Senior Series 2013 Bonds and the Senior Series 2012 Bonds, together with any Additional Bonds issued on a parity therewith are hereinafter collectively referred to as "Senior Bonds") and may issue Subordinate Obligations on a parity with the Subordinate Series 2014 Bonds, the Subordinate Series 2013 Bonds and the Subordinate Series 2012 Bonds (such Subordinate Obligations are hereinafter collectively referred to as the "Subordinate Bonds") payable on a subordinate basis to the related Series of Senior Bonds (in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations). See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Additional Bonds; Subordinate Obligations" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE" hereto.

The Series 2014-1 Bonds are secured by and payable solely from: (i) the proceeds derived from the sale of the Series 2014-1 Bonds (until expended for the purposes for which the Series 2014-1 Bonds were issued); (ii) Student Loans (and notes evidencing the same) held as part of the Trust Estate pursuant to the 2012 Indenture, which includes the 2014-1 NJCLASS Loans; (iii) all Revenues and Recoveries of Principal (including, without limitation, payments of

principal of and interest on the 2014-1 NJCLASS Loans); (iv) the 2014-1 Debt Service Reserve Account within the Debt Service Reserve Fund funded in the amount of the 2014-1 Reserve Requirement; and (v) the moneys and securities in the various other funds established under the 2012 Indenture (except the Rebate Fund and the Excess Yield Fund) (collectively, the "Trust Estate"), subject to the provisions of the 2012 Indenture permitting the application or exercise thereof for or to the purposes and on the terms and conditions set forth therein, including the payment of Program Expenses and Bond Fees as described in APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Trust Indenture – Section 1.2 – Definitions)." Under certain circumstances described herein, the Authority may issue Additional Bonds on a parity with the Senior Series 2014 Bonds, the Senior Series 2013 Bonds and the Senior Series 2012 Bonds and may issue Subordinate Obligations on a parity with the Subordinate Series 2014 Bonds, the Subordinate Series 2013 Bonds and the Subordinate Series 2012 Bonds payable on a subordinate basis to the related Series of Senior Bonds (in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations). See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Additional Bonds; Subordinate Obligations" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture - Article II – Terms of Bonds; Section 3.11 – Subordinate Obligations); (Third Supplemental Indenture – Section 4.3 – Additional Bonds)" hereto. The Senior Series 2014 Bonds, the Senior Series 2013 Bonds, the Senior Series 2012 Bonds, and any other Additional Bonds issued pursuant to a Supplemental Indenture are referred to herein as "Bonds." **Subordinate Obligations, including but not limited to the Subordinate Series 2014 Bonds, the Subordinate Series 2013 Bonds, the Subordinate Series 2012 Bonds, and any other additional Subordinate Obligations issued pursuant to a Supplemental Indenture are not considered "Bonds" for all purposes of the 2012 Indenture and are payable on a subordinate basis to the related Series of Senior Bonds as provided in paragraph (ix) of Section 5.5(A)(1) of the 2012 Indenture.** See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Article V – Pledge of Indenture; Establishment of Funds and Accounts)" hereto.

THE SERIES 2014-1 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY HAS NO POWER TO LEVY OR TO COLLECT TAXES. THE SERIES 2014-1 BONDS DO NOT CREATE ANY DEBT OR LIABILITY ON BEHALF OF THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF NEW JERSEY NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014-1 BONDS, EXCEPT FROM THE TRUST ESTATE (AS DEFINED HEREIN) PLEDGED UNDER THE 2012 INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2014-1 BONDS.

The descriptions of the terms of the Series 2014-1 Publicly Offered Bonds and limited description of the Series 2014-1 Directly Purchased Bonds which are parity Senior Bonds with the Senior Series 2014-1A-1 Bonds and the Outstanding Senior Series 2013 Bonds and Senior Series 2012 Bonds, the documents authorizing and securing the Series 2014-1 Bonds and the pertinent State legislation and Authority administrative rules contained herein do not purport to be comprehensive or definitive. All references herein to such documents or legislation and rules

are qualified in their entirety by reference to such documents or legislation and rules. Copies of such documents or legislation and rules may be obtained from the Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, P.O. Box 545, Trenton, New Jersey 08625 (Telephone 609-588-4584).

Reference in this Official Statement to making, originating, purchasing or acquiring (or similar words) Student Loans shall mean and include all such terms and words.

PURPOSE OF THE SERIES 2014-1 BONDS

The Series 2014-1 Bonds are being issued to provide funds to the Authority which, together with other available Authority funds, will be used to: (i) make a deposit into the Series 2014-1 Subaccounts (as defined herein) within the Student Loan Fund established pursuant to the 2012 Indenture to be applied as set forth therein including, without limitation, to originate Student Loans (as hereinafter defined); (ii) make a deposit into the 2014-1 Capitalized Interest Account of the Capitalized Interest Fund established pursuant to the 2012 Indenture; (iii) make a deposit into the 2014-1 Debt Service Reserve Account within the Debt Service Reserve Fund to satisfy the 2014-1 Reserve Requirement; and (iv) pay all or a portion of the costs incurred in connection with the issuance and delivery of the Series 2014-1 Bonds, at the election of the Authority.

Proceeds from the Series 2014-1 Bonds deposited into the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, the 2014-1 NJCLASS Variable Rate Standard Student Loan Account, the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, and the 2014-1 Consolidation Loan Account within the Student Loan Fund (collectively, the "Series 2014-1 Subaccounts") will be applied to originate or acquire Standard NJCLASS Loans (including Fixed Rate Ten Year Option 1 Loans and Variable Rate Ten Year Option 1 Loans), Graduate/Professional NJCLASS Loans, and NJCLASS Consolidation Loans only. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

EXISTING NJCLASS LOANS HELD UNDER THE 2012 INDENTURE

A portion of the proceeds of the Series 2012-1 Bonds and the Series 2013-1 Bonds were applied to originate NJCLASS Loans (collectively, the "Existing NJCLASS Loans"). The Existing NJCLASS Loans are held as part of the Trust Estate pursuant to the 2012 Indenture and pledged under the 2012 Indenture to repayment of all Bonds issued thereunder, including the Series 2014-1 Bonds. See "SUMMARY STATEMENT – Characteristics of the Portfolio of Existing Loans," "PURPOSE OF THE SERIES 2014-1 BONDS," and "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS" herein.

The following information is a description of certain characteristics of the portfolio of Existing NJCLASS Loans held under the 2012 Indenture. See also "APPENDIX D - AUDITED FINANCIAL STATEMENTS FOR THE NJCLASS/FFELP LOAN PROGRAMS AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012" hereto. *The percentages set forth in the tables below may not always add to 100.00% and balances may not always add up to the total amount indicated due to rounding.*

All references in the following tables to payment options shall have the following meanings: (i) Option 1 Loans – monthly payment of principal and interest beginning within sixty (60) days of disbursement or NJCLASS Loans that are now in full payment mode; (ii) Option 2 Loans – monthly payment of interest only while the student is in school at least half-time and thereafter monthly payment of principal and interest; and (iii) Option 3 Loans – deferral of principal and interest payments while the student is in school at least half-time and thereafter monthly payment of principal and interest.

**Composition of Existing NJCLASS Loans
As of February 28, 2014**

Aggregate Principal Balance:	\$369,127,335
Aggregate Accrued Interest:	\$2,441,768
Aggregate Outstanding Balance:	\$371,569,103
Number of Borrowers:	18,048
Average Outstanding Principal Balance Per Borrower:	\$20,453
Number of Loans:	22,817
Average Outstanding Principal Balance Per Loan:	\$16,178
Weighted Average Remaining Term (Months):	194
Weighted Average Term Since Origination (Months):	10
Weighted Average Annual Interest Rate:	7.05%
Weighted Average Annual Interest Rate (Forty-Ninth (49 th) Month of Principal Repayment) ¹ :	7.71%

¹ Interest rates for Fixed Rate NJCLASS Loans are fixed based on market rates at the time of issuance and increase by 0.75% (75 basis points) beginning with the borrower's forty-ninth (49th) month of principal repayment for Option 1 and Option 2 Loans and the borrower's thirteenth (13th) month of principal repayment for Fixed Rate NJCLASS Option 3 Loans (full deferral). Interest rates for Variable Rate Ten Year Option 1 Loans will be determined quarterly based on 3-Month LIBOR plus 4.25%, but subject to a 9.50% maximum rate. Interest rates for Graduate/Professional NJCLASS Loans are fixed based on market rates at the time of issuance and will increase by 0.75% (75 basis points) beginning with the borrower's forty-ninth (49th) month of principal repayment with respect to each option type.

**Existing NJCLASS Loan Types
As of February 28, 2014**

Loan Type	Weighted Average Interest Rate	Principal Outstanding	Percent of Total Principal
NJCLASS Fixed	6.89%	\$316,398,077	85.72%
NJCLASS Consolidation	8.07	44,716,018	12.11
NJCLASS Graduate	7.54	8,013,240	2.17
Total:	7.05%	\$369,127,335	100.00%

**Existing NJCLASS Loans
Outstanding Principal Balance by Remaining Term
As of February 28, 2014**

Remaining Term	Principal Outstanding	Percent of Total Principal
61 to 120	\$59,999,190	16.25%
121 to 180	186,492,886	50.52
181 to 240	69,906,001	18.94
241 to 300	16,880,444	4.57
301 >=	35,848,815	9.71
Total:	\$369,127,335	100.00%

**Existing NJCLASS Loans
Outstanding Principal Balance by Current Repayment Option
As of February 28, 2014**

Current Repayment Option	Weighted Average Interest Rate	Principal Outstanding	Percent of Total Principal
Option 1 Loans (Full Repayment)	6.86%	\$150,037,985	40.65%
Option 2 Loans (Interest Only Repayment)	6.82	154,152,919	41.76
Option 3 Loans (Full Deferral)	8.05	64,936,431	17.59
Total:	7.05%	\$369,127,335	100.00%

**Existing NJCLASS Loans
Outstanding Principal Balance by Interest Rate
As of February 28, 2014**

Interest Rate	Principal Outstanding	Percent of Total Principal
5.26% to 5.75%	\$37,614,993	10.19%
5.76% to 6.25%	22,404,855	6.07
6.26% to 6.75%	102,571,379	27.79
6.76% to 7.25%	90,963,881	24.64
7.26% to 7.75%	8,111,952	2.20
7.76% to 8.25%	87,227,628	23.63
8.26% to 8.75%	18,066,701	4.89
8.76% to 9.25%	2,165,946	0.59
Total:	\$369,127,335	100.00%

**Existing NJCLASS Loans
Outstanding Principal Balance by FICO Score
As of February 28, 2014**

FICO Score	Principal Outstanding	Percent of Total Principal
Greater than or equal to 800	\$37,164,818	10.07%
780-799	52,773,202	14.30
760-779	49,873,833	13.51
740-759	48,093,155	13.03
720-739	52,538,966	14.23
700-719	61,007,976	16.53
680-699	45,984,604	12.46
670-679	19,497,705	5.28
Less than 670	2,193,076	0.59
Total:	\$369,127,335	100.00%

The weighted average FICO score for the borrowers and co-signors of the student loans for which FICO scores are available as of a date near the date of the loan application was 742. All loans with a FICO score less than 670 are Graduate/Professional NJCLASS Loans.

**Existing NJCLASS Loans
Outstanding Principal Balance by Cosign Status
As of February 28, 2014**

Cosign Status	Principal Outstanding	Percent of Total Principal
Co-signed	\$287,954,755	78.01%
Not Co-signed	81,172,581	21.99
Total:	\$369,127,335	100.00%

**Existing NJCLASS Loans
Outstanding Principal Balance by School Type
As of February 28, 2014**

School Type	Principal Outstanding	Percent of Total Principal
Four Year/Graduate	\$312,994,199	84.79%
NJCLASS Consolidation	44,716,018	12.11
Proprietary/Trade/Technical	9,317,145	2.52
Two Year	2,099,973	0.57
Total:	\$369,127,335	100.00%

**Existing NJCLASS Loans
Outstanding Principal Balance by Days Delinquent
As of February 28, 2014**

Days Delinquent	Principal Outstanding	Percent of Total Principal
Less than or equal to 30	\$360,958,749	97.79%
31 to 60	4,513,549	1.22
61 to 90	1,993,294	0.54
91 to 120	737,937	0.20
121 to 150	493,213	0.13
151 >=	430,593	0.12
Total:	\$369,127,335	100.00%

SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS

General

The Series 2014-1 Bonds are limited obligations of the Authority, payable solely from the Trust Estate pledged pursuant to the 2012 Indenture as described herein. None of the Authority's assets or funds existing under its Prior Indentures (as hereinafter defined) are pledged as security under the 2012 Indenture.

The Series 2014-1 Bonds are limited obligations of the Authority which are secured by and payable, subject to the terms of the 2012 Indenture, solely from: (i) the proceeds derived from the sale of the Series 2014-1 Bonds (until expended for the purposes for which the Series 2014-1 Bonds were issued); (ii) Student Loans (including notes evidencing the same) held by the Trustee as part of the Trust Estate pursuant to the 2012 Indenture; (iii) the 2014-1 Debt Service Reserve Account within the Debt Service Reserve Fund; (iv) all amounts on deposit in the funds established by the 2012 Indenture (including all Accounts therein), excluding the Rebate Fund and the Excess Yield Fund; and (v) moneys received as Revenues, constituting the scheduled, delinquent and advance payments of interest on any Student Loan, earnings on investments in the pledged funds (other than earnings required to be deposited into the Rebate Fund or the Excess Yield Fund), and moneys received as Recoveries of Principal, including scheduled, delinquent and advance payments of principal on any Student Loan, or received as proceeds from the prepayment or sale of any Student Loan. Upon issuance of the Series 2014-1 Bonds, the initial Parity Percentage will be at least 106.0%* and the Senior Parity Percentage will be at least 113.4%*, which reflects the net proceeds of the Series 2014-1 Bonds, plus the value of the Student Loans held as part of the Trust Estate pursuant to the 2012 Indenture, plus other available Authority funds deposited into the Student Loan Fund. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. The Authority will finance only 2014-1 NJCLASS Loans through application of the proceeds of the Series 2014-1 Bonds and other funds deposited into the Student Loan Fund established pursuant to the 2012 Indenture. For a discussion of certain of

* Preliminary, subject to change.

the terms applicable to the NJCLASS Loans, see "THE LOAN FINANCE PROGRAM - Loan Terms" herein. For a more detailed description of the Funds established under the 2012 Indenture, certain Accounts established therein under the 2012 Indenture, and the purposes to which such funds may be applied, see APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Article V – Pledge of Indenture; Establishment of Funds and Accounts)" and " – (Third Supplemental Indenture – Article III – Establishment of Additional Accounts, Application of Series 2014-1 Bond Proceeds and Use of 2014-1 Accounts)" hereto.

Priority of Use and Disbursement of Revenue Fund Moneys; Suspension of Interest on Subordinate Series 2014 Bonds

The Subordinate Series 2014 Bonds constitute "Subordinate Obligations" pursuant to the 2012 Indenture. Pursuant to the 2012 Indenture, the principal of the Subordinate Series 2014 Bonds is payable after all principal payments on the Senior Series 2014 Bonds have been paid and no Senior Series 2014 Bonds remain Outstanding. For the complete order of priority of the use and disbursement of moneys on deposit in the Revenue Fund, see APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Article V – Use and Disbursements of Revenue Fund Moneys)" hereto.

Pursuant to the 2012 Indenture, interest on the Senior Series 2014 Bonds is payable prior to the payment of interest or principal on the Subordinate Series 2014 Bonds, and no interest on the Subordinate Series 2014 Bonds otherwise due with respect to a Suspended Interest Period shall be paid to Subordinate Series 2014 Bondholders until the applicable Restoration Interest Date (as hereinafter described and subject to the sufficiency of funds and Parity Percentage Requirement as described below). "Suspended Interest Period" means the period commencing on any Suspension Interest Date on or after June 1, 2015, to, but not including, the next succeeding Interest Payment Date. A "Suspension Interest Date" means any Interest Payment Date if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 5.4 of the Third Supplemental Indenture) posted on EMMA (as hereinafter defined) on such Quarterly Report Date is less than eighty percent (80%).

Interest not paid with respect to any Suspended Interest Period shall accrue at the applicable stated Subordinate Series 2014 Bond rate and shall be paid, together with interest thereon at the applicable stated Subordinate Series 2014 Bond rate (together, "Carry-over Interest") on the next succeeding Restoration Interest Date; provided Carry-over Interest shall be paid from funds in the 2014-1 Revenue Account after the transfers and payments set forth in clauses (i) through (xiii) of Section 5.5(A)(1) of the 2012 Indenture have been made, but before any funds can be released to the Authority pursuant to Section 5.5(A)(1)(xiv) of the 2012 Indenture, provided further that the Parity Percentage requirement has been met and provided further that non-payment of Carry-over Interest due to insufficient funds in the Revenue Fund shall not be deemed an Event of Default under the 2012 Indenture. Interest on Carry-over Interest shall continue to accrue until the earlier of the Interest Payment Date on which the Parity Percentage requirement is met and such Carry-over Interest can be paid or final maturity of the Subordinate Series 2014 Bonds. A "Restoration Interest Date" means the Interest Payment Date next succeeding a Restoration Event. A "Restoration Event" means any Interest Payment Date

if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report posted on EMMA on such Quarterly Report Date is at or above eighty percent (80%).

If, as of the Quarterly Report Date next preceding an Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report posted on EMMA on such Quarterly Report Date is at or above eighty percent (80%), interest on the Subordinate Series 2014 Bonds shall accrue and be paid on the next succeeding Interest Payment Date as required by Section 5.5(A)(1)(vi) of the 2012 Indenture.

For illustration purposes only, if the Parity Percentage as listed in the Servicing Report posted on May 15, 2015 for the Calendar Quarter ending March 31, 2015 is 78%, then no interest would be paid on December 1, 2015 for the period commencing June 1, 2015 through, but not including December 1, 2015, but such interest would accrue and be paid, together with interest thereon as Carry-over Interest for such Suspension Interest Period on June 1, 2016 (assuming sufficiency of funds and meeting the Parity Percentage requirement). If the Parity Percentage as listed in the Servicing Report on November 15, 2015 for the Calendar Quarter ending September 30, 2015 is 82%, the interest would accrue for the period December 1, 2015 through, but not including, June 1, 2016 and would be paid on June 1, 2016.

See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Third Supplemental Indenture – Article III – Subordinate Series 2014 Bonds)" hereto.

Application of Amounts on Deposit in the 2014-1 Capitalized Interest Account

Pursuant to the Third Supplemental Indenture, there is established a 2014-1 Capitalized Interest Account within the Capitalized Interest Fund. Amounts on deposit in the 2014-1 Capitalized Interest Account are to be applied, pursuant to the terms of the 2012 Indenture, to pay the interest due on the Series 2014-1 Bonds on the applicable Interest Payment Dates. The Trustee may, at the written direction of the Authority, reduce the amount on deposit in the 2014-1 Capitalized Interest Account in accordance with Schedule 1 set forth below. Any amounts on deposit in the 2014-1 Capitalized Interest Account in excess of the amounts set forth in Schedule 1 below, shall be transferred from the 2014-1 Capitalized Interest Account to the 2014-1 Revenue Account.

Schedule 1

<u>Release Date</u>	<u>Maximum Amount on Deposit in Account</u>
Initial Deposit (Issue Date):	\$12,000,000
12/1/2015	6,000,000
12/1/2016	2,000,000
12/1/2017	0

Pursuant to the terms of the 2012 Indenture, certain Program Expenses may be paid from the 2014-1 Capitalized Interest Account if and to the extent indicated in a Certificate of an Authorized Officer of the Authority delivered to the Trustee on the Issue Date, and from time to time thereafter in conformance with the 2012 Indenture. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Article V – Pledge of Indenture; Establishment of Funds and Accounts)" and " – (Third Supplemental Indenture – Article III – Establishment of Accounts (Section 3.1), Application of Series 2014-1 Bond Proceeds and Use of 2014-1 Accounts (Section 3.2); and Instructions to Trustee Concerning Certain Program Expenses and Certain Costs of Issuance (Section 3.3))" hereto.

Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations

The Series 2014-1 Bonds are additionally secured by the 2014-1 Debt Service Reserve Account in the Debt Service Reserve Fund established under the Third Supplemental Indenture. Upon the issuance of any Bonds under the 2012 Indenture, the Authority may establish by Supplemental Indenture a separate Account or Accounts within the Debt Service Reserve Fund which must be funded in an amount equal to the Debt Service Reserve Fund Requirement applicable to such Series of Bonds. The initial amount to be deposited in the 2014-1 Debt Service Reserve Account in the Debt Service Reserve Fund in connection with the issuance of the Series 2014-1 Bonds is two percent (2%) of the original principal amount of the Series 2014-1 Bonds and, thereafter, the amount required to be on deposit therein shall equal the greater of (i) two percent (2%) of the principal amount of Outstanding Series 2014-1 Bonds or (ii) \$1,000,000 (the "2014-1 Reserve Requirement"). The Debt Service Reserve Fund Requirement for any series of Additional Bonds issued under the 2012 Indenture will be determined in the Supplemental Indenture authorizing such series of Additional Bonds. The 2012 Indenture provides for the funding from available moneys in the Capitalized Interest Fund, Student Loan Fund and Revenue Fund of any deficiency in the Debt Service Reserve Fund. Amounts on deposit in the 2014-1 Debt Service Reserve Account in the Debt Service Reserve Fund (other than amounts in excess of the above-described requirement which are to be transferred to the Revenue Fund) are to be used to pay the principal of or interest on the Series 2014-1 Bonds to the extent other available moneys held under the 2012 Indenture are insufficient. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Trust Indenture – Section 5.7 – Use and Disbursements of Debt Service Reserve Fund Moneys)" hereto.

The 2012 Indenture permits the Authority to deposit into the Debt Service Reserve Fund, in lieu (in whole or in part) of a cash deposit at the time of issuance of a Series of Bonds or thereafter to satisfy all or a portion of the Debt Service Reserve Fund Requirement for such Series of Bonds, a Funding Instrument (which is defined in the 2012 Indenture as any surety bond, insurance policy, letter of credit or other similar obligation, the provider of which shall be rated in one of the two highest rating categories by each Rating Agency, or shall have the qualifications set forth in the Supplemental Indenture authorizing such Series of Bonds). The 2014-1 Reserve Requirement will be funded with a portion of the proceeds of the Series 2014-1 Bonds.

The Act requires the Authority to establish and maintain a special fund to be called the "New Jersey Higher Education Student Assistance Capital Reserve Fund" in which there shall be deposited (i) all moneys appropriated by the State for the purpose of such fund; (ii) all proceeds of bonds required to be deposited therein by the terms of any contract between the Authority and its bondholders or any resolution of the Authority with respect to such proceeds or bonds; and (iii) any other moneys or funds of the Authority which it determines to deposit therein. The 2014-1 Debt Service Reserve Account in the Debt Service Reserve Fund is designated by the Authority pursuant to the Third Supplemental Indenture as a part of said special fund required to be maintained under the Act with respect to the Series 2014-1 Bonds.

The Act prohibits any withdrawal from the Debt Service Reserve Fund (except to pay principal of or interest on or to retire bonds) if the withdrawal would reduce the fund below the lesser of (i) the amount of principal (including sinking fund installments) and interest becoming due in any succeeding calendar year on all bonds or other obligations secured by such fund; or (ii) the amount required by the terms of all contracts between the Authority and its bondholders to be maintained in said fund.

The Act provides that, in order to maintain the Debt Service Reserve Fund Requirement, there shall be appropriated annually and paid to the Authority the amount certified by the Chairperson of the Board of the Authority to the Governor of the State as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. The Act provides, in part, with respect to the Debt Service Reserve Fund (referred to in the Act as the "Capital Reserve Fund"):

In order to assure the maintenance of the maximum debt service reserve in the capital reserve fund, there shall be appropriated annually and paid to the [A]uthority for deposit in the fund, such sum, if any, as shall be certified by the chairperson of the Board of the [Authority] to the Governor as necessary to restore the fund to an amount equal to the maximum debt service reserve. The chairperson shall annually, on or before December 1, make and deliver to the Governor a certificate stating the sums, if any, required to restore the fund to the amount equal to the [Debt Service Reserve Fund Requirement], and the sum or sums so certified shall be appropriated and paid to the [A]uthority during the then current State fiscal year.

All moneys paid to the Authority pursuant to the provisions of the Act are subject to appropriation by the State Legislature for such purpose. Such provisions of the Act do not constitute a legally enforceable obligation on the part of the State nor do they create a debt or liability of the State. To date, the Authority has not had a revenue deficiency which required the State to appropriate funds pursuant to the Act. There is no statutory limitation on the amount of "moral obligation" bonds which may be issued by the Authority.

The 2012 Indenture requires the Chairperson of the Board of the Authority, on or before December 1, to deliver to the Governor of the State a certificate stating the sum, if any, required to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. However, because the 2014-1 Reserve Requirement is less than the maximum amount of principal of and interest on the Series 2014-1 Bonds in certain future Bond Years, even in the event that the State Legislature makes all appropriations contemplated by the Act, such

appropriations may be insufficient to pay debt service on the Series 2014-1 Bonds as the same becomes due and payable.

Additional Bonds; Subordinate Obligations

Upon certain conditions the Authority may issue Additional Bonds (including Refunding Bonds) on a parity with the Senior Series 2014 Bonds, the Senior Series 2013 Bonds and the Senior Series 2012 Bonds and may issue Subordinate Obligations on a parity with the Subordinate Series 2014 Bonds, the Subordinate Series 2013 Bonds and the Subordinate Series 2012 Bonds payable on a subordinate basis to the related Series of Senior Bonds and any Additional Bonds, in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations and the Authority has received a Rating Agency Condition from each Rating Agency. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Section 7.10 – Issuance of Additional Bonds and Subordinate Obligations)" hereto. The 2012 Indenture permits the Authority to issue Subordinate Obligations, such as the Subordinate Series 2014 Bonds, entitled and subject to the pledge of the Trust Estate, except with respect to the priority of payment of such Subordinate Obligations set forth in Sections 5.5(A)(1)(vi), 5.5(A)(1)(ix), and 10.3 of the Trust Indenture. The Trust Indenture provides that the Authority shall not create or permit the creation of any obligations or additional indebtedness secured by a lien on the revenues and assets pledged as security for the Series 2014-1 Bonds under the 2012 Indenture except for Additional Bonds and Subordinate Obligations.

Other Debt

The Authority has heretofore issued various series of its revenue bonds pursuant to the 1998 Indenture (as hereinafter defined), the 2008 Indenture (as hereinafter defined), the 2009 Indenture (as hereinafter defined), the 2010-1 Indenture (as hereinafter defined), the 2010-FFELP Indenture and the 2010-2 Indenture (collectively, the "Prior Indentures") to finance its NJCLASS Loan Program and FFELP Loans. See "THE AUTHORITY - Outstanding Indebtedness of the Authority" herein. Such obligations are secured by moneys, investments, NJCLASS Loans and FFELP Loans held in funds which are not pledged under the 2012 Indenture. In addition to such obligations and to Bonds issued under the 2012 Indenture, the Authority may from time to time issue or incur other debt, including debt issued for the NJCLASS Loan Program, secured by moneys and funds not pledged under the 2012 Indenture.

Release of Excess Trust Estate Assets

Upon issuance of the Series 2014-1 Bonds, the initial Parity Percentage will be at least 106.0%* and the Senior Parity Percentage will be at least 113.4%*, which reflects the net proceeds of the Series 2014-1 Bonds, plus the value of the Student Loans held as part of the Trust Estate pursuant to the 2012 Indenture, plus other available Authority funds deposited into the Student Loan Fund. The 2012 Indenture provides that the Trustee shall transfer to the Authority from time to time, at the direction of the Authority, free and clear of the lien of the 2012 Indenture, amounts held in the Revenue Fund established under the 2012 Indenture

* Preliminary, subject to change.

periodically, after all payments and transfers required by Section 5.5(A)(1)(i) through (xii) of the 2012 Indenture have been made and after reserving the Debt Service requirements to be made on the next succeeding Payment Date, if the Parity Percentage Requirement of 108% (provided Accrued Assets include not less than two million dollars (\$2,000,000) of cash) has been satisfied or such other percentage as may be determined by the Authority if there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P; provided, however, in no event shall any release be made if the Parity Percentage would be less than 105%; and provided further that no release shall be permitted on or after December 1, 2023 unless the Authority shall have delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. Upon receipt of such Rating Agency Condition, the revised Parity Percentage Requirement shall apply to all Series of Bonds issued under the 2012 Indenture. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Section 5.5 – Use and Disbursements of Revenue Fund Moneys)" hereto.

Rating Agency Condition

The 2012 Indenture provides that the Authority and the Trustee may take, or refrain from taking, various actions based in whole or in part upon delivery of a Rating Agency Condition from Moody's and S&P or, with regard to S&P in certain instances, twenty (20) days prior written notice to S&P, including determinations of the types of educational loans to be included as Student Loans, changes in Administrative Fees, release of assets from the 2012 Indenture on and after December 1, 2023, and required levels of reserves, periods for recycling Revenues and Recoveries of Principal into Student Loans and origination period extension. The 2012 Indenture also provides that the Authority may issue Additional Bonds or Subordinate Obligations (in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations) upon the delivery to the Trustee of a Rating Agency Condition from both Rating Agencies. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture - Article VII – Section 7.10 – Issuance of Additional Obligations and Subordinate Obligations)" hereto.

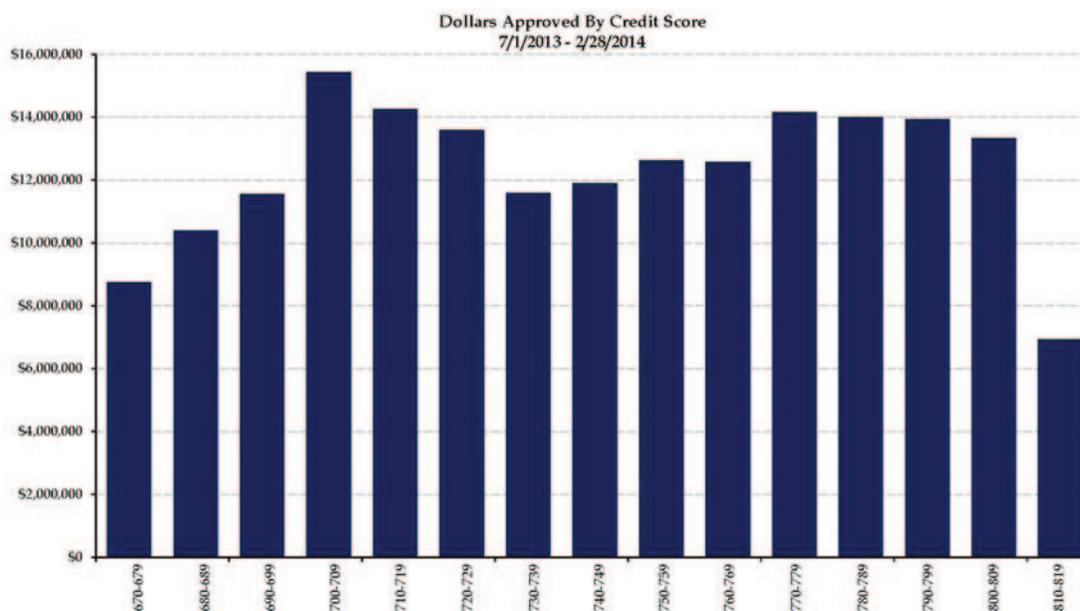
CERTAIN NJCLASS STATISTICAL DATA

The following tables represent historical statistical data on the Authority's NJCLASS Loan Program. The information set forth in the following tables is presented for historical purposes only. The information is compiled from the Authority's experience administering the NJCLASS Loan Program. **However, no assurance can be given that the Authority will originate 2014-1 NJCLASS Loans or Student Loans in a manner consistent with the presented tables.**

The table on the following page sets forth, as of February 28, 2014, the number and current outstanding principal amount of NJCLASS Loans (excluding Variable Rate NJCLASS Loans which were only originated to students in graduate and professional degree programs) with an origination value of approximately \$21.3 million) with and without co-signers and on a combined basis. See "THE LOAN FINANCE PROGRAM - General" herein for a description of the Variable Rate NJCLASS Loan program which is no longer offered by the Authority.

	Number of Loans	Amount of Loans	% of Total NJCLASS Loans Outstanding
With Co-Signer – Original Principal Balance	207,878	\$2,491,785,678	77%
Without Co-Signer – Original Principal Balance	55,712	760,407,522	23%
Combined - Original Principal Balance	263,590	\$3,252,193,200	100%
With Co-Signer – Current Outstanding Balance	130,131	\$1,684,805,911	76%
Without Co-Signer – Current Outstanding Balance	36,393	525,103,720	24%
Combined - Current Outstanding Balance	166,524	\$2,209,909,631	100%

The table below sets forth the approved Standard NJCLASS Loans by applicants' FICO credit scores for the period July 1, 2013 through February 28, 2014. No NJCLASS Loans will be made from the proceeds of the Series 2014-1 Bonds to applicants with FICO credit scores below 670 (except for Graduate/Professional NJCLASS Loans which do not need to meet the FICO criteria).



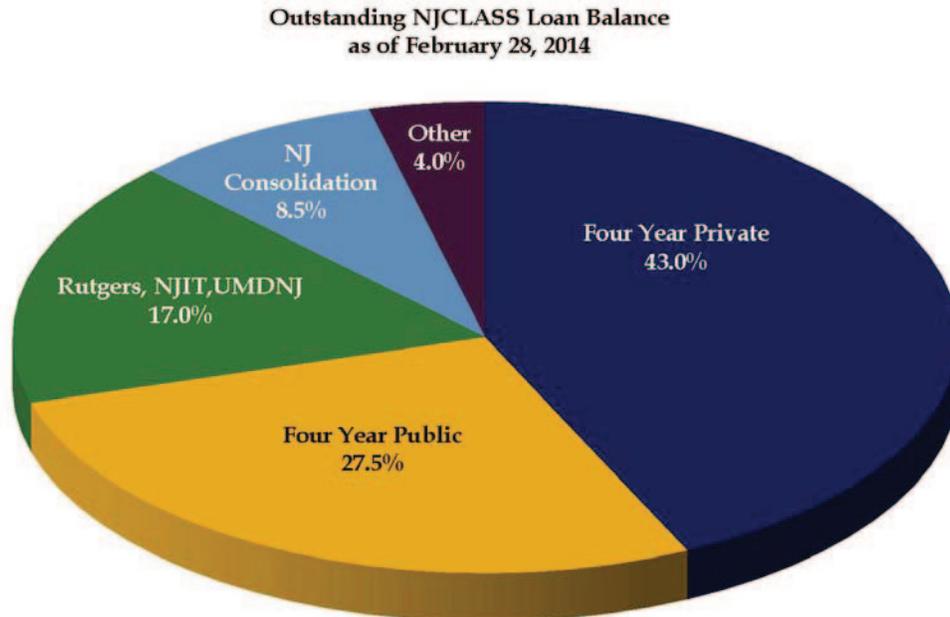
NJCLASS Loan Default Information

The following contains information concerning the historical default and recovery data for Student Loans originated in the 1998 Indenture, 2008 Indenture, 2009 Indenture, 2010-1 Indenture, 2010-2 Indenture and the 2012 Indenture. Information is as of February 28, 2014 and shows the percentage of cumulative defaults, with Recoveries received, and the percentage of net defaults experienced to date.

**Total Loans Disbursed in All Indentures
(including Loans now in default)** \$3,273,530,796

	<u>Principal Amount</u>	<u>Percentage of Loans Disbursed</u>
Total Defaults	\$224,842,408	6.86%
Less: Default Collections of Principal	\$ 47,893,800	1.46%
Total Principal Defaults Outstanding	\$176,948,608	5.40%
Default Collections of Interest	\$ 24,008,950	
Total Default Collections	\$ 71,902,750	

The diagram below sets forth the cumulative loan volume as a percentage of total loan volume by school type for the NJCLASS Loans currently outstanding as of February 28, 2014.



THE SERIES 2014-1 BONDS

General Terms of the Series 2014-1 Publicly Offered Bonds

The Series 2014-1 Publicly Offered Bonds will initially be dated and will bear interest from the date of delivery. Except as described below with regard to the Subordinate Series 2014 Bonds, interest will be payable on June 1 and December 1 of each year, commencing December 1, 2014, to the registered owners of the Series 2014-1 Publicly Offered Bonds as of the record date, which is the May 15 or November 15 immediately preceding each Interest Payment Date. Each Series of the Series 2014-1 Publicly Offered Bonds will bear interest at the respective interest rates per annum, and will mature on December 1 in each of the respective years and in the respective principal amounts shown on the inside front cover page of this Official Statement.

The Series 2014-1 Publicly Offered Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof.

Payment of Subordinate Series 2014 Bonds

Pursuant to the 2012 Indenture, the principal of a Series of Subordinate Bonds (including, but not limited to, the Subordinate Series 2014 Bonds) is payable after all principal payments on the related Series of Senior Bonds (including, but not limited to, the Senior Series 2014 Bonds) have been paid and no Senior Bonds of the related Series remain Outstanding. For the complete order of priority of the use and disbursement of moneys on deposit in the Revenue Fund, see APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Article V – Use and Disbursements of Revenue Fund Moneys)" hereto.

Pursuant to the 2012 Indenture, interest on the Senior Bonds (including, but not limited to, the Senior Series 2014 Bonds) is payable prior to the payment of interest or principal on the related Series of Subordinate Bonds (including, but not limited to, the Subordinate Series 2014 Bonds), and no interest on the Subordinate Bonds (including, but not limited to, the Subordinate Series 2014 Bonds) otherwise due with respect to a Suspended Interest Period shall be paid to Holders of the Subordinate Bonds (including, but not limited to, the Subordinate Series 2014 Bonds) until the applicable Restoration Interest Date. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS – Priority of Use and Disbursement of Revenue Fund Moneys; Suspension of Interest on Subordinate Series 2014 Bonds" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE" hereto.

Redemption Provisions – Series 2014-1 Bonds*

The 2012 Indenture sets forth the provisions for the redemption of the Series 2014-1 Bonds prior to maturity, as described below. The Trustee shall provide notice of the redemption of Series 2014-1 Bonds in accordance with the provisions described below under " - *Notice and Effect of Redemption*" and as described in APPENDIX A - "COPY OF TRUST INDENTURE

* Preliminary, subject to change.

AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Third Supplemental Indenture – Section 2.8 – Redemption of Series 2014-1 Bonds)" hereto.

Optional Redemption. The Series 2014-1 Bonds maturing prior to December 1, 2024 are not subject to optional redemption prior to maturity. The Series 2014-1 Bonds maturing on or after December 1, 2024 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on and after December 1, 2023 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination for the applicable Series of Series 2014-1 Bonds.

Mandatory Redemption Resulting From Non-Origination. The Series 2014-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2014 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2014-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2014-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2014-1 Bonds remaining in the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2014-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2014-1 Bonds shall be equal to the amount designated to be Originated by the expiration of each Origination Period less the amount actually used to Originate 2014-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph shall be applied, *first*, to the extent the redemption is triggered by non-origination of Variable Rate Ten Year Option 1 Loans as described in the definition of Origination Period, to the redemption of Series 2014-1 Directly Purchased Bonds in an amount approximately equal to the difference between the amounts of Variable Rate Ten Year Option 1 Loans required to be Originated pursuant to the definition of Origination Period less the amount of Variable Rate Ten Year Option 1 Loans actually Originated as set forth in the origination report provided pursuant to the terms of Section 5.4(B) of the Third Supplemental Indenture, *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, 2030, *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1 in each of the years 2015 through 2022, inclusive, 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain Outstanding).

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Senior Series 2014 Bonds Maturing On	CUSIP No.	<u>Redemption Date</u>		
		<u>3/1/2015</u>	<u>8/1/2015</u>	<u>11/1/2015</u>
12/1/2015	646080	%	%	%
12/1/2016	646080			
12/1/2017	646080			
12/1/2018	646080			
12/1/2019	646080			
12/1/2020	646080			
12/1/2021	646080			
12/1/2022	646080	%	%	%

Special Optional Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1 in each of the years 2015 through 2022, inclusive) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date after October 1, 2015 (the end of the Recycling Period), pursuant to Section 5.5(A)(1)(xii) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph shall be applied, *first*, to the redemption of Series 2014-1 Directly Purchased Bonds in an amount such that the amount of Series 2014-1 Directly Purchased Bonds after redemption is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period on the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, 2030, *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1 in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and, *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain Outstanding).

For purposes hereof, Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2014-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2014-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2014-1 Bonds on the next succeeding December 1 is reserved to remain in the 2014-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

Special Mandatory Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1 in each of the years 2015 through 2022, inclusive) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from

Excess Revenues or (ii) on any date, if the Parity Percentage is below 105%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph shall be applied, *first*, to the redemption of Series 2014-1 Directly Purchased Bonds in an amount such that the amount of Series 2014-1 Directly Purchased Bonds after redemption is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period in the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, 2030, *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1 in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain Outstanding).

Notice and Effect of Redemption. On the date designated by notice for redemption as provided under the 2012 Indenture, the Series 2014-1 Bonds so called for redemption shall become due and payable at the stated Redemption Price and, to the extent moneys are available therefor, interest shall cease to accrue on such Series 2014-1 Bonds and such Series 2014-1 Bonds shall no longer be entitled to any benefit or security under the 2012 Indenture. Notice is to be given by mail not less than twenty (20) nor more than forty-five (45) days prior to the date fixed for redemption. If, at the time of mailing of any notice of optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all Series 2014-1 Bonds called for redemption, the redemption notice shall state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Selection of Series 2014-1 Bonds to be Redeemed. Moneys available for any redemption of the Series 2014-1 Bonds shall be applied to the redemption of such maturities of the Series 2014-1 Bonds as the Authority shall direct, and in the event of a redemption of less than all of any such maturity, the Trustee shall select the portions thereof to be redeemed *pro rata*, subject to any applicable procedures of DTC. The Series 2014-1 Bonds may be redeemed only in Authorized Denominations for the applicable Series of the Series 2014-1 Bonds, provided that the aggregate principal amount of each Series 2014-1 Bonds remaining Outstanding following such redemption must be in an Authorized Denomination for such Series of the Series 2014-1 Bonds.

Book-Entry-Only System – Series 2014-1 Bonds

DTC, New York, New York, will act as securities depository for the Series 2014-1 Bonds. The Series 2014-1 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2014-1 Bond certificate will be issued for each stated maturity of each Series of the Series 2014-1 Bonds, in the aggregate principal amount of such maturity of such Series, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose Authority 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 (the "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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 (the "Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the Series 2014-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014-1 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014-1 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2014-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014-1 Bonds except in the event that use of the book-entry system for the Series 2014-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. The deposit of Series 2014-1 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014-1 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.

So long as DTC serves as securities depository for the Series 2014-1 Bonds, redemption and other notices shall be sent to DTC. If less than all of the Series 2014-1 Bonds 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 the Series 2014-1 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2014-1 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the sole responsibility of such Participant and not of DTC, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014-1 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2014-1 Bonds are required to be printed and delivered.

The Authority may discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2014-1 Bonds will be printed and delivered to DTC (or such other securities depository).

The foregoing information in this section concerning DTC and DTC's book-entry-only system is based upon information obtained from DTC. The Authority assumes no responsibility as to accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION, EITHER SINGULARLY OR JOINTLY, TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE HOLDERS OF THE SERIES 2014-1 BONDS UNDER THE 2012 INDENTURE; (III) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A

PARTIAL REDEMPTION OF THE SERIES 2014-1 BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PRICE (IF ANY) OR INTEREST DUE WITH RESPECT TO THE SERIES 2014-1 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE SERIES 2014-1 BONDS, OR (VI) ANY OTHER MATTER.

CERTAIN RISK FACTORS ASSOCIATED WITH THE 2012 INDENTURE

Attention should be given to the investment considerations described below which, among others, could affect the ability of the Authority to pay debt service on the Series 2014-1 Bonds, and which could also affect the market price of the Series 2014-1 Publicly Offered Bonds to an extent that cannot be determined. This section of this Official Statement does not include all risk factors, but is an attempt to summarize certain of such matters. Each prospective purchaser of the Series 2014-1 Publicly Offered Bonds should read this Official Statement in its entirety, including the Appendices hereto.

Proceeds of the Series 2014-1 Bonds and other Authority funds deposited in the Student Loan Fund established pursuant to the 2012 Indenture will be applied only to originate or acquire NJCLASS Loans. NJCLASS Loans are not guaranteed by the Authority or insured or reinsured by the United States Department of Education. However, proceeds of Additional Bonds may be applied, if so provided in the applicable Supplemental Indenture, to finance additional NJCLASS Loans or to acquire Student Loans, including NJCLASS Loans originated with proceeds of bonds issued pursuant to the 1998 Indenture, the 2008 Indenture, the 2009 Indenture, the 2010-1 Indenture and the 2010-2 Indenture. The Series 2014-1 Bonds, the Series 2013-1 Bonds and the Series 2012-1 Bonds, together with any Additional Bonds issued pursuant to a Supplemental Indenture, are equally and ratably secured by all Student Loans in the Trust Estate. Accordingly, the holders of the Series 2014-1 Bonds are subject to the investment considerations related to NJCLASS Loans.

Sufficiency and Timing of Receipt of Revenues. Upon issuance of the Series 2014-1 Bonds, the initial Parity Percentage will be at least 106.0%* and the Senior Parity Percentage will be at least 113.4%*, which reflects the net proceeds of the Series 2014-1 Bonds, plus the value of the Student Loans held as part of the Trust Estate pursuant to the 2012 Indenture, plus other available Authority funds deposited into the Student Loan Fund. In addition, the Authority expects, and the cash flows indicate, that the initial deposit of Series 2014-1 Bond proceeds for capitalized interest, together with the Revenues and Recoveries of Principal to be received pursuant to the 2012 Indenture, will be sufficient to pay principal of and interest on the Series 2014-1 Bonds when due and also to pay the annual cost of all Trustee fees, servicing costs and other expenses related thereto and the 2014-1 NJCLASS Loans until the final maturity thereof. This expectation is based upon an analysis of cash flow assumptions, which the Authority believes are reasonable, regarding the timing of the financing of the 2014-1 NJCLASS Loans to be held pursuant to the 2012 Indenture, the future composition of and yield on the Student Loan portfolio, the rate of return on moneys to be invested in various Funds and Accounts under the

* Preliminary, subject to change.

2012 Indenture, and the occurrence of future events and conditions. These assumptions are derived from the Authority's experience in the administration of the NJCLASS Loan Program. There can be no assurance, however, that the 2014-1 NJCLASS Loans will be financed as anticipated, that interest and principal payments from the 2014-1 NJCLASS Loans and from Student Loans financed with Additional Bonds will be received as anticipated or that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized. Furthermore, future events over which the Authority has no control may adversely affect the Authority's actual receipt of Revenues and Recoveries of Principal pursuant to the 2012 Indenture.

Receipt of principal of and interest on Student Loans may occur earlier than anticipated, causing an unanticipated redemption of Series 2014-1 Bonds, due to various factors, including, without limitation: (i) default claims or claims due to the disability, death or bankruptcy of the borrowers greater than those assumed; (ii) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Authority's Student Loan portfolio expected to be held pursuant to the 2012 Indenture; (iii) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon the current analysis of the Authority's Student Loan portfolio expected to be held pursuant to the 2012 Indenture; and (iv) economic conditions that induce borrowers to refinance or repay their loans prior to maturity.

Delay in the receipt of principal of and interest on Student Loans may adversely affect payment of the principal of and interest on the Series 2014-1 Bonds when due. Receipt of principal of and interest on Student Loans may be delayed due to numerous factors including, without limitation: (i) borrowers entering deferment periods due to a return to school or other eligible purposes; (ii) forbearance being granted to borrowers; (iii) loans in delinquency for periods longer than assumed; (iv) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Authority's Student Loan portfolio expected to be held pursuant to the 2012 Indenture; and (v) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the Student Loan portfolio expected to be held pursuant to the 2012 Indenture.

If actual receipt of the Revenues and Recoveries of Principal under the 2012 Indenture or actual expenditures vary materially from those projected, the Authority may be unable to pay the principal of and interest on the Series 2014-1 Bonds. In the event that Revenues and Recoveries of Principal to be received under the 2012 Indenture are insufficient to pay the principal of and interest on the Bonds when due, the 2012 Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default, sell the Student Loans and all other assets comprising the Trust Estate and accelerate maturity of the Bonds. It is possible, however, that the Trustee would not be able to sell the Student Loans and the other assets comprising the Trust Estate in a timely manner or for an amount sufficient to permit payment of the principal of and accrued interest on all Outstanding Bonds when due.

Early Redemption of the Series 2014-1 Bonds. At the end of each Origination Period, the Series 2014-1 Bonds may be subject to mandatory redemption resulting from the Authority's inability to apply the proceeds of the Series 2014-1 Bonds to originate Standard NJCLASS Loans (including Fixed Rate Ten Year Option 1 Loans and Variable Rate Ten Year Option 1 Loans), Graduate/Professional NJCLASS Loans and NJCLASS Consolidation Loans due to lack of demand or to other factors. In addition, the Series 2014-1 Bonds may be subject to special

optional redemption during the Recycling Period from the Authority's receipt of Excess Revenue (consisting of Revenues and Recoveries of Principal in excess of amounts necessary to pay scheduled Debt Service on the Series 2014-1 Bonds) from time to time or from the cessation of Recycling, which refers to the use of Recoveries of Principal to Originate new Fixed Rate Standard NJCLASS Loans Option 1 or 2, with respect to fixed rate loan Recycling, or Variable Rate Ten Year Option 1 Loans, with respect to variable rate loan Recycling. The Third Supplemental Indenture provides that Recycling may continue until October 1, 2015 with respect to the use of Recoveries of Principal to Originate new Fixed Rate Standard NJCLASS Option 1 or 2 (fifteen year) Loans or Variable Rate Ten Year Option 1 Loans.

Limited Assets Available to Pay Principal and Interest. The Series 2014-1 Bonds are limited obligations solely of the Authority. Moreover, the Authority will have no obligation to make any of its assets available to pay principal of or interest on the Bonds, other than the Student Loans acquired with proceeds of the Bonds and the other assets making up the Trust Estate. Bondholders must rely for repayment upon revenues realized from the Student Loans and other assets in the Trust Estate. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS" herein.

Recent Investigations, Litigation and Regulatory Initiatives Related to LIBOR May Affect the Series 2014-1 Directly Purchased Bonds. The interest rates payable on the Series 2014-1 Directly Purchased Bonds are based on a spread over three-month LIBOR. The London Interbank Offered Rate, or LIBOR, serves as a global benchmark for home mortgages, student loans and what various issuers pay to borrow money. Certain financial institutions have announced settlements with certain regulatory authorities with respect to, among other things, allegations of manipulating LIBOR or have announced that they are involved in investigations by regulatory authorities relating to, among other things, the manipulation of LIBOR. In addition to the ongoing investigations, several plaintiffs have filed lawsuits against various banks in federal court seeking damages arising from alleged LIBOR manipulation. Pursuant to new rules and regulations that became effective on April 1, 2013, the United Kingdom's Financial Conduct Authority assumed regulatory oversight and supervision of LIBOR, removing it from the control of the British Bankers' Association. No predication can be made as to what effect, if any, these events will have on the use of LIBOR as a global benchmark going forward, or on the Series 2014-1 Directly Purchased Bonds.

No Interest Payable on Subordinate Series 2014 Bonds if Parity Falls Below Certain Level and Payment of Principal Subordinate. No interest on the Subordinate Series 2014 Bonds otherwise due with respect to a Suspended Interest Period shall be paid to Holders of the Subordinate Series 2014 Bonds until the applicable Restoration Interest Date. The principal of the Subordinate Series 2014 Bonds is payable only after all principal payments on the Senior Series 2014 Bonds have been paid and no Senior Series 2014 Bonds remain Outstanding. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE – (Trust Indenture – Article V – Use and Disbursement of Revenue Fund Moneys)" and " – (Third Supplemental Indenture – Article III – Subordinate Series 2014 Bonds)" hereto.

Principal Amount of Bonds Outstanding May Exceed Principal Amount of Assets in the Trust Estate; Possible Loss After an Event of Default. The principal amount of Bonds Outstanding at any time may exceed the principal amount of Student Loans and other assets in

the Trust Estate held by the Trustee under the 2012 Indenture. If an Event of Default occurs and the assets in the Trust Estate are liquidated, the Student Loans might have to be sold at a premium in order for the Bondholders to avoid a loss. The Authority cannot predict the rate or timing of accelerated payments of principal or the occurrence of an Event of Default or when the aggregate principal amount of the Bonds may be reduced to the aggregate principal amount of the Student Loans.

Payment of principal of and interest on the Series 2014-1 Bonds is dependent upon collections on the Student Loans. If the yield on the financed Student Loans does not generally exceed the interest rate on the Bonds and expenses relating to the servicing of the financed Student Loans and administration of the 2012 Indenture, the Authority may have insufficient funds to repay the Bonds.

The Composition and Characteristics of the Loan Portfolio Will Continually Change and Loans That Bear a Lower Rate of Return or Have a Greater Risk of Loss May Be Acquired. The Eligible Loans the Authority intends to make with the proceeds of the Series 2014-1 Bonds on the closing date are described in this Official Statement. Recoveries of Principal received with respect to the Student Loans may be used to Originate new loans during the Recycling Period. Additional Bonds may be issued pursuant to the terms of the 2012 Indenture and the proceeds used to acquire Student Loans, including NJCLASS Loans originated with proceeds of bonds issued pursuant to the 1998 Indenture, the 2008 Indenture, the 2009 Indenture, the 2010-1 Indenture or the 2010-2 Indenture. The characteristics of the Student Loan portfolio included in the Trust Estate will change from time to time due to the acquisition of new Student Loans, changes in terms of the Authority's NJCLASS Loan Program, sales or exchanges of loans and scheduled amortization, prepayments, delinquencies and defaults on the Student Loans.

Prepayment of Student Loans. Student Loans may be prepaid by borrowers at any time. For this purpose the term "prepayments" include repayments in full or in part and liquidations due to default. The rate of prepayments on the loans may be influenced by a variety of economic, social and other factors affecting borrowers, including interest rates, the availability of alternative financing and the general job market for graduates of institutions of higher education.

To the extent that Student Loans are prepaid or liquidated, the proceeds of such prepayments or liquidations may be used to redeem Series 2014-1 Bonds which would otherwise not have been redeemed or which would have been redeemed at a later date. See "THE SERIES 2014-1 BONDS - Redemption Provisions – Series 2014-1Bonds" herein.

Consumer Protection Lending Laws. Numerous federal and state consumer protection laws, including various state usury laws and related regulations, impose substantial requirements upon lenders and servicers involved in consumer finance. 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 Student Loans. In addition, the remedies available to the Trustee or the Holders of the Series 2014-1 Bonds upon an event of default under the 2012 Indenture may not be readily available or may be limited by applicable state and federal laws.

New Rules Could Adversely Affect the Asset-Backed Securities Market. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (as may be amended from time to time, the "Dodd-Frank Act") to reform and strengthen supervision of the U.S. financial services industry. The Dodd-Frank Act requires the creation of new federal regulatory agencies, and grants additional authorities and responsibilities to existing regulatory agencies, to identify and address emerging systemic risks posed by the activities of financial services firms. The Dodd-Frank Act also provides for enhanced regulation of derivatives, restrictions on executive compensation and enhanced oversight of credit rating agencies.

The Dodd-Frank Act will result in comprehensive changes to the regulation of most financial institutions operating in the United States. It will also foster new regulation in the business and the markets in which the Authority operates. Specifically, significant new regulation is anticipated in many areas of consumer financial products and services and in particular private education loans. Under the Dodd-Frank Act, entities such as the Authority are subject to oversight by a new agency empowered to regulate and enforce federal consumer financial protection laws, the Consumer Financial Protection Bureau ("CFPB"). The CFPB is an independent agency housed within the Federal Reserve Board but not subject to Federal Reserve Board jurisdiction or to the Congressional appropriations process. It has substantial supervisory and enforcement authority with respect to financial products and services received by consumers from both banks and non-bank lenders. The CFPB will be developing rules in enumerated areas of federal law traditionally applicable to consumer lending such as Truth in Lending, Fair Credit Reporting and Fair Debt Collection. Further, the CFPB will be utilizing new, untested standards to ensure that consumers are protected from unfair, deceptive or abusive acts and practices and from discrimination. The addition of statutory protection for consumers from "abusive" acts or practices is a new consumer protection standard that was added by the Dodd-Frank Act. Rulemaking authority applicable to all banks, regardless of size, was transferred from the bank regulatory agencies to the CFPB. As a result, the CFPB will be promulgating rules under the Dodd-Frank Act that will cover consumer finance activities of all banks and bank holding companies. In addition to its rulemaking authority for consumer protection laws that had been applicable to banks and bank holding companies, the CFPB was provided with specific authority to regulate non-depository entities engaged in areas such as payday lending and private education lending. Each area is expected to be subject to significant new rulemaking and is likely to introduce, for the first time, new federal oversight of non-depository entities engaged in education lending.

The CFPB promulgated a rule in December 2013 expanding its oversight authority to include certain large "non-depository student loan servicers". The rule, effective as of March 1, 2014, subjects nonbank student loan servicers that handle more than 1 million borrower accounts to the CFPB's supervision and enforcement jurisdiction for the stated purposes of (i) assessing compliance with federal consumer financial law; (ii) obtaining information about activities and compliance systems or procedures; and (iii) detecting and assessing risks to consumers and consumer financial markets. Pursuant to the rule, the CFPB is to conduct examination and monitoring activities. The rule covers servicing of both federal and private student loans and its stated intention is to bring regulation of nonbank student loan servicers in line with the regulation of large bank student loan servicers. The Authority functions as servicer of all NJCLASS Loans of which approximately 153,700 active NJCLASS Loans having an aggregate principal amount of \$2,042,515,478 were outstanding as of the date of this Official Statement.

The Annual Report of the CFPB Student Loan Ombudsman, published on October 16, 2013, identified certain concerns regarding private student loan servicing. Student loan borrower concerns identified included (i) difficulty to prepay a loan early when servicers apply prepayments across all loans, not just the highest-interest rate loan that a student would prefer to pay first, (ii) partial payment difficulties arising when servicers apply partial payments across all loans evenly, resulting in maximum late fees and an exacerbated negative credit impact and (iii) difficulties related to transfers of loans between servicers such as lost paperwork and processing errors that lead to late fees.

The CFPB Student Loan Ombudsman has determined that borrowers of non-federal education loans need more repayment options to avoid default, including loan consolidation and refinancing, and has indicated that the CFPB intends to carefully monitor the non-federal student loan industry in 2014 to determine whether lenders are making satisfactory progress to incorporate such options into their lending programs.

Another factor that could impact the costs associated with the Authority's lending activities is the change in federal law preemption enacted as part of the Dodd-Frank Act. Specifically, significant new enforcement authority is provided to state governments including the authority of state attorneys general to bring lawsuits under federal consumer protection laws with the consent of the CFPB. It is unclear what the operational impact of these developments will be on the Authority, however, it is likely that operational expenses will increase as new or additional compliance requirements and risk of enforcement activities are imposed on operations.

The effects of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued pursuant to its provisions. It is not yet clear how the Dodd-Frank Act and its associated rules and regulations will affect the asset-backed securities market generally, or the Authority, in particular. No assurance can be given that the new regulations will not have an adverse effect on the value or liquidity of the Series 2014-1 Bonds.

Redemption of the Series 2014-1 Bonds May Create Reinvestment Risks. Student Loans may be prepaid by borrowers at any time without penalty and the Authority may use such prepayments to prepay the Series 2014-1 Bonds. If the Series 2014-1 Bonds are redeemed prior to their respective stated maturities, Bondholders may not be able to reinvest their funds at the same yield as the yield on the Series 2014-1 Bonds and may suffer adverse effects if such Bonds were purchased at a premium or discount. The Authority cannot predict the prepayment rate of any Student Loans originated or acquired with proceeds of the Series 2014-1 Bonds, and reinvestment risks or reductions in yield resulting from prepayment will be borne entirely by the affected Bondholders. The rate of prepayments may be influenced by economic and other factors, such as interest rates, the availability of other financing and the general job market.

Certain Actions May be Taken Without Bondholder Approval and Subject to a Rating Agency Condition. The 2012 Indenture provides that the Authority and the Trustee may take, or refrain from taking, various actions based in whole or in part upon the delivery to the Trustee of a Rating Agency Condition from Moody's and S&P or, with regard to S&P in certain instances, twenty (20) days prior written notice to S&P, including determinations of the types of educational loans to be included as Student Loans, changes in Administrative Fees, release of assets from the 2012 Indenture and required levels of reserves and periods for recycling

Revenues and Recoveries of Principal into Student Loans. The 2012 Indenture also provides that the Authority may issue Additional Bonds on a parity with the Senior Bonds and may issue Subordinate Obligations on a parity with the Subordinate Bonds payable on a subordinate basis to the Senior Bonds (in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations) upon the delivery to the Trustee of a Rating Agency Condition from both Rating Agencies.

Uncertainty of Available Remedies. The remedies available to the Trustee, the Authority or Bondholders upon an Event of Default under the 2012 Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (Federal Bankruptcy Code), the remedies provided in the 2012 Indenture may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Series 2014-1 Bonds and the 2012 Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, moratorium, insolvency or other laws affecting the rights or remedies of creditors generally and by limitations on the availability of equitable remedies.

General Economic Conditions. A continued downturn in the economy resulting in increasing unemployment either regionally or nationally may result in increased defaults by borrowers in repaying eligible loans. Failures by borrowers to pay timely the principal of and interest on the Student Loans or an increase in deferments or forbearances could affect the timing and amount of available funds for any monthly collection period and the ability to pay principal of and interest on the Series 2014-1 Bonds. Further, a continued downturn in the economy may adversely affect the Authority's ability to collect on Defaulted Loans. See "CERTAIN RISK FACTORS ASSOCIATED WITH THE 2012 INDENTURE – Servicing and Collections" herein. Worsening economic conditions could also have a negative impact on State's ability to appropriate funds to cure a deficiency in the debt service reserve fund maintained to meet payments of debt service on Authority bonds, including the Series 2014-1 Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2014-1 BONDS - Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations" herein. The effect of these factors, including the effect on the timing and amount of available funds for any monthly collection period and the ability to pay principal of and interest on the Series 2014-1 Bonds, is impossible to predict.

Servicing and Collections. Although the Authority believes it is properly staffed and has sufficient systems in place so as to effectively and properly service its existing Student Loans, to maintain default prevention and to collect on Defaulted Loans, there can be no assurance that the current staffing levels or systems will be maintained at current levels or will be adequate in the future. Inadequate staffing levels and/or servicing systems could adversely affect the Authority's ability to service Student Loans and to collect Defaulted Loans. See "THE LOAN FINANCE PROGRAM - Loan Servicing" herein for a discussion of the Authority's loan collection and enforcement procedures. Increased loan defaults due to worsening economic conditions could put further stress on Authority staffing levels and its ability to make system upgrades in the future. See "CERTAIN RISK FACTORS ASSOCIATED WITH THE 2012 INDENTURE – General Economic Conditions" herein.

Servicemembers Civil Relief Act. The Servicemembers Civil Relief Act (the "Relief Act"), 50 U.S.C. App. §501 *et seq.* updates and replaces the Soldiers' and Sailors' Civil Relief Act of 1940. The Relief Act provides persons in military service with certain legal protections and benefits, such as a reduction of interest on debts incurred prior to entering military service, protection from court actions and default judgments, and stays on proceedings such as garnishments.

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

THE AUTHORITY

General

The predecessor of the Authority, the New Jersey Higher Education Assistance Authority, was created in 1959 and served as lender and guarantor of federally guaranteed student loans for New Jersey students. Certain amendments adopted in 1991 to its enabling legislation provided the New Jersey Higher Education Assistance Authority with the authorization to create the NJCLASS Loan Program. The Authority was established by the Act in 1999 to provide further access to post-secondary education through loans, grants, scholarships or other means. The Act consolidated higher education student assistance entities in New Jersey including the New Jersey Higher Education Assistance Authority, the Student Assistance Board and the New Jersey Office of Student Assistance under the Authority.

Organization of the Authority

The Authority is a public body corporate and politic in, but not of, the Department of State and an instrumentality of the State. The Authority board consists of 18 members. The Act, as supplemented by Executive Reorganization Plan No. 005-2011, provides that the State Treasurer or a designee, the Secretary of Higher Education or a designee, the Chairperson of the Board of Directors of the Educational Opportunity Fund (the "Board") or a designee from among the public members of the Board, and the Executive Director of the Authority or designee shall serve in an *ex-officio* capacity on the Board of the Authority. The remaining members shall be five representatives of New Jersey post-secondary institutions, two student members and seven public members who are New Jersey residents one of whom includes a lender. The seven public members of the Authority are appointed by the Governor of the State, with advice and consent of the State Senate. The five institutional representatives are nominated either by their institution or sector association and appointed by the Governor of the State, with advice and consent of the State Senate. Public and institutional members of the Authority are appointed to four-year terms staggered so that the term of at least two members shall expire each year. Student members are the elected chairperson and vice-chairperson of the Student Advisory Committee, a committee representative of all collegiate sectors, created by the Authority. Student members shall serve a term of office not to exceed two years. No more than four of the public members shall be members of the same political party, and the members hold office until the appointment and qualification of their successors. All members serve without compensation but may be reimbursed for their necessary expenses incurred in their official duties. All members except the

Executive Director of the Authority shall be voting members. Any vacancy in the membership of the Board shall be filled in the same manner as the original appointment or election was made, but for the unexpired term only.

In the area of governance, the Board is tailored to be broadly representative of diverse constituencies - public and private sector, colleges and students. Student assistance is linked to other higher education entities, through Authority representation on the Board of the Educational Opportunity Fund. In the area of administration, the Act provides the Authority flexibility in procurement, including professional services, and personnel. In general, the Authority's powers have been broadened, updated and clarified when compared to the law governing its predecessor student assistance entities.

The Act expanded the maximum maturity of Authority debt from 25 years to 35 years, enabled the Authority to participate in interfund borrowing from State Treasury funds, provided for a variety of debt instruments and updated the Authority's same day approval language for gubernatorial approval of its minutes. These changes gave the Authority the financing flexibility it requires to be responsive as lender or guarantor to evolving student finance needs.

The Act made several programmatic changes. It enhanced the collection tools available to collect on defaulted federal and state student loans. Administrative wage garnishment, which has proven to be very effective for the federal guaranteed student loan program, now operates with a similarly broad reach for state programs, covering both public and private sector employees. The Act also authorized statutorily required information exchanges with other state agencies for purposes of skip-tracing on delinquent or defaulted borrowers. The Act further required State occupational and professional boards to define student loan delinquency or default as misconduct punishable by denial, suspension or revocation of a license.

The Act made some programmatic changes specific to the NJCLASS Program, although most of these are not self-implementing and are subject to the Authority's discretion and rulemaking. One such change broadened the eligibility of institutions participating in the NJCLASS Program beyond collegiate institutions and degree granting programs of New Jersey proprietary institutions to other proprietary institutions. Regulatory changes have expanded the definition of eligible institutions for NJCLASS Loans to include non-degree granting proprietary institutions that already participate in federal Title IV programs and meet other eligible institution requirements.

The current members of the Board of the Authority, including the Chairperson, Vice Chairperson and Secretary-Treasurer, are as follows:

<u>Member</u>	<u>Affiliation</u>	<u>Category</u>	<u>Member Appointment Status</u>
Andrew P. Sidamon-Eristoff	State Treasurer Department of the Treasury Trenton, NJ	State Treasurer	<i>Ex-Officio</i>

<u>Member</u>	<u>Affiliation</u>	<u>Category</u>	<u>Member Appointment Status</u>
Rochelle Hendricks	Secretary of Higher Education Trenton, NJ	Secretary of Higher Education	<i>Ex-Officio</i>
[Vacancy]	Representative Equal Opportunity Fund	EOF Representative	<i>Ex-Officio</i>
Jean McDonald Rash	Rutgers, The State University New Brunswick, NJ	Rutgers	Appointed
Dr. Harvey Kesselman	Provost and Executive Vice President The Richard Stockton College of NJ Pomona, NJ	State Colleges and Universities	Appointed
Fr. Michael Braden	Vice President for Mission and Ministry Saint Peter's College Jersey City, NJ	Independent Colleges and Universities	Appointed
Jon Larson	President Ocean County College	County Colleges	Appointed
Sumana Prasai	Student Kean University	Student Advisory Committee	<i>Ex-Officio</i>
David Reeth	Student Caldwell College	Student Advisory Committee	<i>Ex-Officio</i>
George Garcia, Esq.	Attorney Jersey City, NJ	Public Member	Appointed
James P. Allen	Consultant Tinton Falls, NJ	Public Member	Appointed
Chairperson Anthony Falcone	Accountant Lincroft, NJ	Public Member	Appointed
Maria Torres	Retired, Guidance Counselor Oakcrest High School Mays Landing, NJ	Public Member	Appointed

<u>Member</u>	<u>Affiliation</u>	<u>Category</u>	<u>Member Appointment Status</u>
Vice Chairperson Christy Van Horn	Consultant Highland Park, NJ	Public Member	Appointed
Secretary-Treasurer Gabrielle Charette, Esq.	Executive Director HESAA	Executive Director	<i>Ex-Officio</i> Non-Voting

There are currently four vacancies on the Board of the Authority.

Administration of the Statutory Responsibilities of the Authority

The work of the Authority is accomplished through the Authority staff of 146. Approximately 46% of Authority employees administer the FFEL Program operations (loan processing, claims, collections, fiscal affairs, research), and 11% are dedicated to the grant, scholarship and college savings programs. There are currently the equivalent of 63 full-time Authority employees dedicated to the NJCLASS Loan Program. The following key staff members are expected to remain directly involved in the NJCLASS Loan Program financed with the proceeds of the Series 2014-1 Bonds:

Gabrielle Charette, Esq., Executive Director, Higher Education Student Assistance Authority, was appointed by Governor Chris Christie in May, 2011. The Executive Director oversees and directs all managerial, administrative, operational, financial, legal and government affairs of the Authority. Ms. Charette first joined the Christie Administration in June of 2010 as Chief of Staff of the Department of Health and Senior Services. Prior to joining the Department, Ms. Charette was a partner in the Megna Law Firm and co-founder and owner of Definitive Insurance Management Services, Inc., a captive insurance management company. Her practice focused on corporate governance issues and insurance regulatory matters. Before entering private practice, Ms. Charette had a career in state government that spanned 16 years. She was Legislative Director for Senator Kyrillos, Chief of Staff at the Department of Banking and Insurance and Counsel to Governor Whitman's Chief of Staff. Following her tenure with the Whitman Administration, Ms. Charette joined Montclair State University where she served as Director of Government Relations. A lifelong resident of New Jersey, Ms. Charette earned a Bachelor of Arts degree from Drew University in 1990. She received her Juris Doctorate from Rutgers the State University in 2000 and was admitted to the New Jersey Bar that same year. In addition to New Jersey, Ms. Charette is also admitted to the practice of law in the District of Columbia.

Eugene Hutchins, Chief Financial Officer, Higher Education Student Assistance Authority, serves as the head of the finance and budgeting, accounting and procurement and information technology and systems areas. He joined the Office of Student Assistance with its creation in July 1994, and continues in the Chief Financial Officer position for the Authority. For the eight previous years he was Director of Accounting and Purchasing for the Department of Higher Education and was responsible for the financial delivery of a wide array of direct institutional support programs, academic grant-in-aid programs, state and federal student financial aid programs and capital programs financed through both annual appropriation and general obligation bond issues and for the oversight of the Department's administrative budgets.

Mr. Hutchins also spent five years as Assistant Director of the Department's Office of Budget and Fiscal Planning and three years on its internal audit staff. He holds a B.A. degree in Economics and an MBA degree in Accounting from Temple University, Philadelphia, Pennsylvania.

Robert J. Clark, CPA, Controller, Higher Education Student Assistance Authority, is responsible for financial reporting, systems development, staff supervision and managerial oversight for the Authority's loan programs. Previous to joining the Authority in July 2001, he held various accounting positions in the financial services industry, including serving as the controller of an institutional securities broker dealer and mutual fund management firm. He also has experience as an auditor for a big four CPA firm. He holds an MBA degree in Business Administration from Temple University and a Bachelor of Business Administration degree in Accounting from the Wharton School of the University of Pennsylvania. He is a member of the American Institute of Certified Public Accountants.

Marnie B. Grodman, Esquire, Director of Legal and Governmental Affairs, Higher Education Student Assistance Authority, joined the Authority in May 2005. She is responsible for providing legal analysis, advice and opinions on all issues affecting the Authority, monitoring Federal and State legislation impacting the Authority and ensuring regulatory compliance, including FFELP and NJCLASS regulations. Previously, Ms. Grodman was an associate in the litigation department at a large law firm in Woodbridge, New Jersey. Ms. Grodman is a graduate of the University of Pennsylvania Law School and Binghamton University, where she received a B.A. degree in Political Science.

Joel S. Mayer, Esq., CCEP, Chief Compliance Officer, Higher Education Student Assistance Authority, joined the Authority in December 2007. He is responsible for ensuring the Authority's strict compliance with applicable Federal and State regulations, statutes, directives and other associated authority. Mr. Mayer designed and implemented the Authority's compliance program and is responsible for its day-to-day supervision including providing guidance, advice and directives regarding the interpretation of applicable laws and regulations including, but not limited to, FFELP regulations under the Federal Higher Education Act of 1965, as amended. Mr. Mayer conducts training sessions for Authority staff on the Authority's Code of Conduct, Best Practices Guide and compliance program. Prior to joining the Authority, Mr. Mayer was engaged in the practice of law for 19 years as a sole practitioner in his own law firm where he focused primarily on the defense of serious criminal matters. The majority of Mr. Mayer's legal experience was as an Assistant Prosecutor with the Atlantic County Prosecutor's Office for 11 years where he supervised the Narcotics Strike Force and was Deputy Chief of the Computer Crimes Unit. He obtained his law degree at Pepperdine University in 1987 and a bachelor's degree in political science and in psychology from Syracuse University in 1984. Mr. Mayer has been designated a Certified Compliance and Ethics Professional, one of only 412 such designees in the country as of July 2008. Mr. Mayer has indicated to Authority management that he will be accepting a new position as of July 1, 2014, and will be leaving his Authority position prior to that date. Upon his departure, Marnie Grodman, Authority Director of Legal and Governmental Affairs will also serve as Acting Chief Compliance Officer until a permanent replacement has been identified.

Authority's Experience With the NJCLASS Loan Program

In September 1991 the Authority began originating loans under the NJCLASS Loan Program. As of February 28, 2014, the Authority had received approximately 327,000 applications for NJCLASS Loans and had originated approximately 266,400 NJCLASS Loans having an aggregate principal amount of \$3,273,530,796. Approximately 153,700 active NJCLASS Loans having an aggregate principal amount of \$2,042,515,478 were outstanding as of this date. The Authority is functioning as the lender and servicer of all of the NJCLASS Loans.

The majority of NJCLASS Loans (approximately 215,547) were made to independent undergraduates (with credit worth cosigners), approximately 37,206 NJCLASS Loans were made to parents of undergraduate college students, and approximately 15,773 NJCLASS Loans were made to graduate students. In addition, 15,173 of these existing NJCLASS Loans have been consolidated under the NJCLASS Consolidation Loan Program.

Standard NJCLASS Loan Program

The Standard NJCLASS Loan Program was enacted in 1991. To date, this is the largest portion of the portfolio, and is considered the main loan program.

A portion of the proceeds of the Series 2014-1 Bonds, together with other available Authority funds, in the approximate amount of \$_____, will be used to finance Standard NJCLASS Loans (including Fixed Rate Ten Year Option 1 Loans in a not-to-exceed amount of \$25,000,000 (of which up to \$5,000,000 may be transferred from the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account to the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account and used to Originate 15-year Option 1 Loans) and Variable Rate Ten Year Option 1 Loans in a not-to-exceed amount of \$25,000,000). Ten Year Option 1 Loans are Option 1 Loans which are Standard NJCLASS Loans with either a fixed rate of interest for a loan term not-to-exceed ten years or a variable rate of interest (Three-Month LIBOR plus 4.25%, but subject to a 9.50% maximum rate) for a loan term not-to-exceed ten years and which satisfy the credit criteria set forth in Schedule C of the Third Supplemental Indenture. See "THE LOAN FINANCE PROGRAM" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Third Supplemental Indenture--Schedule C)" hereto for a description of the applicable credit criteria.

NJCLASS Loan Consolidation Program

The Authority initiated, effective June 1, 2005, the NJCLASS Loan Consolidation Program and used a portion of the proceeds of its Student Loan Revenue Bonds issued in 2002, 2004, 2005, 2006, 2007, 2010, 2011, 2012, and 2013 to make loans to existing eligible NJCLASS borrowers to consolidate their existing NJCLASS Loans into a single, fixed rate NJCLASS consolidation loan (the "NJCLASS Consolidation Loans"). A portion of the proceeds of the Series 2014-1 Bonds, in a not-to-exceed amount of \$35,000,000 (excluding any amounts transferred from the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account allowing up to \$41,000,000 of NJCLASS Consolidation Loans), will be used to finance NJCLASS Consolidation Loans. See "THE LOAN FINANCE PROGRAM" herein for a further description of the program and applicable credit criteria.

NJCLASS Graduate/Professional Loan Program

In June 2006, the Authority began offering the NJCLASS Graduate/Professional Loan Program as fixed rate student loans to eligible graduate/professional school borrowers. The Authority used a portion of the proceeds of its Student Loan Revenue Bonds issued in 2006, 2007, 2009, 2010, 2011, 2012, and 2013 to finance Graduate/Professional NJCLASS Loans. A portion of the proceeds of the Series 2014-1 Bonds, in a not-to-exceed amount of \$6,000,000, will be used to finance Graduate/Professional NJCLASS Loans. See "THE LOAN FINANCE PROGRAM" herein for a further description of the program and applicable credit criteria.

NJCLASS Medical/Dental Student Loan Program

In June 2009, the Authority initiated a loan program targeted to assist students attending medical schools and dental schools. The program makes loans available to New Jersey residents attending medical schools and dental schools and any students attending New Jersey medical schools or dental schools who are studying allopathic or osteopathic medicine or dentistry and working toward a MD, OD, DDS or DMD degree. The program is designed to offer specific deferment and repayment terms designed to meet the needs and training requirements for students in this career. The Authority used a portion of the proceeds of its Student Loan Revenue Bonds issued in 2009, 2010 and 2011 for this purpose. No portion of the Series 2014-1 Bonds will be used to finance NJCLASS Medical/Dental Student Loans. See "THE LOAN FINANCE PROGRAM" herein for a further description of the program and applicable credit criteria.

Outstanding Indebtedness of the Authority

The Authority has previously issued (i) 33 series of its Student Loan Revenue Bonds in the aggregate original principal amount of \$1,705,000,000 under the 1998 Indenture; (ii) one series of its Student Loan Revenue Bonds in the original principal amount of \$350,000,000 under the Indenture of Trust, dated as of August 1, 2008, as supplemented (the "2008 Indenture"); (iii) one series of its Student Loan Revenue Bonds in the original principal amount of \$450,000,000 under the Indenture of Trust, dated as of June 1, 2009 (the "2009 Indenture"); (iv) two series of its Student Loan Revenue Bonds in the aggregate original principal amount of \$713,000,000 under the Indenture of Trust, dated as of January 1, 2010, as supplemented (the "2010-1 Indenture"); (v) one series of its Student Loan Revenue Bonds in the original principal amount of \$145,000,000 under the Indenture of Trust, dated as of May 1, 2010 (the "2010-FFELP Indenture"); and (vi) two series of its Student Loan Revenue Bonds in the aggregate original principal amount of \$606,500,000 under the Indenture of Trust, dated as of June 1, 2010 (the "2010-2 Indenture"; the 1998 Indenture, the 2008 Indenture, the 2009 Indenture, the 2010-1 Indenture, the 2010-FFELP Indenture and the 2010-2 Indenture are hereinafter collectively, referred to as the "Prior Indentures"). As of February 28, 2014, \$1,834,020,000 of the Authority's Student Loan Revenue Bonds were outstanding under the Prior Indentures.

The Series 2014-1 Bonds are not secured by the assets and funds pledged under the other Prior Indentures. The Authority has previously issued its Series 2012-1 Bonds and Series 2013-1 Bonds under the 2012 Indenture. See "INTRODUCTION" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of proceeds of the Series 2014-1 Bonds and other available Authority funds:

Estimated Sources:

Principal Amount of Series 2014-1 Publicly Offered Bonds.....	\$
Net Original Issue Premium	
Principal Amount of Series 2014-1 Directly Purchased Bonds ⁽¹⁾	25,000,000
Other Available Authority Funds	_____
Total Sources.....	\$ _____

Estimated Uses:

Deposit to 2014-1 NJCLASS Fixed Rate Standard Student Loan Account of Student Loan Fund	\$
Deposit to 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account of Student Loan Fund	
Deposit to 2014-1 NJCLASS Variable Rate Standard Student Loan Account of Student Loan Fund	25,000,000
Deposit to 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account of Student Loan Fund	
Deposit to 2014-1 Consolidation Loan Account of Student Loan Fund	
Deposit to 2014-1 Capitalized Interest Account	
Deposit to 2014-1 Debt Service Reserve Account	
Costs of Issuance ⁽²⁾	_____
Total Uses.....	\$ _____

⁽¹⁾ The Series 2014-1 Directly Purchased Bonds have been purchased by Banc of America Preferred Funding Corporation, pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014. The Series 2014-1 Directly Purchased Bonds mature on December 1, 2023 and interest thereon is payable quarterly for each Interest Accrual Period, other than the first Interest Accrual Period, at a rate equal to the applicable Three-Month LIBOR, plus 1.50% (but in no event greater than 8.00%) as calculated by the Trustee. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Third Supplemental Indenture – SCHEDULE B-2 – FORM OF SENIOR SERIES 2014-1A-2 BOND)" hereto. **The Series 2014-1 Directly Purchased Bonds are not being offered by means of this Official Statement.**

⁽²⁾ May include, at the Authority's election, all or a portion of the costs and expenses incurred in connection with the authorization, issuance and delivery of the Series 2014-1 Bonds, including Underwriters' and Direct Purchaser's discount, rating agency fees, legal fees, Trustee's fees, financial advisory fees, and printing fees.

THE LOAN FINANCE PROGRAM

General

The NJCLASS Loan Program is a program of the Authority established to offer a supplemental source of loan funds to assist New Jersey students and their parents, spouses or other relatives providing financial support in meeting the costs of the students' education at an eligible institution located within or outside the State. The Authority administers the NJCLASS Loan Program in accordance with the rules and regulations (the "Administrative Rules") promulgated by the Authority.

The FFEL Program is a program of reinsurance of FFELP Loans guaranteed or insured by a state agency such as the Authority or by a private non-profit corporation. All of the proceeds of the Series 2014-1 Bonds will be used to make or acquire NJCLASS Loans. Accordingly, the discussion of the Authority's Loan Finance Program under this caption primarily relates to the NJCLASS Program. However, the 2012 Indenture permits the Authority to issue Additional Bonds on a parity with the Senior Bonds (including, but not limited to, the Senior Series 2014 Bonds) and Subordinate Obligations on a parity with the Subordinate Bonds (including, but not limited to, the Subordinate Series 2014 Bonds) payable on a subordinate basis to the related Series of Senior Bonds (in either case, provided the Parity Percentage would be at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations) under the 2012 Indenture to acquire Student Loans, including NJCLASS Loans originated with proceeds of bonds issued pursuant to the 1998 Indenture, the 2008 Indenture, 2009 Indenture, 2010-1 Indenture and 2010-2 Indenture.

The Authority has historically made four types of NJCLASS Loans to eligible borrowers as follows: Standard NJCLASS Loans; Graduate/Professional NJCLASS Loans; NJCLASS Medical/Dental Student Loans, and NJCLASS Consolidation Loans.

The Standard NJCLASS Loan program was the original loan program enacted in 1991 and was previously referred to as the Fixed Rate NJCLASS Loan. To date, this is the largest portion of the portfolio, and is considered the main loan program. Approval is based upon minimum income and credit criteria. A portion of the proceeds from the sale of the Series 2014-1 Bonds will be used to originate or acquire Standard NJCLASS Loans (including Fixed Rate Ten Year Option 1 Loans (as hereinafter defined and described below) in a not-to-exceed amount of \$25,000,000 (of which up to \$5,000,000 may be transferred from the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account to the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account and used to Originate 15-year Option 1 Loans) and Variable Rate Ten Year Option 1 Loans (as hereinafter defined and described below) in a not-to-exceed amount of \$25,000,000).

The Graduate/Professional NJCLASS Loan program was initiated as the Variable Rate NJCLASS Loan in 1997 and was available only to students in graduate and professional degree programs at eligible institutions. Beginning with the 2006-2007 origination cycle, the Authority ceased originating Variable Rate NJCLASS Loans. In June 2006, the Authority began originating these loans as the NJCLASS Graduate/Professional Loan Program which are fixed rate student loans made to eligible students in graduate and professional degree programs at eligible institutions. To obtain approval for the Graduate/Professional NJCLASS Loan, student-

borrowers must have satisfactory credit history. Variable Rate NJCLASS Loans originated prior to the 2006-2007 origination cycle remain in effect as variable rate loans. The Authority will originate Graduate/Professional NJCLASS Loans with a portion of the proceeds of the Series 2014-1 Bonds deposited into the Student Loan Fund established pursuant to the 2012 Indenture (in a not-to-exceed amount of \$6,000,000).

In June 2005, the Authority initiated the NJCLASS Loan Consolidation Program to provide borrowers with higher loan balances an opportunity to obtain a longer repayment term, a lower monthly payment plan and a fixed interest rate loan. A borrower on the underlying loan must be one of the borrowers on the Consolidation Loan. Only NJCLASS Loans may be included in the consolidation (no other private loans are refinanced). Students must be no longer enrolled at the time of the consolidation. NJCLASS Consolidation Loans require a creditworthiness test and a minimum income level for approval. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Third Supplemental Indenture--Schedule C)" hereto for a description of the credit criteria. The Authority will originate NJCLASS Consolidation Loans with a portion of the proceeds of the Series 2014-1 Bonds deposited into the Student Loan Fund established pursuant to the 2012 Indenture (in a not-to-exceed amount of \$35,000,000 (excluding any amounts transferred from the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account allowing up to \$41,000,000 of NJCLASS Consolidation Loans)).

In June 2009, the Authority initiated a program to originate NJCLASS Medical/Dental Student Loans which are fixed rate loans for New Jersey students attending medical school or for students attending medical school in New Jersey who are pursuing a degree in allopathic, osteopathic, or dental medicine and working toward a MD, DO, DDS or DMD degree. The program is known as the "NJCLASS Medical/Dental Student Loan Program," and provides longer repayment terms and deferment options to address the specialized training requirements for these students. The eligibility criteria for this loan program mirrors the eligibility criteria used for the NJCLASS Graduate/Professional Loan Program. No portion of the proceeds of the Series 2014-1 Bonds will be used to originate NJCLASS Medical/Dental Student Loans.

The Authority has also adopted regulations permitting a fifth type of NJCLASS Loan referred to as the NJCLASS Postgraduate Loan to cover bar examination and medical/dental residency and relocation expenses of eligible borrowers. However, the Authority has not offered this type of loan to borrowers and does not plan to do so with proceeds of the Series 2014-1 Bonds.

In 2010, the Authority initiated a new Standard NJCLASS Loan option to originate 10-year fixed rate NJCLASS Student Loans for New Jersey students and families or for students attending school in New Jersey (the "Fixed Rate Ten Year Option 1 Loan Program"). These Student Loans (known as Fixed Rate Ten Year Option 1 Loans) offer only Option 1 repayment (immediate payment of principal and interest) following disbursement of the Student Loan. Only limited deferment or forbearance options are permitted under the terms of the Fixed Rate Ten Year Option 1 Loans. The Authority will originate Fixed Rate Ten Year Option 1 Loans with a portion of the proceeds of the Series 2014-1 Bonds deposited into the Student Loan Fund established pursuant to the 2012 Indenture (in a not-to-exceed amount of \$25,000,000 (of which up to \$5,000,000 may be transferred from the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account to the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account and used to Originate 15-year Option 1 Loans)).

Effective upon issuance of the Series 2014-1 Directly Purchased Bonds, the Authority will initiate an additional Standard NJCLASS Loan option to originate 10-year variable rate NJCLASS Student Loans for New Jersey students and families or for students attending school in New Jersey (the "Variable Rate Ten Year Option 1 Loan Program"). These Student Loans (known as Variable Rate Ten Year Option 1 Loans) offer only Option 1 repayment (immediate payment of principal and interest) following disbursement of the Student Loan. Only limited deferment or forbearance options are permitted under the terms of the Variable Rate Ten Year Option 1 Loans. The Authority will originate Variable Rate Ten Year Option 1 Loans with a portion of the proceeds of the Series 2014-1 Bonds deposited into the Student Loan Fund established pursuant to the 2012 Indenture (in a not-to-exceed amount of \$25,000,000, including additional Variable Rate Ten Year Option 1 Loans made from Recoveries of Principal during the Recycling Period), without prior written notice to the Rating Agencies such that in the aggregate at no time shall there be more than \$25,000,000 Variable Rate Ten Year Option 1 Loans outstanding.

From and after issuance of the Series 2014-1 Bonds, the Authority plans to originate or acquire 2014-1 NJCLASS Loans with a portion of the proceeds of the Series 2014-1 Bonds deposited into the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, the 2014-1 NJCLASS Variable Rate Standard Student Loan Account, the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or the 2014-1 Consolidation Loan Account within the Student Loan Fund established pursuant to the 2012 Indenture. In future academic years, the Authority may issue Additional Bonds pursuant to a Supplemental Indenture for the purpose of originating Standard NJCLASS Loans (including Fixed Rate Ten Year Option 1 Loans and Variable Rate Ten Year Option 1 Loans), Graduate/Professional NJCLASS Loans, NJCLASS Consolidation Loans, NJCLASS Medical/Dental Student Loans and/or NJCLASS Postgraduate Loans with the proceeds of such Additional Bonds, subject to the delivery to the Trustee of a Rating Agency Condition from each Rating Agency.

Eligible Institutions

The Act which established the NJCLASS program provides that unless restricted by the Authority by regulations, "eligible institution" means an institution of higher education licensed by the appropriate agency or department and accredited or pre-accredited by a nationally recognized accrediting association. Under the current Administrative Rules, the definition of "eligible institution" includes certain proprietary institutions that offer degree granting programs approved by the New Jersey Commission on Higher Education, as well as non-degree granting proprietary institutions that already participate in the Federal Title IV programs. The Administrative Rules currently limit participation to institutions with a 2-year cohort default rate of 20% or less for Standard NJCLASS Loans. As the federal government now provides 3-year cohort default rates instead of 2-year cohort default rates, the Authority is proposing regulatory amendments to limit participation to institutions with a 3-year cohort default rate of 25% or less for the Standard NJCLASS Loans and 15% or less for Graduate/Professional NJCLASS Loans.

Eligible Borrowers

To qualify as an eligible borrower under any of the NJCLASS Loan Programs an applicant must: (i) be a citizen, national or legal resident of the United States or be in the United States for other than temporary purposes and intend to become a permanent resident; (ii) not owe

a grant refund, be in default on a student loan, have had a student loan discharged in default, have a student loan written off as uncollectible, or be in violation of any of the other criteria for determining creditworthiness or have adverse credit, as applicable, as outlined in the Administrative Rules; (iii) provide an acceptable co-signer if it is determined by the Authority that one is required; and (iv) in the event that a NJCLASS Loan was previously canceled due to the applicant's total and permanent disability, obtain a certification from a physician that the applicant's condition has improved and that the applicant is able to engage in substantial gainful activity and sign a statement acknowledging that the new NJCLASS Loan received cannot be canceled on the basis of any present impairment.

In addition, the student shall, unless otherwise restricted by the Authority by regulation: (i) be a New Jersey resident enrolled on at least a half-time basis as an undergraduate or graduate student in an eligible institution in New Jersey; (ii) be a New Jersey resident enrolled on at least a half-time basis as an undergraduate or graduate student in an eligible institution outside of New Jersey; or (iii) reside outside the State and be enrolled on at least a half-time basis as an undergraduate or graduate student in an eligible institution in New Jersey. The Administrative Rules further require that a student shall: (i) be a citizen, national or legal resident of the United States or be in the United States for other than temporary purposes and intending to become a permanent resident as evidenced by Immigration and Naturalization Service Documentation; (ii) have a high school diploma or a high school equivalency certificate; (iii) be enrolled or accepted for enrollment on at least a half-time basis in an eligible institution; (iv) if currently enrolled in an eligible institution, be determined by the school to be making satisfactory academic progress in a degree or certificate program; and (v) if applying for a NJCLASS Loan financed in whole or in part by qualified student loan bonds, as described in Section 144(b) of the Internal Revenue Code of 1986, as amended (the "Code"), have met the eligibility criteria described in that Section of the Code or have not violated any other criteria which would adversely affect the status of such bonds under Section 144(b) of the Code.

Origination Process for Standard NJCLASS Loans (Including Ten Year Option 1 Loans)

The origination process for NJCLASS Loans is a cooperative effort among the Authority, Eligible Schools and Eligible Borrowers.

Application Process. The Authority hosts secure web-based applications for each of the loan programs. The application is used to determine the applicant's eligibility and creditworthiness. All of the NJCLASS Loan programs, except for the NJCLASS Loan Consolidation Program, require a school certification from the financial aid office. The borrower must complete the Private Education Loan Self-Certification form required for all private educational loans. All applicants must acknowledge the application disclosures required by the Truth in Lending Act for Private Education Loans.

Credit Underwriting Criteria. Credit preapproval for a Fixed Rate NJCLASS Loan requires a minimum income and acceptable credit score. Credit scoring is a comparable process and greatly reduces the amount of paper that the borrower is required to provide and speeds up the approval process. Credit scoring has become the industry standard for approving consumer debt. Applicants who do not meet the income requirement or have credit scores that fall below a minimum threshold must apply with a creditworthy co-signer.

School Certification Required. All of the NJCLASS Loan programs, except the NJCLASS Loan Consolidation Program, require a certification by the financial aid office of the student's eligibility, enrollment status, loan amount, disbursement dates and amounts. The financial aid office at the student's school will be required to certify: (i) whether the student is currently enrolled on at least a half-time basis or has been accepted for enrollment on at least a half-time basis; (ii) if applicable, whether the applicant is making satisfactory academic progress; (iii) the loan amount based on cost of attendance minus estimated financial aid; and (iv) whether the student has filed all financial aid information required by the school to determine the student's eligibility for Federal Stafford Loans and has applied for Federal Stafford Loans if eligible. Students are required to borrow the subsidized portion of the Stafford loan, if eligible, or the school must decrease the NJCLASS loan amount certification by that amount.

The approved loan amount may not exceed the difference between the student's total cost of attendance at the Eligible School for the academic year for which the loan is requested and other forms of student assistance for which the student may be eligible, excluding Federal Plus Loans and Health Education Assistance Loans.

Determination of Approved Loan Amount. All NJCLASS Loans are reviewed by the Authority in accordance with all eligibility requirements. The final approval is based upon both the credit preapproval and the school's certification. The approved loan amount is the lesser of the borrower's requested amount or the school's determination of eligibility. The Authority reserves the right to approve an amount that is less than either the borrower's requested amount or the school certified amount. The minimum loan amount for all NJCLASS Loan programs, except NJCLASS Consolidation Loans, is \$500. The Authority will notify the applicant and the Eligible School as to whether the applicant has been approved and, if so, in what amount. The Authority generates a Loan Offer disclosure in accordance with provisions of the Truth in Lending Act. The borrower has 30 days to accept the offer. During this period, no modifications are permitted to the loan terms.

E-Sign Process. The Authority's electronic signature ("E-sign") process was designed and implemented to assure that e-signed promissory notes resulting from the NJCLASS application process (also conducted remotely via secure internet protocol) provide the Authority with assurances that all reasonable and necessary steps are taken to assure that the Authority holds a secured first lien interest in such promissory note and that the entire process, inclusive of borrower/co-borrower ceremony, file transfer, affixed e-signature and secure storage of a copy of the promissory note with the Trustee provide appropriate verification of the borrower/co-borrower, an unbroken and provable chain of custody, an unalterable record of the e-sign process and an unalterable promissory note all sufficient to satisfy any court of competent jurisdiction of the credibility of the process and authenticity of the e-signed promissory note. Prior to instituting its E-sign process, the Authority sought independent legal advice from nationally recognized experts in e-commerce process and e-litigation and implemented those controls and procedures identified by the e-commerce experts to assure compliance with applicable statutory law (such as the Electronic Signatures in Global and National Commerce Act ("ESIGN"), the New Jersey Uniform Electronic Transactions Act ("NJ UETA")) and evidentiary principles applicable to the Federal Courts and New Jersey State Courts.

Based upon independent and detailed analysis of the Authority's NJCLASS E-sign process with regard to applicable legal requirements, the Authority's E-sign process results in loan documents, consent, and XML data transaction records that satisfy the definition of

"electronic records" under both ESIGN and NJ UETA necessary to securitize the loans. Moreover, the E-sign process procedures capture signatures within ESIGN and NJ UETA, and the procedures surrounding the capture of those signatures adequately capture borrower/co-borrower intent, authentication and attribution. In addition, adequate controls are in place ensuring that loan documents are unalterable subsequent to initial execution and remain unalterable through Secure File Transfer Protocol (SFTP) to Wells Fargo Bank, National Association, as custodian. The entirety of the Authority's NJCLASS E-sign process complies with all regulatory requirements pursuant to the Truth In Lending Act also known as "Regulation Z" (15 U.S.C. 1601 *et seq.*).

Loan Disbursement. In accordance with the Truth in Lending disclosures required for Private Education Loans, the Authority generates a Pre-disbursement Loan Disclosure statement to all parties to the loan. The borrower is provided a 3-day right to rescind period and no disbursements are permitted until after the rescission period has expired. The Authority disburses NJCLASS Loans in either one disbursement or multiple disbursements. Disbursements are made via Electronic Funds Transfer ("EFT") or paper check, depending upon the school's preference. EFT Funds are sent directly to the school. Check disbursements where the student is the borrower are co-payable the borrower and the school and sent directly to the school. Non-student borrower checks are disbursed directly to the borrower; however, the school is notified when the check is released. NJCLASS Loans may be canceled without penalty or interest after disbursement if the funds are returned to the Authority within sixty (60) days of the disbursement date.

Student Loan Terms

Student Eligibility and Credit Underwriting Criteria. The Authority's eligibility requirements for Standard NJCLASS Loans include that the borrower and co-signer (if necessary) must meet the NJCLASS Loan Program eligibility criteria described above under the heading " – Eligible Borrowers" and one of the borrower(s) and/or cosigner(s) must demonstrate creditworthiness with a FICO credit score of 670 or greater. In addition, the current minimum income restriction is \$40,000. Borrowers and cosigners applying for a Fixed Rate NJCLASS Loan and NJCLASS Consolidation Loans that have a FICO credit score between 670 and 699 must meet a detailed satisfactory credit history review as reported on a standard credit report. Borrowers and co-signer with FICO of 700 or greater will be pre-approved. Pursuant to the Third Supplemental Indenture, the Authority may not originate 2014-1 NJCLASS Loans with a FICO credit score less than 670 (except for Graduate/Professional NJCLASS Loans which do not need to meet the FICO criteria).

Loan Payment Options. The Eligible Borrowers for NJCLASS Loans of all types, excluding NJCLASS Consolidation Loans, may request one of three payment options: (i) to pay principal and interest monthly immediately upon disbursement ("Option 1 Loans"); (ii) to pay only interest monthly while the student is in school at least half-time and thereafter pay principal and interest monthly ("Option 2 Loans"); or (iii) to defer principal and interest payments while the student is in school at least half-time and thereafter pay principal and interest monthly ("Option 3 Loans"). For Option 3 Loans, other than NJCLASS Medical/Dental Student Loans, deferred interest payments are capitalized and added to the original loan principal balance annually on December 31 of each year. For certain Series of the Authority's student loan revenue bonds, Option 3 Loans are subject to certain limits on availability (unless the Authority

delivers to the Trustee a Rating Agency Condition from Moody's and provides twenty (20) days prior written notice to S&P). For purposes of the Series 2014-1 Bonds, the amount of originations for Option 3 Loans are limited to up to \$35,000,000, unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and provides twenty (20) days prior written notice to S&P. Option 3 Loans will carry an interest rate that is higher than Option 1 and Option 2 loans. The Fixed Rate Ten Year Option 1 Loan will carry an interest rate that is lower than the 15-year Option 1 loans. The Variable Rate Ten Year Option 1 Loans will be financed with the proceeds of the Series 2014-1 Directly Purchased Bonds and will carry an interest rate equal to 3-Month LIBOR plus 4.25%, but subject to a 9.50% maximum rate, determined quarterly.

Standard NJCLASS Loans (excluding Fixed Rate Ten Year Option 1 Loans, Variable Rate Ten Year Option 1 Loans and Option 3 Loans) must be repaid within fifteen (15) years of the first loan disbursement, inclusive of any authorized period of forbearance or deferment for Option 1 Loans and Option 2 Loans. Option 3 Loans must be repaid within twenty (20) years of the first loan disbursement, inclusive of any authorized period of forbearance or deferment. Fixed Rate Ten Year Option 1 Loans and Variable Rate Ten Year Option 1 Loans must be repaid within ten (10) years of the first loan disbursement, inclusive of any authorized period of forbearance or deferment. Interest rates for Standard NJCLASS Loans will be either (i) fixed based on market rates at the time of issuance and will increase by 0.75% (75 basis points) beginning with the borrower's forty-ninth (49th) month of principal repayment with respect to Option 1 and Option 2 Loans and the borrower's thirteenth (13th) month of principal repayment with respect to Option 3 Loans (full deferral) or (ii) variable, solely with respect to the Variable Rate Ten Year Option 1 Loans, determined quarterly based on 3-Month LIBOR plus 4.25%, but subject to a 9.50% maximum rate.

Graduate/Professional NJCLASS Loans must be repaid within twenty-five (25) years of the first loan disbursement, inclusive of any authorized period of forbearance or deferment. Interest rates for Graduate/Professional NJCLASS Loans are fixed based on market rates at the time of issuance and will increase by 0.75% (75 basis points) beginning with the borrower's forty-ninth (49th) month of principal repayment with respect to each option type.

NJCLASS Consolidation Loans must be repaid within twenty-five (25) or thirty (30) years of the first loan disbursement, inclusive of any authorized period of forbearance or deferment.

The Administrative Rules applicable to NJCLASS Loans made after August 31, 1998 make the minimum acceptable monthly payment the amount required to fully repay a NJCLASS Loan in the maximum repayment period; however, the minimum acceptable monthly payment would not be less than \$50 per borrower for all of that borrower's NJCLASS Loans. For NJCLASS Loans in monthly interest-only payment, the minimum acceptable monthly payment is not less than \$10.00 per NJCLASS Loan. There is no penalty for prepayment of a NJCLASS Loan.

An Administrative Fee equal to three percent (3%) of the original principal amount of each 2014-1 NJCLASS Loan (except for Variable Rate Ten Year Option 1 Loans and NJCLASS Consolidation Loans) will be deducted from the loan check prior to disbursement. No Administrative Fee will be charged by the Authority on Variable Rate Ten Year Option 1 Loans. A one percent (1%) fee is added to the principal balance of NJCLASS Consolidation Loans.

The Authority is required by the 2012 Indenture to deposit into the Student Loan Fund, from the Administrative Fee it receives for each Student Loan (except for NJCLASS Consolidation Loans) an amount equal to two percent (2%) of the original principal amount (exclusive of deferred interest which may be added to principal) of each NJCLASS Loan originated with proceeds of the 2014-1 Bonds.

Deferments. The Authority will, upon receipt of required documentation, defer repayment of NJCLASS Loans in certain circumstances. Only the following six deferments are currently available: (i) full-time or half-time study; (ii) unemployment, (iii) service in an eligible internship or residency; (iv) active duty in the Armed Forces; (v) Peace Corps; and (vi) temporary total disability. In addition, the Authority is authorized to determine the maximum allowable time periods for each type of deferment. In any event, periods of authorized deferment do not extend the maximum loan repayment terms for NJCLASS Loans. The borrower must submit a request for deferment and provide documentation supporting his/her request and his/her NJCLASS Loan account must be current. During periods of deferment, borrowers are permitted to make quarterly or monthly interest-only payments (in accordance with the promissory note terms and conditions) and defer payment of principal. Under the terms of the Fixed Rate Ten Year Option 1 Loan Program and the Variable Rate Ten Year Option 1 Loan Program, only limited deferment options are permitted. The Authority reserves the right to permit borrowers to defer payment of principal and interest during periods of deferment. In all cases, interest that accrues is the responsibility of the borrower and, if not paid during the deferment period, any accrued interest is capitalized.

Under the Servicemembers Civil Relief Act, loans entered into by persons on active duty in military service prior to their period of active duty may bear interest at no more than six percent (6%) per year for the period of such person's active service. Accordingly, payments received by the Authority on NJCLASS Loans to a borrower who qualifies for such relief may be subject to such limitation during the borrower's period of active military duty.

Forbearance. Forbearance may be granted at the sole discretion of the Authority in cases where, because of temporary hardship or recent graduation status, a borrower is willing but unable to pay in accordance with the repayment schedule. Forbearance would not be authorized when the borrower is unwilling to pay. The borrower must submit a request for forbearance and provide other documentation supporting his/her request and his/her NJCLASS Loan account must be current. Upon receipt of a written request for forbearance of the principal payment from the Eligible Borrower or co-signer, forbearance will be granted for a period of time at the discretion of the Authority. In any event, periods of authorized forbearance do not extend the maximum loan repayment terms for NJCLASS Loans. During periods of forbearance, borrowers are permitted to make quarterly or monthly interest-only payments (in accordance with the promissory note terms and conditions) and defer payment of principal. Under the terms of the Fixed Rate Ten Year Option 1 Loan Program and the Variable Rate Ten Year Option 1 Loan Program, only limited forbearance options are permitted. The Authority reserves the right to permit borrowers to defer payment of principal and interest during periods of forbearance. In all cases, interest that accrues is the responsibility of the borrower and, if not paid during the forbearance period, any accrued interest is capitalized.

Death, Disability and Bankruptcy. If an Eligible Borrower dies or becomes totally and permanently disabled, the Authority may pursue any co-borrower or co-signer for repayment of the loan. See "Loan Servicing – Defaults; and - Collections on Defaulted Loans – Authority

Enforcement Procedures" herein. If a petition for relief under Chapter 7 of the Bankruptcy Code has been filed by the Eligible Borrower, the Authority will seek collection from the co-signer. However, the Eligible Borrower will remain liable on the NJCLASS Loan to the extent the NJCLASS Loan is not discharged in bankruptcy or paid by the co-signer. It should be noted that BAPCPA preserved the changes made in the 1998 amendments to the Bankruptcy Code which had removed one of the two exceptions to non-dischargeability of student loans making it more difficult to discharge a NJCLASS Loan in bankruptcy. BAPCPA also makes clear that included within the meaning of educational loan (as used in the Bankruptcy Code) is a "qualified education loan, as defined in Section 221(d)(1) of the Code, incurred by a debtor who is an individual."

Rehabilitation. Although the Authority does not currently offer a NJCLASS rehabilitation loan program, it reserves the right to do so in the future. The Authority has adopted amendments to its Administrative Rules which provide it with the ability to offer a borrower who has defaulted on a NJCLASS Loan the ability to rehabilitate the loan and remove the loan from default status after the borrower has made one voluntary full payment each month for 12 consecutive months. For this purpose, "full payment" means a payment agreed to by the borrower and the Authority, but not less than \$50. The rehabilitated NJCLASS Loan shall have the same maximum repayment period as the NJCLASS Loan prior to default. A borrower who wishes to rehabilitate a loan on which a judgment has been entered will be required to sign a new promissory note.

NJCLASS Loan Consolidation Program

In June 2005, the Authority initiated a NJCLASS Loan Consolidation Program. The NJCLASS Loan Consolidation Program allows eligible NJCLASS borrowers to consolidate their existing NJCLASS Loans into a single, fixed interest rate NJCLASS consolidation loan ("NJCLASS Consolidation Loan"). The NJCLASS Consolidation Loan offers an extended repayment term, which results in reduced monthly payments.

The repayment term is based on the total amount of the NJCLASS Consolidation Loan at the time of approval. A NJCLASS Consolidation Loan with an initial principal amount under or equal to \$59,999 receives a 25-year repayment term. A NJCLASS Consolidation Loan with an initial principal amount equal to or exceeding \$60,000 receives a 30-year repayment term.

To be eligible for a NJCLASS Consolidation Loan, the borrower must consolidate at least \$30,000 in unpaid principal (including any deferred interest added to principal) of two or more outstanding NJCLASS Loans; the loans must be in monthly repayment status, payments must be current and the student for which the loans were obtained must be out of school (graduate or withdrawn). In addition, the borrower must meet minimum income and creditworthiness requirements. Creditworthy co-signers may be required. To obtain a NJCLASS Consolidation Loan, the borrower or the co-borrower on the NJCLASS Consolidation Loan must be the borrower or co-borrower on each of the underlying loans being consolidated. However, in the case of married persons, domestic partners (as defined in P.L. 2003, c.246, codified at *N.J.S.A.* 26:8A-1 *et seq.*) or civil union couples (as defined in P.L. 2006, c.103, codified at *N.J.S.A.* 37:1-28 *et seq.*), either person may be the borrower or co-borrower of the loans to be consolidated.

The interest rate on the NJCLASS Consolidation Loan is a weighted average fixed rate, based on the weighted average interest rate of the underlying loans being consolidated. The weighted average interest rate of each underlying loan is determined by blending the applicable initial and step-up interest rates, based on the number of scheduled billing periods remaining to the end of the loan term, rounded up by 0.25%. If the interest rate of the underlying loan currently reflects the step-up interest rate, the step-up interest rate is used solely in the calculation. If a Variable Rate NJCLASS Loan is being included in the consolidation, the applicable fixed interest rate for the academic year in which the underlying Variable Rate NJCLASS Loan was disbursed is used in the calculation of the weighted average interest rate. If a Fixed Rate Ten Year Option 1 Loan or a Variable Rate Ten Year Option 1 Loan is being included in the consolidation, the applicable fixed interest rate for a 15-year or 20-year Option 1 Loan for the academic year in which the underlying Ten Year Option 1 Loan was disbursed is used in the calculation of the weighted average interest rate.

For any terms and conditions not specifically developed for the NJCLASS Loan Consolidation Program, the Authority Administrative Rules applicable to the NJCLASS Loan Program generally will apply. The Authority reserves the right to make modifications to the NJCLASS Loan Consolidation Program in the future.

Loan Servicing

After disbursement, the NJCLASS Loans will be serviced by the Authority, as servicer (in such capacity, the "Servicer"). The Authority may in the future contract with a loan servicer to provide such services for any or all Student Loans financed with the proceeds of Additional Bonds issued pursuant to the 2012 Indenture. The Authority will be paid a fee to act as Servicer, which fee will be a Program Expense.

Loan Collection. Except with respect to Option 2 and Option 3 Loans, the Servicer will bill Eligible Borrowers monthly for principal and interest. With respect to an Option 2 Loan, the Servicer will bill Eligible Borrowers monthly for interest only during the in-school period and will bill Eligible Borrowers with Option 2 and 3 Loans monthly for principal and interest after a student's less than half-time enrollment, withdrawal or graduation. To assist borrowers with the transition to repayment status, the Authority initiates a number of measures to remind and counsel borrowers of their repayment obligation. Borrowers in Option 2 and Option 3 Loan repayment status are notified 60 days prior to their repayment transition. This notice reminds borrowers of the distinctions between NJCLASS Loans and Federal Stafford loans; specifically, that there is no 6-month grace period for NJCLASS Loans and that repayment begins immediately after graduation. Borrowers are assigned to a Customer Care Specialist for further assistance. Borrowers also receive repayment notification forty-five (45) days prior to their first payment due date and monthly bill statements are generated twenty (20) days prior to the payment due date. The Authority provides borrowers with a number of payment options, such as ACH payments, Western Union "Quik Collect" payments and credit card payments (via web or phone). In September 2011, the Authority began offering NJCLASS borrowers the option to make payments on their NJCLASS loans via the Authority website. Since 2010, the Authority's marketing efforts to potential borrowers has included information about the benefits of making interest payments while in school and the Authority regularly contacts borrowers in Option 3 repayments to advise them of the benefit of making payments while in school to offset the

amount of capitalized interest that accrues on the loan and the potential cost savings over the life of the loan.

If payments are not received on time, the Servicer will institute collection procedures consisting of repeated written notices to the Eligible Borrower and co-signer(s) beginning after the first 21 days of delinquency and specified intervals thereafter through the 180th day of delinquency for a NJCLASS Loan payable in monthly installments and the 240th day of delinquency for a NJCLASS Loan payable in less frequent than monthly installments. Initial telephone calls to the Eligible Borrower and co-signer(s) commence after the first 10 days of delinquency and, thereafter, occur at various intervals through the 180th day of delinquency for a NJCLASS Loan payable in monthly installments and the 240th day of delinquency for a NJCLASS Loan payable in less frequent than monthly installments. In addition, the Servicer will make reports to a national credit bureau regarding borrower delinquency and eventual default. As of February 28, 2014, the Authority was servicing approximately 77,900 borrowers under the NJCLASS Loan Program.

The Authority utilizes a variety of tools and techniques to enhance its servicing and collection efforts, including an automatic telephone dialing system to aid in its collection efforts, weekend and evening collections, and state-of-the-art web-based skip-tracing tools. The Authority is authorized by State law to initiate administrative wage garnishment action against any delinquent or defaulted NJCLASS Loan borrower or co-signer, and the Authority may initiate this process when an account becomes 90 days delinquent. Additionally, students who receive grants under the auspices of the State's Tuition Aid Grant Program may lose their State grant if their NJCLASS Loans become delinquent.

Defaults. Under the NJCLASS Loan Program, when a NJCLASS Loan payable in (i) monthly installments reaches one hundred eighty (180) days of delinquency or (ii) less frequent than monthly installments reaches two hundred forty (240) days of delinquency, the Authority will declare the NJCLASS Loan to be in default.

Collections on Defaulted Loans – Authority Enforcement Procedures. When a NJCLASS Loan becomes a Defaulted Loan, the Authority will process the Defaulted Loan for default collection. To improve collection efforts, the Authority has implemented measures such as filing suit, enforcing the New Jersey Set-Off Individual Liability Law, which allows the Authority to file a claim against State income tax refunds, property tax rebates and/or homestead rebates due defaulted borrowers and garnishing the wages of State employees and other groups of public employees. In 1997, legislation was enacted allowing the Authority to offset State lottery prize winnings in excess of \$1,000. Further amendments to the Act and wage garnishment administrative rules expanded administrative wage garnishment to include employees of private sector employers (both New Jersey and non-New Jersey based) which can be initiated against all parties on the Loan prior to default, authorized filing suit against both borrowers and co-signers, expanded information exchanges with other state agencies for collection purposes and required professional and other occupational licensing boards to define delinquent or default status as misconduct punishable by the denial, suspension or revocation of the borrower's professional or occupational license by the applicable licensing board.

Amendment of Loan Rate; Credit Criteria, Program Expense Budget

The 2012 Indenture provides that various characteristics of the Authority's NJCLASS Loan Program and the Student Loans to be made thereunder, including the permitted types of Student Loans, the deposits to various funds established under the 2012 Indenture, the interest rate to be borne by Student Loans originated or acquired with proceeds of the Series 2014-1 Bonds, the Program Expense budget and the credit criteria set forth in the 2012 Indenture to be used in evaluating loan applications, may be changed by the Authority without consent of or notice to the Bondholders. However, changes or amendments to the Loan Rate or the Credit Criteria and Program Expense budget are subject to certain conditions as described below.

Loan Rate. Any amendment to the Loan Rate is subject to the delivery to the Trustee of: (i) a Cash Flow Statement taking into account such amendment; (ii) a Bond Counsel's Opinion to the effect that the revised interest rate is authorized or permitted under the Act and the 2012 Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2014-1 Bonds; and (iii) a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P; provided that, if Additional Bonds or Subordinate Obligations are issued under the 2012 Indenture prior to the end of the Origination Period to fund Eligible Loans for academic year 2014/2015 or 2015/2016, then, at the option of the Authority, 2014-1 NJCLASS Loans to be Originated with remaining proceeds of the Series 2014-1 Bonds from and after the issue date of such Additional Bonds and/or Subordinate Obligations shall be Originated at the same loan rates as those established for the Additional Bonds and/or Subordinate Obligations, from and after the issue date of such Additional Bonds and/or Subordinate Obligations through the remainder of the Origination Period, if there has been delivered to the Trustee evidence in the form of a letter or Rating Agency Condition from each Rating Agency that the change in the Loan Rate will not in and of itself result in a withdrawal, reduction or termination of any rating on the Series 2014-1 Bonds.

Amendment of Credit Criteria. Any amendment to the credit criteria is subject to the delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P.

Authority Covenants

The Authority has covenanted in the 2012 Indenture to, among other things, with all practical dispatch and in a sound and economical manner consistent in all respects with the provisions of the 2012 Indenture and sound banking practices and principles: (i) use and apply the proceeds of the Series 2014-1 Bonds, to the extent not reasonably or otherwise required for other purposes of the NJCLASS Loan Program, to finance Student Loans pursuant to the 2012 Indenture or to pay other obligations of the Authority required to be paid under the 2012 Indenture; (ii) do all such acts and things as shall be necessary to receive and collect Revenues and Recoveries of Principal sufficient to pay the Series 2014-1 Bonds; and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Authority to protect its rights with respect to and to enforce all terms, covenants and conditions of Student Loans.

Program Expenses

The Program Expenses (including servicing fees of the Authority as well as fees and expenses paid to others to administer the Loan Finance Program) of the Authority incurred in carrying out and administering the Loan Finance Program shall be provided for, if not from other sources of the Authority, from Revenues and Recoveries of Principal and may be paid out of the Student Loan Fund prior to the making of any Student Loans and may be paid prior to the payment of principal and interest on the Series 2014-1 Bonds.

Cash Flow and Other Assumptions

Based on certain assumptions, the Authority expects that the Trust Estate will be sufficient to meet debt service payments on the Series 2014-1 Bonds. No assurance can be given that the assumptions (including the assumptions as to demand for 2014-1 NJCLASS Loans) will be realized.

The ability of the Revenues and Recoveries of Principal to meet the debt service payments on the Series 2014-1 Bonds after giving effect to the proposed issuance of the Series 2014-1 Bonds and projected application of a portion of the proceeds thereof to the origination and acquisition of 2014-1 NJCLASS Loans and the anticipated receipt of Revenues and Recoveries of Principal thereon and on loans originated with proceeds of the Series 2013-1 Bonds and Series 2012-1 Bonds and Revenues and Recovery thereon is based upon an analysis of the portfolio of 2014-1 NJCLASS Loans anticipated to be made or acquired with the proceeds of the Series 2014-1 Bonds. The analysis uses what are believed to be reasonable assumptions regarding the future composition of and yield on such Student Loan portfolio, the rate of return on moneys invested in various Funds and Accounts under the 2012 Indenture and the occurrence of future events and conditions. There is no assurance, however, that interest and principal payments from all Loans will be received as anticipated, that the reinvestment rates assumed on the balances of various Funds and Accounts will be realized, or that payments will be received in the amounts and times anticipated or that any of the other assumptions will be realized. Potential investors are encouraged to make their own determination as to the reasonableness of the assumptions. Moreover, future events over which the Authority has no control may materially and adversely affect the Authority's actual receipt of revenue, including adverse economic conditions and competition from other federal or state student loan programs and private lenders.

The 2012 Indenture does not limit the percentage of Loans on which the Eligible Borrowers elect to pay principal and interest monthly or on which the Eligible Borrowers elect to pay only interest monthly while the student is in school; provided, however, no more than \$35,000,000 in Series 2014-1 Bond proceeds may be used to originate Option 3 Loans where Eligible Borrowers elect to defer both principal and interest while the student is in school.

The foregoing estimates are based on the Authority's prior experience with the NJCLASS Loan Program.

Various factors beyond the Authority's control could adversely affect the Authority's ability to finance NJCLASS Loans with a portion of the proceeds of the Series 2014-1 Bonds including, but not limited to, reduced demand for NJCLASS Loans. Application of a portion of the proceeds of the Series 2014-1 Bonds deposited into the Student Loan Fund established pursuant to the 2012 Indenture to finance NJCLASS Loans on which the Eligible Borrowers

elect to pay principal and interest monthly and various other factors may result in a partial redemption of the Series 2014-1 Bonds prior to their respective stated maturities. See "THE SERIES 2014-1 BONDS - Redemption Provisions – Series 2014-1 Bonds--*Mandatory Redemption Resulting From Non-Origination*; and --*Special Optional Redemption From Excess Revenue*" herein and APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE (Third Supplemental Indenture – Section 2.8 – Redemption of Series 2014-1 Bonds" hereto.

Federal Student Loan Programs

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

Title II of the Health Care and Education Reconciliation Act of 2010 (Pub.L. 111-152) signed into law by President Barack Obama on March 30, 2010 contains various student loan reforms including the termination of the process of the federal government giving subsidies to private banks to originate federally insured loans and, instead, the loans will be administered directly by the U.S. Department of Education. As a result, the Authority has not originated or acquired FFELP Loans after June 30, 2010.

As a supplemental student loan program, the NJCLASS Loan Program does not directly compete with FFELP or FDSL loans, with the exception of the Federal Direct PLUS programs. The Authority maintains close relationships with New Jersey institutions that participate in the FDSL Program. For example, the NJCLASS Loan Program has achieved on-line certification for NJCLASS Loans for many institutions, and has developed the capability for disbursement of NJCLASS Loan proceeds via electronic funds transfer.

No assurance can be given that the Higher Education Act or other relevant federal or State laws, rules and regulations and the programs implemented thereunder will not be amended or modified in the future in a manner which might adversely impact the Authority's Loan Finance Program, or might adversely affect the availability and flow of funds to the Authority or the overall financial condition of the Authority. Existing legislation and future measures to reduce the federal budget deficit or for other purposes may affect the amount and nature of federal financial assistance available to students in a manner which may affect demand for the NJCLASS Loan Program.

LEGALITY FOR INVESTMENT AND DEPOSIT

The Series 2014-1 Publicly Offered Bonds are securities in which the State and all political subdivisions of the State, their officers, boards, commissions, departments or other agencies, banks, savings banks, savings and loan associations, investment companies, all insurance companies, insurance associations and all administrators, guardians, executors, trustees, other fiduciaries, and all other persons who are authorized to invest in bonds, notes or other obligations of the State, may properly and legally invest any funds, including capital belonging to them or within their control.

The Series 2014-1 Publicly Offered Bonds are securities which may properly and legally be deposited with and received by any State or municipal officers or agency of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

TAX MATTERS

Federal Income Tax

The applicable provisions of the Code establish certain requirements which must be met subsequent to the issuance and delivery of the Series 2014-1 Publicly Offered Bonds in order that interest on the Series 2014-1 Publicly Offered Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes. These requirements include, but are not limited to, requirements related to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the Series 2014-1 Publicly Offered Bonds be rebated to the Federal government. In the 2012 Indenture and the Arbitrage and Tax Certificate to be executed by the Authority simultaneously with the issuance and delivery of the Series 2014-1 Publicly Offered Bonds (the "Tax Certificate"), the Authority will covenant to comply with the requirements of the Code applicable to the Series 2014-1 Publicly Offered Bonds. The failure to comply with such provisions may result in interest on the Series 2014-1 Publicly Offered Bonds becoming subject to federal income tax retroactive to the date of issuance and delivery of the Series 2014-1 Publicly Offered Bonds. In rendering the opinions described in this section, Bond Counsel has assumed compliance with such provisions of the 2012 Indenture and the Tax Certificate.

In the opinion of Bond Counsel to be delivered simultaneously with the issuance and delivery of the Series 2014-1 Publicly Offered Bonds, under existing statutes and court decisions, interest on the Series 2014-1 Publicly Offered Bonds is excluded from gross income of the owners thereof for federal income tax purposes under the Code, but such interest is an item of tax preference for purposes of the alternative minimum tax imposed by the Code with respect to individuals and corporations.

Bond Counsel is also of the opinion that the difference between the principal amount of the Senior Series 2014 Bonds maturing on December 1 in each of the years 20__ through and including 20__, and on December 1, 20__ and December 1, 20__, as well as the Subordinate Series 2014 Bonds maturing on December 1, 2043 (collectively, the "Discount Bonds") and their

respective initial offering prices to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which prices a substantial amount of such Discount Bonds of the same maturity was sold, constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond, and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount.

Under Section 171(a)(2) of the Code, no deduction is allowed for the amortizable bond premium (determined in accordance with Section 171(b) of the Code) on tax-exempt bonds. Under Section 1016(a)(5) of the Code, however, an adjustment must be made to the owner's basis in such bond to the extent of any amortizable bond premium that is disallowable as a deduction under Section 171(a)(2) of the Code.

Certain Federal Tax Consequences Relating to Series 2014-1 Publicly Offered Bonds

Although interest on the Series 2014-1 Publicly Offered Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2014-1 Publicly Offered Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving social security or railroad retirement benefits, individuals seeking to claim the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2014-1 Publicly Offered Bonds. Taxpayers are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the Series 2014-1 Publicly Offered Bonds.

Interest paid on tax-exempt obligations, including the Series 2014-1 Publicly Offered Bonds, is generally required to be reported by payers to the Internal Revenue Service (the "IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to backup withholding if the bondholder fails to provide certain information required to be reported by the IRS, such as taxpayer identification number, or if the IRS has specifically identified the bondholder as being subject to backup withholding because of prior underreporting. Neither the reporting requirement nor the backup withholding affect or alter the exclusion of interest on the Series 2014-1 Publicly Offered Bonds from gross income for federal income tax purposes.

Bond Counsel is rendering its opinion as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

New Jersey Gross Income Tax

In the opinion of Bond Counsel, interest on and any gain realized on the sale of the Series 2014-1 Publicly Offered Bonds is not includable in gross income under the existing New Jersey Gross Income Tax Act.

Changes in Federal Tax Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2014-1 Publicly Offered Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2014-1 Publicly Offered Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such court decisions could affect the market price or marketability of the Series 2014-1 Publicly Offered Bonds, even if such changes are made after the issuance of the Series 2014-1 Publicly Offered Bonds.

EACH PURCHASER OF THE SERIES 2014-1 PUBLICLY OFFERED BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE SERIES 2014-1 PUBLICLY OFFERED BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

Internal Revenue Service Examinations of Student Loan Bond Issuances

In 2007, the Internal Revenue Service (the "IRS") announced that, as part of its FY2008 Tax Exempt Bonds Work Plan, it would begin randomly examining tax-exempt student loan bond transactions for possible arbitrage violations.

On April 30, 2013, the Authority received a letter, dated April 23, 2013, from the IRS informing the Authority that its 2001 Student Loan Revenue Bonds, Series A-D, issued pursuant to a Prior Indenture and secured by a separate trust estate from the Trust Estate securing the Series 2014-1 Bonds, had been selected by the IRS for examination to determine compliance with Federal tax requirements. The Authority was advised by letter from the IRS, dated November 27, 2013, that the examination was closed by the IRS with no change to the position that interest received by the beneficial owners of prior Authority Student Loan Revenue Bonds continues to remain excludable from gross income under Section 103 of the Code.

ABSENCE OF CERTAIN LITIGATION

There is no controversy or litigation of any nature pending or, to the Authority's knowledge, threatened, to restrain or enjoin the execution and delivery of the 2012 Indenture, issuance, sale, execution or delivery of the Series 2014-1 Publicly Offered Bonds, or in any way contesting or affecting the validity of the Series 2014-1 Publicly Offered Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2014-1 Publicly Offered Bonds or existence or powers of the Authority.

LEGALITY

The legality of the authorization, issuance and sale of the Series 2014-1 Publicly Offered Bonds is subject to the approving opinion of Inglesino, Wyciskala & Taylor, LLC, Parsippany, New Jersey, Bond Counsel to the Authority, in substantially the form attached as APPENDIX B hereto. Certain legal matters will be passed upon for the Underwriters by Parker McCay P.A., Mount Laurel, New Jersey.

UNDERWRITING

Under a contract of purchase (the "Fixed Rate Purchase Contract") entered into between the Authority and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative (the "Representative") of the underwriters listed on the front cover page hereof (collectively, the "Underwriters"), the Series 2014-1 Publicly Offered Bonds are being purchased at an aggregate purchase price equal to \$_____ (consisting of the aggregate principal amount of the Series 2014-1 Publicly Offered Bonds of \$_____, plus a net original issue premium of \$_____). The Underwriters will receive an underwriting fee for the Series 2014-1 Publicly Offered Bonds in the amount of \$_____, payable, at the Authority's election, from either proceeds of the Series 2014-1 Publicly Offered Bonds or other available funds of the Authority. The Fixed Rate Purchase Contract provides that the Underwriters will purchase all of the Series 2014-1 Publicly Offered Bonds, if any are purchased. The obligation of the Underwriters to accept delivery of the Series 2014-1 Publicly Offered Bonds is subject to various conditions contained in the Fixed Rate Purchase Contract.

The Series 2014-1 Directly Purchased Bonds are not being publicly offered by the Authority, and have been directly purchased from the Authority by Banc of America Preferred Funding Corporation (the "Direct Purchaser"), pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014 (the "Variable Rate Purchase Contract"), between the Authority and the Direct Purchaser. The obligation of the Direct Purchaser to accept delivery of the Series 2014-1 Directly Purchased Bonds is subject to various conditions contained in the Variable Rate Purchase Contract. The Representative and the Direct Purchaser are affiliated entities.

The Fixed Rate Purchase Contract obligates the Authority to sell and to deliver the Series 2014-1 Publicly Offered Bonds to the Underwriters pursuant to the terms of the Fixed Rate Purchase Contract regardless of whether the Series 2014-1 Directly Purchased Bonds are sold and delivered by the Authority and purchased, accepted and paid for by the Direct Purchaser on or prior to the date of the Closing.

The Series 2014-1 Publicly Offered Bonds are being offered for sale to the public at the initial public offering prices shown on the inside front cover page of this Official Statement. The Underwriters reserve the right to lower such initial offering prices as they deem necessary in connection with the marketing of the Series 2014-1 Publicly Offered Bonds. The Underwriters may offer and sell the Series 2014-1 Publicly Offered Bonds to certain dealers (including dealers depositing such Series 2014-1 Publicly Offered Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the initial public offering price or prices stated on the inside front cover page of this Official Statement. The Underwriters reserve the right to join with dealers and other underwriters in offering the

Series 2014-1 Publicly Offered Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2014-1 Publicly Offered Bonds is subject to the terms and conditions set forth in the Fixed Rate Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2014-1 Publicly Offered Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

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

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

RATINGS

Prior to the issuance and delivery of the Series 2014-1 Bonds, Moody's Investors Service, Inc. ("Moody's"), and Standard and Poor's Ratings Services ("S&P") are expected to assign their bond ratings of "Aa2" and "AA(sf)", respectively, to the Senior Series 2014 Bonds (including the Series 2014-1 Directly Purchased Bonds) and of "A2" and "A(sf)", respectively, to the Subordinate Series 2014 Bonds.

Such ratings reflect only the views of each rating agency at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings can only be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of Moody's or S&P, as the case may be, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2014-1 Bonds. The ratings are not a recommendation to buy or sell the Series 2014-1 Bonds, and are not a comment as to the suitability of the Series 2014-1 Bonds for any investor. The Rating Agencies do not evaluate, and the ratings on the Subordinate Series 2014 Bonds do not address, the likelihood of payment of any Carry-over Interest.

ANNUAL FINANCIAL STATEMENTS

The audited financial statements for the NJCLASS/FFELP Loan Programs for the fiscal year ended June 30, 2013 with comparative information for the fiscal year ended June 30, 2012 are included herein as "APPENDIX D - AUDITED FINANCIAL STATEMENTS FOR THE NJCLASS/FFELP LOAN PROGRAMS AS OF AND FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012" hereto. The Authority's auditor is CliftonLarsonAllen LLP, Mount Laurel, New Jersey.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Authority in connection with the issuance of the Series 2014-1 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2014-1 Bonds is contingent upon the issuance and delivery of the Series 2014-1 Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2014-1 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

CONTINUING DISCLOSURE

Upon the issuance and delivery of the Series 2014-1 Publicly Offered Bonds, the Authority will enter into an agreement (the "Continuing Disclosure Agreement") with the Trustee, as dissemination agent, for the benefit of the holders of the Series 2014-1 Publicly Offered Bonds, to comply with the secondary market disclosure requirements of the United States Securities and Exchange Commission's Rule 15c2-12 ("SEC Rule 15c2-12"). Pursuant to the Continuing Disclosure Agreement, the Authority has covenanted to provide certain summary financial and operating data information relating to the Authority and the Loan Finance Program set forth in the Official Statement, its audits and quarterly Servicing Reports required pursuant to Section 5.4 of the Third Supplemental Indenture (collectively, the "Annual Information"), to the Municipal Securities Rulemaking Board ("MSRB") through its electronic data program, Electronic Municipal Market Access ("EMMA"), or such other program required by SEC Rule 15c2-12. Further, the Authority has covenanted to provide notices of occurrence of certain enumerated events, as set forth in the Continuing Disclosure Agreement. The Trustee, acting as dissemination agent, shall file such notices on behalf of the Authority with the MSRB through EMMA. The form of Continuing Disclosure Agreement for the Series 2014-1 Publicly Offered Bonds is set forth in APPENDIX C hereto.

Except as described herein, the Authority has never failed to file the required Annual Information in a timely manner with the MSRB uploaded to EMMA for previously issued Bonds of the Authority. Although the Authority's fiscal year 2009 and 2010 audits were uploaded to EMMA on a timely basis, several outstanding Bond issues were not linked as part of these EMMA filings. In addition, the Authority's 2009, 2010 and 2011 summary financial and operating data information was not cross-referenced by the Authority to the audits and quarterly Servicing Reports containing such information which had been uploaded to EMMA for the Authority's outstanding Bonds. Finally, in prior years, the Authority failed to timely file certain of its quarterly Servicing Reports, however, all such quarterly Servicing Reports were uploaded to EMMA within eighteen (18) days of their respective required filing dates. As of the date of this Official Statement, the Authority is now in compliance in all material respects with all existing undertakings to provide continuing disclosure in accordance with the provisions of SEC Rule 15c2-12 and both the Authority and the Trustee, acting as dissemination agent, have implemented procedures to avoid future occurrences.

QUARTERLY REPORTING

In addition to its obligations under the Continuing Disclosure Agreement, the Authority has agreed in the Third Supplemental Indenture that, not later than each Quarterly Report Date, it shall file with the Municipal Securities Rulemaking Board through EMMA a copy of the Servicing Report which the Authority is required to file with the Trustee and each Rating Agency pursuant to Section 5.4(A) of the Third Supplemental Indenture. See APPENDIX A - "COPY OF TRUST INDENTURE AND FORM OF THIRD SUPPLEMENTAL INDENTURE - (Third Supplemental Indenture – Section 5.4 – Report to Rating Agencies)."

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2014-1 Bonds.

The 2012 Indenture provides that all covenants, stipulations, promises, agreements and obligations of the Authority contained in the 2012 Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any officer, director or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Series 2014-1 Bonds or for any claim based thereon or on the 2012 Indenture against any officer or employee of the Authority or against any person executing the Series 2014-1 Bonds. The Act further provides that neither the members of the Authority nor any person executing bonds or notes issued by the Authority nor any officer or employee of the Authority shall be liable personally on such bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

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

**HIGHER EDUCATION STUDENT
ASSISTANCE AUTHORITY**

By: _____
Eugene Hutchins
Chief Financial Officer

Dated: May __, 2014

APPENDIX A

**COPY OF TRUST INDENTURE AND FORM OF
THIRD SUPPLEMENTAL INDENTURE**

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HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
STATE OF NEW JERSEY
STUDENT LOAN REVENUE BONDS

INDENTURE OF TRUST

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HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
and
WELLS FARGO BANK, NATIONAL ASSOCIATION
Dated as of June 1, 2012

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HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
STATE OF NEW JERSEY
STUDENT LOAN REVENUE BONDS
INDENTURE OF TRUST

This Indenture of Trust, dated as of June 1, 2012 (hereinafter sometimes referred to as the "Indenture"), by and between the Higher Education Student Assistance Authority (successor to the New Jersey Higher Education Assistance Authority pursuant to N.J.S.A. 18A:71A-1 et seq., effective April 26, 1999), a body corporate and politic constituting an instrumentality of the State, created and existing under the Act, or any board, body, commission, authority, department, or officer succeeding to the principal functions thereof or to whom the powers conferred upon the Authority by the Act shall be given by law (the "Authority"), and Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States (the "Trustee"),

WITNESSETH:

WHEREAS, the Authority is established and created under and pursuant to the Higher Education Student Assistance Authority Law, P.L. 1999, c. 46, §1, as amended and supplemented, and any successor legislation (the "Act"); and

WHEREAS, pursuant to the Act, the Authority is empowered to make Eligible Student Loans (as hereinafter defined) under its Loan Finance Program (as hereinafter defined) and to issue its bonds and refunding bonds for said purpose; and

WHEREAS, in order to provide funds for such purpose, the Authority is duly authorized to issue and to sell its bonds and refunding bonds pursuant to the provisions of the Act; and

WHEREAS, the Bonds issued hereunder are secured as hereinafter provided solely by the Trust Estate (as hereinafter defined); and

WHEREAS, the execution and delivery of this Indenture and the issuance of Bonds hereunder have been in all respects duly and validly authorized by resolutions duly adopted by the Authority; and

WHEREAS, all acts, proceedings, and things necessary and required by law to make said Bonds, when executed by the Authority and authenticated by the Trustee, the valid and binding legal obligations of the Authority and to constitute and make this Indenture a valid and effective Indenture, have been done, taken, and performed, and the issuance, execution, and delivery of said Bonds and the execution, acknowledgement, and delivery of this Indenture have in all respects been duly authorized by the Authority;

NOW, THEREFORE, THIS INDENTURE WITNESSETH THAT:

ARTICLE I
SHORT TITLE, DEFINITIONS, INTERPRETATION

Section 1.1. Short Title. This Indenture may hereafter be cited by the Authority and is hereinafter sometimes referred to as the "Indenture."

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"Bond" or "Bonds" means any of the bonds authorized under this Indenture and issued pursuant to a Supplemental Indenture, including any Additional Bonds, but specifically excluding Subordinate Obligations.

"Bond Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Authority and satisfactory to the Trustee.

"Bond Fees" means periodic fees payable with respect to the financing provided by a Series of Bonds or Subordinate Obligations, including Fiduciary fees, Bond Insurer fees, including the premium to be paid to the Bond Insurer for a Bond Insurance Policy with respect to any Series of Bonds or Subordinate Obligations, Tender Agent fees, Remarketing Agent fees, fees of the provider of a Credit Facility, and any other periodic fees required to be paid in accordance with the provisions of a Supplemental Indenture in connection with the financing provided by a Series of Bonds or Subordinate Obligations; provided, however, that "Bond Fees" shall not include any amount that is actually paid as a Cost of Issuance.

"Bond Insurance Policy" means, with respect to any Series of Bonds or Subordinate Obligations, a bond insurance policy issued by a Bond Insurer insuring the payment when due of the principal of and interest on the Bonds or Subordinate Obligations of such Series.

"Bond Insurer" means, with respect to any Series of Bonds, the bond insurer identified in the applicable Supplemental Indenture as the provider of a Bond Insurance Policy with respect to such Series.

"Bond Year" means the twelve month period beginning on July 1 in any year and ending on June 30 of the immediately succeeding year, except that (i) the first Bond Year with respect to any Series of Bonds shall commence on the date of issuance of such Series of Bonds and end on the following June 30 and (ii) the last Bond Year with respect to any Series of Bonds shall commence on July 1 and shall end on the date on which such Series of Bonds is paid in full.

"Bondholder," "Owner," "owner" or "holder" words of similar import, when used with reference to a Bond means any person who shall be the registered owner of any Outstanding Bond.

"Business Day" means any day other than a Saturday or Sunday or legal holiday in the State or a day on which banking institutions are authorized or required by law to be closed for commercial banking purposes either in the State of New York or the State or a day on which the New York Stock Exchange is closed.

"Capitalized Interest Fund" means the Capitalized Interest Fund established pursuant to Section 5.3 hereof.

"Cash Flow Statement" means a Certificate of an Authorized Officer (i) setting forth, for the then current and each future Bond Year during which Bonds will be Outstanding, and taking into account (a) any Bonds expected to be issued or redeemed in each such Bond Year upon or in connection with the filing of such Certificate, and (b) the interest rate, purchase price and other terms of any Student Loans expected to be made or purchased by the Authority upon or in connection with the filing of such Certificate.

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Section 1.2. Definitions. In this Indenture, the following words and terms shall, unless the context otherwise requires, have the following meanings:

"Account" means any of the trust funds and accounts created and established by, or pursuant to, this Indenture or any Supplemental Indenture, including, except where the context requires otherwise, the Rebate Fund and the Excess Yield Fund.

"Accountant" means such reputable and experienced independent certified public accountant or firm of independent certified public accountants as may be selected by the Authority, and may be the accountant or firm who regularly audits the books and accounts of the Authority.

"Accrued Assets" means, with respect to any date, the sum of (i) the principal amount of all Student Loans pledged under this Indenture, (ii) the aggregate value of the amounts on deposit in all the Funds and Accounts (excluding the Rebate Fund and the Excess Yield Fund), (iii) the amount of all accrued and unpaid interest on Student Loans, and (iv) all accrued but unpaid interest on Investment Securities. Accrued Assets shall not include Defaulted Loans.

"Accrued Liabilities" means, with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds, plus all accrued but unpaid Program Expenses.

"Act" means the Higher Education Student Assistance Authority Law, P.L. 1999, c. 46, §1, as amended and supplemented, and any successor legislation.

"Additional Bonds" means any Bonds, including Refunding Bonds, issued subsequent to the issuance of the Series of Bonds authorized under the First Supplemental Indenture adopted pursuant to this Indenture on a parity therewith and secured by an equal charge and lien on the Trust Estate and payable equally therefrom, as authorized by Article II and Section 7.10(B) hereof.

"Authenticating Agent" means the Trustee or any other Fiduciary as may be authorized pursuant to a Supplemental Indenture to perform the acts required of such agent in conformance with the provisions of this Indenture and such Supplemental Indenture.

"Authority" means the Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State, created and existing under the Act, or any board, body, commission, authority, department, or officer succeeding to the principal functions thereof or to whom the powers conferred upon the Authority by the Act shall be given by law.

"Authorized Denominations" means amounts specified in a Supplemental Indenture for a Series of Bonds.

"Authorized Officer" means (i) the Chairman, Vice Chairman, Treasurer, Secretary, Executive Director, Chief Operating Officer, Chief Financial Officer of the Authority and such other person or persons designated (A) in a Supplemental Indenture or (B) in writing from time to time by the Authority, which designation shall be filed with the Trustee or, (ii) in the case of any act to be performed or duty to be discharged, any other member, officer or employee of the Authority then authorized to perform such act or discharge such duty.

(1) the amount of Revenues and Recoveries of Principal expected to be received in each such Bond Year that are reasonably expected to be available to make Debt Service payments, and

(2) the aggregate Debt Service for each such Bond Year on all Bonds reasonably expected to be Outstanding, together with Program Expenses, Servicing Fees and Bond Fees; and

(ii) showing that in each such Bond Year the aggregate of the amounts set forth in clause (i)(1) of this definition is sufficient to pay when due the aggregate of the amounts set forth in clause (i)(2) of this definition and any minimum amount required to maintain a Parity Percentage requirement established in any Supplemental Indenture; provided, that such definition as it relates to a Series of Bonds may be amended from time to time by the Authority. The Cash Flow Statement shall be prepared using assumptions as provided in the applicable Supplemental Indenture.

"Certificate" means (i) a signed document either attesting to or acknowledging the circumstances, representations or other matters herein stated or set forth or setting forth matters to be determined pursuant to this Indenture or (ii) the report of an Accountant or an Authorized Officer as to audits or other procedures called for by this Indenture, as the case may be.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, or any successor legislation.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the Authority and related to the authorization, sale and issuance of Bonds or Subordinate Obligations, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, Bond Insurance Policy premiums (to the extent payable from the proceeds of any Bonds pursuant to the Supplemental Indenture authorizing such Bonds), fees and expenses of the provider of any Credit Facility or Liquidity Facility, underwriting fees, if any, initial fees and charges of any Fiduciary, legal fees including bond and underwriter counsel fees and charges, fees and disbursements of consultants and professionals, cost of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds and Subordinate Obligations and any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" means an opinion signed by (i) the Attorney General, assistant attorney general or deputy attorney general of the State or (ii) an attorney or firm of attorneys of recognized standing in the field of law to which such opinion relates selected by the Authority.

"Credit Facility" means any credit arrangement provided by a financial institution or insurance company in connection with the issuance of a Series of Bonds as set forth in a Supplemental Indenture, including, without limitation, letters of credit, Bond Insurance Policies, and surety bonds, pursuant to an agreement between such financial institution or insurance company and the Authority, including any Funding Instrument.

"Debt Service" means, with respect to any particular Bond Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Bond Year, plus (ii) any Principal Installments of such Bonds payable during such Bond Year, plus (iii) any Redemption Price of such Bonds payable during such Bond Year, but shall not include the purchase price of Bonds which may be required to be purchased other than as

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part of a regularly scheduled mandatory sinking fund redemption, including redemptions required pursuant to the terms of any Credit Facility or Liquidity Facility, relating to any Bonds bearing interest as a variable rate, as such Debt Service shall be calculated by the Authority and confirmed by the Trustee.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund established pursuant to Section 5.3 hereof.

"Debt Service Reserve Fund Requirement" means, as of any date of calculation, an amount equal to the aggregate of amounts specified as the Debt Service Reserve Fund Requirement amount required to be deposited in the applicable Account within the Debt Service Reserve Fund, in each Supplemental Indenture authorizing a Series of Bonds or Subordinate Obligations; provided, however, that the amount of Tax-Exempt Obligation proceeds applied to satisfy the Debt Service Reserve Fund Requirement shall not exceed the maximum amount permitted by the Code, and any difference between such permissible amount and the Debt Service Reserve Fund Requirement shall be funded by the Authority from sources other than the proceeds of Tax-Exempt Obligations.

"Defaulted Loan" means, except as otherwise provided in a Supplemental Indenture, a Student Loan originated pursuant to the NJCLASS Loan Program (including Student Loans transferred from Prior Indentures) payable in monthly installments which has reached 180 days of delinquency and has been classified in the Authority's loan file as a Defaulted Loan or a Student Loan originated pursuant to the NJCLASS Loan Program (including Student Loans transferred from Prior Indentures) payable less frequently than in monthly installments which has reached 240 days of delinquency and has been classified in the Authority's loan file as a Defaulted Loan.

"Defaulted Loan Purchase Price" means the amount of unpaid principal and accrued interest on a Defaulted Loan from the date of default to the purchase date (including unpaid principal and accrued interest during the period of delinquency) as calculated by the Authority.

"Department" means the United States Department of Education or any successor to its functions.

"Depository" means, to the extent permitted by law, the trust department of any commercial bank or trust company or national banking association or any commercial bank, trust company or national banking association selected by the Authority or the Trustee as a depository of moneys or securities held under the provisions of this Indenture and may include the Trustee or any Paying Agent.

"Eligible Student Loan" or "Eligible Loan" means any fixed or variable interest rate student loan made to finance post-secondary education that is (i) transferred, acquired or purchased into this Trust Estate from a Prior Indenture or (ii) satisfies the administrative rules of the NJCLASS Loan Program as in effect from time to time and the credit criteria set forth in the Supplemental Indenture applicable to the disposition of the proceeds of Bonds issued pursuant to such Supplemental Indenture to finance such student loan and which may be made by the Authority to an eligible borrower, the proceeds of which student loan are used to finance education costs, including deferred interest, pursuant to the Act and which may be purchased or otherwise financed by the Authority pursuant to the Act; provided however, that any Supplemental Indenture may restrict the "Eligible Loans" which may be purchased or acquired with the proceeds of Bonds or Subordinate Obligations issued pursuant to such Supplemental

notice to Fitch with respect to the inclusion of such guarantor, or (ii) any successor to any such guarantor.

"Indenture" means this Indenture of Trust and any amendments or supplements made pursuant to a Supplemental Indenture in accordance with its terms.

"Indexing Agent" means a corporation, association or investment banking institution having skill and expertise in connection with the determination of an interest rate to be borne by variable rate obligations, as may be appointed by the Authority pursuant to the terms of the Supplemental Indenture authorizing Variable Rate Obligations, to assist in determining the rate of interest to be borne by such Variable Rate Obligations.

"Interest Payment Date" means, with respect to any Bond or Subordinate Obligation any date upon which interest on such Bond or Subordinate Obligation is due and payable in accordance with its terms.

"Interest Rate Exchange Agreement" means an agreement between the Authority and a counterparty (having a rating from S&P of at least A without collateral and A- with collateral) confirming a transaction which is an interest rate swap transaction, basis swap, forward rate transaction, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, corridor transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of these transactions, entered into pursuant to Section 5.5(D) hereof.

"Investment Securities" means any of the following securities legal for the investment of Bond or Subordinate Obligation proceeds and funds on deposit in the Accounts established hereunder at the time of purchase thereof and subject to any additional rating limitations by any Rating Agency set forth in a Supplemental Indenture:

- i. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) U.S. Treasury Obligations, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

ii. Federal Housing Administration debentures.

iii. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

Indenture to certain specified types of student loans satisfying the administrative rules of the Authority's loan program as in effect from time to time.

"Event of Default" means any of the events specified in Section 10.1 hereof.

"Excess Yield Fund" means the Excess Yield Fund authorized pursuant to Section 5.3 hereof.

"Favorable Opinion" means a Bond Counsel's Opinion addressed to the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Act and this Indenture, including any Supplemental Indenture, and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the applicable Series of Tax-Exempt Obligations.

"Federally Taxable Obligations" means Bonds or Subordinate Obligations so designated by the Supplemental Indenture pursuant to which they are issued, the interest on which shall not be excludable from gross income of the owners thereof for federal income tax purposes.

"Fiduciary" means the Trustee, the Registrar, the Authenticating Agent, any Depository, any Paying Agent and any such additional fiduciary as may be authorized pursuant to a Supplemental Indenture, or any or all of them as may be appropriate.

"Fiscal Year" means a twelve-month period adopted by the Authority as its fiscal year for accounting purposes.

"Fitch" means Fitch Ratings, a Delaware Corporation, its successors and assigns.

"Fixed Rate Bonds" means any Bonds or Subordinate Obligations which bear interest at a fixed, non-variable interest rate from the date such Bonds are issued until the stated maturity date or the date fixed for redemption, as the case may be.

"Funding Instrument" means any surety bond, insurance policy, letter of credit or other similar obligation satisfying in whole or in part the Debt Service Reserve Fund Requirement for a Series of Bonds or Subordinate Obligations described in a Supplemental Indenture and deposited in the applicable Series Account within the Debt Service Reserve Fund in accordance with the provisions of Section 5.3(C) hereof and applicable Supplemental Indenture.

"Governmental Obligations" means (i) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America), (ii) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clause (i), (iii) the interest component of REFCORP Strips which have been stripped by request to the Federal Reserve Bank of New York, provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and (iv) certificates evidencing ownership of the right to the payment of the principal of and/or interest on obligations described in clause (i), known as "CATS" or "TIGRS".

"Guarantor" means (i) any guarantor of Eligible Loans provided the Trustee and the Authority shall have received, so long as Bonds are secured by a Credit Facility, the written consent of the Credit Facility provider or, in the event Bonds are not secured by a Credit Facility, a Rating Agency Condition from Moody's and the Authority shall have given ten (10) days prior

b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; and

d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).

iv. Unsecured certificates of deposit, time or demand deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

v. Deposits the aggregate amounts of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.

vi. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

vii. Money market funds rated "Aam" or "AAM-G" by S&P or better, and if rated by Moody's rated "Aa2" or better.

viii. "State Obligations," which means:

a) direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

b) direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's; or

c) special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

ix. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the Trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the Authority of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

- b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of interest and premium on such municipal obligations;
- c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by a Verification Report;
- d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or Trustee in trust for owners of the municipal obligations;
- e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
- f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the Trustee or escrow agent.

x. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA-" by S&P and "A3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "AA-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "AA-" by S&P and "A3" Moody's and acceptable to Credit Facility Provider (each an "Eligible Provider"), provided that:

- a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");
- b) the Trustee or a third party acting solely as agent therefore or for the Authority (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;
- c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send reports to the Trustee, the Authority and Credit Facility Provider setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

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obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

- e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of Credit Facility Provider and ten (10) days prior notice to each Rating Agency;
- f) the Authority, the Trustee and Credit Facility Provider shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
- g) the Authority, the Trustee and Credit Facility Provider shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;
- h) the investment agreement shall provide that if during its term:
 - i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (A) provide a written guarantee acceptable to Credit Facility Provider, (B) post Eligible Collateral with the Authority, the Trustee or the Custodian free and clear of any third party liens or claims, (C) assign the agreement to an Eligible Provider, or (D) repay the principal of and accrued but unpaid interest on the investment;
 - ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Credit Facility Provider), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee.
- i) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and

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d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of Credit Facility Provider and ten (10) days prior notice to each Rating Agency;

e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Fitch is withdrawn or suspended or falls below "AA-" by S&P or "A3" by Moody's, as appropriate, the provider must notify the Authority, the Trustee and Credit Facility Provider within five (5) days of receipt of such notice and within ten (10) Business Days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to Credit Facility Provider, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) Business Days, the provider shall, at the direction of the Trustee (who shall give such direction if so directed by Credit Facility Provider) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.

xii. Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's, and acceptable to Credit Facility Provider (each an "Eligible Provider"); provided that:

a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the provider shall send monthly reports to the Trustee, the Authority and Credit Facility Provider setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the

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FHLMC ("Eligible Collateral") and in addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and Credit Facility Provider setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

j) the investment agreement shall state and an opinion of counsel shall be provided to the Authority, the Credit Facility Provider, and the Trustee, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; and

k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Credit Facility Provider), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

xiii. Investments of any nature (including, without limitation, negotiable or non-negotiable certificates of deposit, repurchase agreements, notes, and investment agreements or shares with an investment company, whether or not satisfying the conditions of the foregoing paragraphs of the definition of Investment Securities) permitted by applicable law and approved by the Credit Facility Provider with ten (10) days prior notice to each Rating Agency; and

xiii. The New Jersey Cash Management Fund.

Requirements of Moody's with respect to Investment Securities:

A. the securities have either a long term or short term rating, or both as shown in the following table:

Time to Maturity	Aaa-Rated Securities	Aa2-Rated Securities
One Month	A2 or Prime-1	A3 or Prime -1
Three Months	A1 and Prime -1	A2 or Prime-1
Six Months	Aa3 and Prime-1	A1 and Prime-1
Over Six Months	Aaa and Prime-1	Aa2 and Prime-1

B. the securities mature prior to the next scheduled Payment Date;

C. the securities must have a fixed principal amount at maturity;

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- D. if the rating of a depository institution at which an account is held falls below the lowest rating set forth in A above, any accounts held with such institution should be moved within one month to an appropriately rated entity;
- E. U.S. trust accounts for Aaa and Aa rated domestic transactions provided by authorized corporate providers;
- F. investments should be made in the currency of the funds being invested; and
- G. U.S. money market funds must be rated Aaa by Moody's.

"REA Payment Obligation" means all payment and reimbursement obligations of the Authority to a counterparty of an Interest Rate Exchange Agreement entered into in connection with Bonds or Subordinate Obligations.

"Issue Date" means, with respect to each Series, the date of delivery of the Bonds of such Series.

"Liquidity Facility" means an insurance policy, letter of credit, line of credit, standby purchase agreement or other agreement or facility issued by a financial institution, insurance company or association pursuant to which the Authority may obtain funds for payment of the principal of and accrued interest on Bonds or Subordinate Obligations upon the tender of such Bonds or Subordinate Obligations for purchase by the holder thereof or upon the redemption of such Bonds by the Authority.

"Loan Finance Program" means (i) the program for the financing of Eligible Student Loans pursuant to the NJCLASS Loan Program established by the Authority pursuant to the Program Documentation, as the same may be amended from time to time, and, in particular, as such term is used herein to the extent that such program is financed through the issuance of Bonds or Subordinate Obligations or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Indenture.

"Maximum Interest Rate" means, with respect to any particular Series of Variable Rate Obligations, a numerical rate of interest which shall be set forth in the Supplemental Resolution for such Series of Bonds or Subordinate Obligations that shall be the maximum rate of interest such Series of Variable Rate Obligations may bear at any time.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors and assigns.

"NJCLASS Loan Program" means the New Jersey College Loans to Assist State Students Loan Program for the financing of the making of student loans pursuant to the Act and the administrative rules promulgated thereunder, as the same may be amended and supplemented from time to time consistent with the Act, such administrative rules, and this Indenture, but only to the extent that such program is financed through the issuance of Bonds or Subordinate Obligations or from amounts otherwise available out of the moneys and assets held or pledged pursuant to this Indenture.

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"Paying Agent" means the Trustee or any commercial bank or trust company or national banking association designated as paying agent for a Series of Bonds, and its successor or successors hereafter appointed in the manner herein provided.

"Payment Date" means a Principal Payment Date, an Interest Payment Date or any date on which the payment of principal or redemption price of or interest on Subordinate Obligations comes due.

"Principal Installment" means, as of any Principal Payment Date, the aggregate principal amount of Outstanding Bonds maturing on such date.

"Principal Payment Date" means, with reference to any Series or portion of a Series of Bonds, the date upon which all or a portion of the Outstanding principal amount of any Bond within such Series becomes payable by reason of the maturity thereof or by operation of redemption from Sinking Fund Payments.

"Prior Indentures" means, collectively, (i) the Indenture of Trust, dated as of June 1, 1998, between the Authority and Wells Fargo Bank, National Association, as successor Trustee, as amended and supplemented, (ii) the Indenture of Trust, dated as of August 1, 2008, between the Authority and Wells Fargo Bank, National Association, as Trustee, as amended and supplemented, (iii) the Indenture of Trust, dated as of June 1, 2009, between the Authority and Wells Fargo Bank, National Association, as Trustee, as amended and supplemented, and (iv) the Indenture of Trust, dated as of June 1, 2010 between the Authority and Wells Fargo Bank, National Association, as Trustee, as amended and supplemented.

"Program Documentation" means the administrative rules of the Authority relating to the NJCLASS Loan Program, and all documentation adopted or used by the Authority for the NJCLASS Loan Program, and the Authority's Policy and Procedural Manual for the NJCLASS Loan Program as in effect on the date of execution of this Indenture and as revised, amended, altered, or supplemented from time to time.

"Program Expenses" means all of the Authority's expenses in carrying out and administering the Loan Finance Program under this indenture and shall include, without limiting the generality of the foregoing, (a) salaries, supplies, acquisition fees, loan collection costs, verification agent fees, fees of any Liquidity Facility or Credit Facility provider under a Supplemental Indenture, utilities, mailing, labor, travel, payments for pension, retirement, health and hospitalization, and life and disability insurance benefits, materials, office rent or mortgage payment, maintenance, furnishings, equipment, machinery and apparatus, telephones, insurance premiums, legal, accounting, audit, management, consulting, and banking service fees and expenses, fees and expenses of the Fiduciaries, (b) Servicing Fees, and (c) Bond Fees. Program Expenses may also include amounts for establishing and maintaining reserves to pay operating costs and reasonable reserves for losses and expenses estimated to be incurred by the Authority, required writedowns and/or reductions in principal of Student Loans and amounts appropriate to reimburse the Authority for Program Expenses paid from other sources not paid from the proceeds of the Bonds or Subordinate Obligations.

"Rating Agency" means (a) Moody's or (b) S&P, or any other nationally recognized securities rating organization to the extent such organization has been requested by the Authority to issue a rating on the Bonds or Subordinate Obligations (or one or more Series thereof) and such organization has issued and continues to apply a rating on such Bonds or Subordinate Obligations at the time in question.

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"Option Bonds" means Bonds or Subordinate Obligations which by their terms may be tendered by and at the option of the holders thereof for payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the holder thereof.

"Origination" or "Originate" means the process of making, acquiring by purchase or issuing a Student Loan by the Authority.

"Origination Period" with respect to any Series of Bonds or Subordinate Obligations shall have the meaning set forth in the applicable Supplemental Indenture.

"Outstanding" when used with reference to Bonds or Subordinate Obligations means, as of any date, all Bonds or Subordinate Obligations, including any Bonds or Subordinate Obligations held in custody for the benefit of any provider of a Credit Facility or a Liquidity Facility under a Supplemental Indenture, theretofore or thereupon being authenticated and delivered under this Indenture except:

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

(2) on or after any purchase date for Bonds subject to tender pursuant to the provisions of any Supplemental Indenture, all Bonds or portions thereof (excluding any Bonds held in custody for the benefit of any provider of a Credit Facility or Liquidity Facility under a Supplemental Indenture) which are tendered or deemed to have been tendered for purchase, provided that moneys sufficient for such purchase are on deposit with the Tender Agent;

(3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.3, 3.7, 3.8, 6.6 or 9.6 hereof;

(4) any Bond deemed to have been paid as provided in Section 12.1(B) hereof; provided, however, that in the event that the principal and/or interest due on any Bonds shall be paid by a Credit Facility provider pursuant to its Credit Facility for such Bonds, such Bonds so paid shall remain Outstanding for all purposes of this Indenture and the applicable Supplemental Indenture, shall not be deemed defeased or otherwise satisfied and shall not be considered paid by the Authority, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority to the Owners of such Bonds shall continue to exist and shall run to the benefit of the Credit Facility provider, and the Credit Facility provider shall be subrogated to the rights of such Owners; and

(5) any Variable Rate Obligation which shall be deemed to have been purchased by the Tender Agent in connection with any event which requires that a Bondholder tender its Variable Rate Obligations which are the subject of such notice and which are not delivered on the date required by the Supplemental Indenture authorizing such Series of Variable Rate Obligations.

"Parity Percentage" means, unless otherwise set forth in a Supplemental Indenture, as of any particular date of calculation, the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities.

"Parity Percentage Requirement" has the meaning set forth therein in any Supplemental Indenture for a Series of Bonds.

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"Rating Agency Condition" means a letter or press release or other published written release from any Rating Agency then providing a rating for one or more Series of Bonds or Subordinate Obligations confirming that the underlying rating on such Series of Bonds or Subordinate Obligations, without giving effect to any Credit Facility, will not be lowered or withdrawn as a result of the action proposed to be taken by the Authority.

"Rebate Fund" means the Rebate Fund authorized pursuant to Section 5.3 hereof.

"Record Date" means, except as otherwise provided in a Supplemental Indenture, the 15th day of the month immediately preceding each Payment Date.

"Recoveries of Principal" means all amounts received by the Authority from or on account of any Student Loan as a recovery, return or repayment of the principal amount of such Student Loan, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from insurance or any guarantees or proceeds from the sale, assignment or other disposition of such Student Loan, in each case to the extent such payments or proceeds are received with respect to the principal of such Student Loan.

"Redemption Price" means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"Refunded Obligations" means, with respect to any Series of Refunding Bonds, any Bonds, Notes or other obligations previously issued pursuant to this Indenture or bonds, notes or other obligations previously issued pursuant to any Prior Indenture or any other resolution, indenture, agreement or other similar authorizing document of the Authority, to be refunded or purchased by the Authority from the proceeds of such Refunding Bonds.

"Refunding Bonds" means Bonds issued to refund any Refunded Obligations.

"Registrar" means the agent of the Authority at the office of which Bonds may be presented for registration, transfer, or exchange as provided in Section 3.4 hereof and, unless specifically stated otherwise, in a particular Supplemental Indenture with respect to Bonds authorized thereunder, means the Trustee.

"Remarketing Agent" means any remarketing agent for any Variable Rate Obligations which shall be appointed by the Authority pursuant to a Supplemental Indenture authorizing such Variable Rate Obligations, and its successor or successors, acting for the purpose of remarketing any Variable Rate Obligations which have been tendered for purchase by the holders thereof in order to obtain funds which are necessary to pay the purchase price of such Variable Rate Obligations upon the tender thereof, or any other corporation, banking institution or investment banking firm which may at any time be substituted in its place pursuant to the terms of a Supplemental Indenture or the agreement appointing the Remarketing Agent.

"Revenue Fund" means the Revenue Fund established pursuant to Section 5.3 hereof.

"Revenues" means all payments, proceeds, charges and other income received by the Authority from or on account of any Student Loan (including scheduled, delinquent and advance payments of, and any insurance proceeds with respect to, interest on any Student Loan and any late fees, and all interest earned or gain realized from the investment of amounts in any Account (other than amounts required to be deposited to or on deposit in the Rebate

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Fund or the Excess Yield Fund); but excludes (a) any amount retained by the Servicer of any Student Loan as compensation for services rendered in connection with the servicing of such Student Loan, and (b) Recoveries of Principal.

"S&P" means Standard and Poor's Ratings Service, a division of The McGraw Hill Companies Inc., a New York corporation, its successors and assigns.

"Secretary" means the Secretary of the Department or any successor to the Secretary's function.

"Series" means all of the Bonds or Subordinate Obligations authenticated and delivered on original issuance in a simultaneous transaction, pursuant to the same Supplemental Indenture and designated as a Series in such Supplemental Indenture regardless of variations in maturity, interest rate, method of determining such interest rate, Sinking Fund Payments or other provisions, and any Bonds or Subordinate Obligations thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds or Subordinate Obligations as herein provided.

"Servicer" means an organization with which the Authority has entered into a Servicing Acknowledgement with respect to Student Loans, and any successors and assigns; if the Authority shall then be servicing any or all of the Student Loans itself, the term "Servicer" shall be deemed to include, or mean, the Authority.

"Servicing Acknowledgement" means any acknowledgement of servicing between the Authority and a Servicer, or between the Trustee and the Authority, in its capacity as a Servicer, when it is acting as such, and any supplements and amendments thereto, under which the Servicer, including the Authority when it is acting in such capacity, agrees to administer and collect Student Loans, and any successor acknowledgements entered into in accordance with this Indenture.

"Servicing Fees" means all those fees payable to a Servicer, including the Authority, when it is acting as the Servicer, as compensation for its services pursuant to a Servicing Acknowledgement or the Program Documentation.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount required to be paid by the Authority on a future Principal Payment Date for the retirement of Outstanding Bonds which mature after said future Principal Payment Date, but does not include any amount payable by the Authority by reason of the maturity of a Bond or by call for redemption at the election of the Authority.

"State" means the State of New Jersey.

"Student Loan" means any Eligible Loan (i) made or acquired by the Authority by the expenditure of amounts in the Student Loan Fund or (ii) transferred to the Trust Estate from a Prior Indenture.

"Student Loan Fund" means the Student Loan Fund established pursuant to Section 5.3 hereof.

"Subaccount" means any subaccount within an Account created pursuant to Section 5.3(H) hereof.

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(2) words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(3) words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, limited liability companies, corporations and other legal entities, including public bodies, as well as natural persons;

(4) any headings preceding the texts of the several Articles and Sections of this Indenture and any table of contents or marginal notes appended to copies hereof shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect;

(5) this Indenture shall be governed by and construed in accordance with the applicable laws of the State;

(6) the verbs "originate," "make," "finance" and "acquire," when used with reference to a Student Loan, shall be construed to include (i) the purchase or other acquisition, or refinancing or refunding of such Student Loan or (ii) the participation by the Authority, either alone or with others, in the making or purchase thereof;

(7) references to the payment of the Bonds shall be deemed to include reference to the payment of interest and Redemption Price, if any, thereon;

(8) except as otherwise provided in a Supplemental Indenture, references to time shall mean the applicable local time in the City of Trenton, New Jersey; and

(9) references to Sections and Articles, unless otherwise indicated, refer to Sections and Articles in this Indenture.

(B) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Authority, the Fiduciaries, the counterparty to an Interest Rate Exchange Agreement, the provider of a Credit Facility, the issuer of a Funding Instrument, the Liquidity Provider and the Owners of the Bonds or Subordinate Obligations, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation thereof. All the covenants, stipulations, promises and agreements herein contained by and on behalf of the Authority, shall be for the sole and exclusive benefit of the Authority, the Fiduciaries, the counterparty to an Interest Rate Exchange Agreement, the provider of a Credit Facility, the issuer of a Funding Instrument, the Liquidity Provider and the Owners of the Bonds or Subordinate Obligations.

(C) If any one or more of the covenants or agreements provided herein on the part of the Authority or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements, shall be deemed separable from the remaining covenants and agreements hereof and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds.

(D) (i) In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract among the Authority, Trustee and the Holders from time to time of the Bonds; and the security interest granted and the pledge and

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"Subordinate Obligations" means any bonds, notes or other obligations, payable on a subordinate basis to the Bonds as provided by paragraph (ix) of Section 5.5(A)(1) hereof, and issued pursuant to a Supplemental Indenture as authorized by Sections 2.5 and 7.10(C) hereof.

"Supplemental Indenture" means any Indenture supplemental to or amendatory of this Indenture, executed by the Authority and the Trustee and effective in accordance with Article VIII hereof.

"Tax-Exempt Obligations" means Bonds or Subordinate Obligations which were delivered upon original issuance with a Bond Counsel's Opinion that interest on such Bonds or Subordinate Obligations are excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code or any successor provisions thereto.

"Tax Agreement" means a Tax Regulatory Agreement or other document of similar purpose and intent executed in connection with any Series of Tax-Exempt Obligations with respect to compliance with the requirements of the Code.

"Tender Agent" means any tender agent which shall be appointed by the Authority pursuant to a Supplemental Indenture authorizing Variable Rate Obligations, and its successor or successors, in connection with the purchase of Variable Rate Obligations which are tendered by the holders thereof, or any other banking institution, corporation or investment banking firm which may be substituted therefor pursuant to the terms of a Supplemental Indenture or the terms of the agreement appointing the Tender Agent.

"Termination Payments" means, with respect to any Interest Rate Exchange Agreement, the settlement amount to be paid by the Authority or counterparty to the Interest Rate Exchange Agreement by reason or on account of the early termination of the Interest Rate Exchange Agreement.

"The Depository Trust Company" or "DTC" means The Depository Trust Company, New York, New York, and its successors and assigns and any other corporation or entity performing similar securities depository functions.

"Trust Estate" means all the property, assets, rights and interests pledged and assigned to the Trustee pursuant to Section 5.2 hereof.

"Trustee" means Wells Fargo Bank, National Association, currently at its corporate office located in Minneapolis, Minnesota, and its successor or successors and any other person at any time substituted in its place pursuant to this Indenture.

"Variable Rate Obligations" means any Bonds or Subordinate Obligations which, as designated by the Supplemental Indenture for such Series of Bonds or Subordinate Obligations bear interest at a variable rate of interest.

Section 1.3. Interpretation. (A) In this Indenture, unless the context otherwise requires:

(1) the terms "hereby," "hereof," "herein," "hereunder" and similar terms, as used in this Indenture, refer to this Indenture, and the term "heretofore" means before, and the term "hereafter" means after, the date of this Indenture;

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assignment made in this Indenture and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, all except as expressly provided in Section 5.5(A)(1)(ix), Section 10.1 and Section 10.3 of this Indenture.

(ii) The security interest granted and the pledge and assignment made in this Indenture shall also secure the Authority's payment obligations to the provider of any Credit Facility pursuant to the terms thereof and of this Indenture.

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ARTICLE II
TERMS OF BONDS

Section 2.1. Authorization for Indenture, Bonds and Subordinate Obligations. This Indenture and the issuance of Bonds and Subordinate Obligations hereunder have been duly authorized by the Authority and the principal amount of Bonds and Subordinate Obligations that may be issued from time to time hereunder is not limited except as provided herein or by law. The Authority has ascertained and it is hereby determined and declared that the execution and delivery of this Indenture is necessary to carry out and effectuate the purposes of the Authority and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and Subordinate Obligations and is a contract or agreement necessary, useful and convenient to carry out and effectuate the purposes of the Authority.

Section 2.2. Limited Obligation of Authority. The Bonds and Subordinate Obligations are limited, not general, obligations of the Authority payable solely from the Trust Estate, subject to the application thereof to the purposes and on the conditions permitted by this Indenture.

Section 2.3. Authorization for Issuance of Bonds and Subordinate Obligations in Series. Bonds or Subordinate Obligations are hereby authorized to be issued from time to time hereunder in one or more Series without limitation as to amount except as may be provided herein, in a Supplemental Indenture, or by law. Bonds or Subordinate Obligations may be issued as Federally Taxable Obligations only if so provided in the Supplemental Indenture authorizing such Bonds or Subordinate Obligations. No Bonds or Subordinate Obligations shall be issued unless they are part of an issue described in a Supplemental Indenture and until the conditions contained in Section 2.5 hereof and, in the case of Refunding Bonds, Section 2.6 hereof are satisfied.

Section 2.4. Issuance and Delivery of Bonds or Subordinate Obligations. After their authorization by the Authority, Bonds or Subordinate Obligations may be executed by or on behalf of the Authority and delivered to the Trustee for authentication and, upon compliance by the Authority with the requirements of Sections 2.5 and 7.10(B) hereof and, in the case of Refunding Bonds, Section 2.6 hereof, the Trustee shall thereupon authenticate and deliver such Bonds or Subordinate Obligations to or upon the order of the Authority.

Section 2.5. Conditions Precedent to Delivery of Bonds or Subordinate Obligations. The Bonds or Subordinate Obligations of each Series shall be authenticated and delivered upon the order of the Authority, but only upon the receipt by the Trustee of the following:

(A) a certified copy of the Supplemental Indenture authorizing such Series of Bonds or Subordinate Obligations, executed by the Authority and the Trustee, which shall specify:

(a) the authorized principal amount and designation of such Bonds or Subordinate Obligations;

(b) the purposes for which such Bonds or Subordinate Obligations are issued, which shall be one or more of the following: (i) the making of deposits into the Student Loan Fund, (ii) the making of deposits to the extent necessary to increase the

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Authority (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting rights and remedies of creditors and to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against State agencies and authorities in the State); (ii) such Supplemental Indenture and this Indenture create the valid pledge and assignment which they purport to create of the Trust Estate, including Revenues and Recoveries of Principal, moneys and securities on deposit in any of the Funds and Accounts established hereunder (except the Rebate Fund and the Excess Yield Fund), including the investments, if any, thereof, subject to the application of such amounts to the purposes and on the conditions permitted by such Supplemental Indenture and this Indenture; (iii) upon the execution, authentication and delivery thereof, such Bonds or Subordinate Obligations will have been duly and validly authorized and issued by the Authority and constitute the valid and legally binding limited obligations of the Authority enforceable in accordance with their terms (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other similar laws affecting rights and remedies of creditors and to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against State agencies and authorities in the State); and (iv) interest on Bonds or Subordinate Obligations which are Tax-Exempt Obligations will be excludable from gross income for federal income tax purposes (subject to such exceptions as may be necessary with regard to future compliance by the Authority with federal income tax requirements, including those regarding the use and investment of Bond proceeds and other funds);

(C) a written order as to the delivery of such Bonds or Subordinate Obligations, signed by an Authorized Officer;

(D) evidence of the receipt by the Trustee of the amount of the proceeds of such Bonds or Subordinate Obligations to be deposited with the Trustee pursuant to Section 4.1 hereof, which shall be conclusively established by the executed Certificate of the Trustee so stating;

(E) in the case of additional obligations issued pursuant to Section 7.10 hereof, evidence that the provisions of Section 7.10 hereof have been complied with as of the date of delivery of such Series; and

(F) such further documents and moneys as are required by the provisions of Article VIII hereof or of any Supplemental Indenture entered into pursuant to Article VIII hereof.

Section 2.6. Conditions Precedent to Delivery of Refunding Bonds. In addition to the requirements of Section 2.5 hereof, Refunding Bonds of any Series shall be authenticated by the Trustee only upon the receipt by the Trustee of:

(A) evidence of the receipt by the Trustee of irrevocable instructions to the Trustee to give due notice of the purchase, payment or redemption of all the Refunded Obligations to be refunded and the tender, payment or redemption dates, if any, upon which such Refunded Obligations are to be purchased, paid or redeemed, which shall be conclusively established by the executed Certificate of the Trustee so stating;

(B) if Refunded Obligations are to be redeemed subsequent to the next succeeding forty-five (45) days, evidence of the receipt by the Trustee of irrevocable instructions to the Trustee to mail or provide electronic dissemination if authorized by DTC,

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balance in the Debt Service Reserve Fund to the amount, if any, required by this Indenture or such Supplemental Indenture, (iii) the refunding of any Refunded Obligations, (iv) the payment of Costs of Issuance, or (v) any combination of the foregoing;

(c) the dated dates and maturity dates of such Series of Bonds or Subordinate Obligations;

(d) the interest rates, if any, and the method or formula of determining interest rates which are not fixed rates of interest and principal amounts payable upon such Bonds or Subordinate Obligations (or the manner of determining such rates or amounts) and the Payment Dates therefor;

(e) the denominations of, and the manner of dating, numbering and lettering such Bonds or Subordinate Obligations;

(f) subject to Section 7.3 hereof, the Paying Agent and the places of payment of such Bonds or Subordinate Obligations or the manner of appointing and designating the same;

(g) the Debt Service Reserve Fund Requirement, and the amount, if any, required to be deposited in the Debt Service Reserve Fund from the proceeds of the Bonds or Subordinate Obligations of such Series or by the deposit of a Funding Instrument in such Debt Service Reserve Fund so that the amount on deposit therein will equal the Debt Service Reserve Fund Requirement;

(h) the funds, Accounts or Subaccounts to which monies are to be deposited;

(i) provisions concerning the forms of such Bonds or Subordinate Obligations and of the Trustee's certificate of authentication;

(j) any other provisions deemed advisable by the Authority as shall not conflict with the provisions hereof;

(k) the Redemption Price, if any, of and, subject to the provisions of Article VI hereof, the redemption terms for such Bonds or Subordinate Obligations;

(l) the amounts and due dates of the Sinking Fund Payments, if any, for any of such Bonds or Subordinate Obligations and any other applicable provisions relating to such Sinking Fund Payments;

(m) provisions, if any, for furnishing a Credit Facility or Liquidity Facility with respect to such Series; and

(n) whether the Bonds or Subordinate Obligations of such Series are Federally Taxable Obligations.

(B) Either or both of, or a combination of, a Counsel's Opinion and a Bond Counsel's Opinion to the effect that: (i) the Supplemental Indenture authorizing the Bonds or Subordinate Obligations of such Series and this Indenture have been duly and lawfully authorized, executed, and delivered by the Authority and are valid and binding upon, and enforceable against, the

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as provided in Article VI hereof, notice of the purchase or redemption of such Bonds on a specified date prior to their purchase or redemption date, which shall be conclusively established by the executed Certificate of the Trustee so stating; and

(C) evidence of the receipt by the Trustee of either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect purchase, payment or redemption at the applicable Redemption Price of the Refunded Obligations to be refunded, together with accrued interest on such Refunded Obligations to the purchase date, due date or redemption date, or (ii) Governmental Obligations (not subject to redemption at the option of the issuer thereof) for the purpose of effecting a refunding of Refunded Obligations, the principal of and interest on which when due (without reinvestment thereof), together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable principal or Redemption Price of the Refunded Obligations to be refunded, together with accrued interest on such Refunded Obligations to the redemption date or dates of purchase or maturity thereof. Such receipt shall be conclusively established by the executed Certificate of the Trustee so stating.

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ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

Section 3.1. Place, Medium of Payment, Denomination, Maturities, Credit or Liquidity Facilities, Form and Date. (A) Principal or Redemption Price, if applicable, of the Bonds are payable upon presentation and surrender thereof at the designated corporate trust office of the Paying Agent. Interest on the Bonds will be paid by check or draft drawn upon the Paying Agent and mailed to registered owners at the addresses shown on the registration books maintained by the Trustee, provided that, at the written request of the registered owner of at least \$1,000,000 principal amount of Bonds (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Payment as aforesaid shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(B) The Payment Dates with respect to a Series of Bonds shall be as set forth in the Supplemental Indenture authorizing such Bonds. Interest, if any, on each Bond shall be payable as set forth in the Supplemental Indenture authorizing such Series of Bonds.

(C) Bonds shall be issued in fully registered form, without coupons.

(D) All Series of Bonds shall be dated as provided in the Supplemental Indenture authorizing such Series of Bonds. Bonds of any Series issued prior to the first Interest Payment Date, if any, applicable to Bonds of such Series shall bear interest from their dated date, but Bonds issued on or subsequent to the first Interest Payment Date applicable to Bonds of such Series shall bear interest from the Interest Payment Date next preceding the date of authentication thereof (unless such date of authentication shall be an Interest Payment Date, in which case they shall bear interest from such Interest Payment Date). If, however, as shown by the records of the Trustee and Registrar, interest on such Series of Bonds shall be in default, the Bonds issued in lieu of such Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the Bonds surrendered.

(E) With respect to any Series of Bonds, the Authority may provide by Supplemental Indenture for the use of a book-entry-only system with The Depository Trust Company or other similar entity including alternate methods of paying Bonds.

(F) The interest rate or rates on Bonds of any Series or any Bonds within a Series may be fixed or variable as shall be set forth in the Supplemental Indenture authorizing such Bonds.

(G) Payment of the principal or Redemption Price, if applicable, of, or interest on, the Bonds of any Series may be payable from or secured by a Credit Facility or Liquidity Facility as shall be set forth in the Supplemental Indenture authorizing such Bonds. The provider of any such Credit Facility or Liquidity Facility may be granted such rights to consent to or approve of action required or permitted hereunder as shall be set forth in the Supplemental Indenture authorizing the Series of Bonds benefiting from such Credit Facility or Liquidity Facility, which rights may be granted to the exclusion of the Owners of the Bonds of such Series.

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and, except (i) with respect to the delivery of definitive Bonds in exchange for temporary Bonds, or (ii) as otherwise provided herein, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sums shall be paid by the Bondholder requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Authority shall not be obligated to issue, exchange or transfer any Bond during a period beginning on the opening of business on the Record Date and ending on the related Interest Payment Date or during a period beginning on the opening of business on the date Bonds are selected for redemption and ending on the date of the mailing of notice of such redemption, or transfer or exchange Bonds called or being called for redemption, except the unredeemed portion of Bonds being redeemed in part.

Section 3.7. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Authority shall execute and the Authenticating Agent shall authenticate a new Bond of like Series, interest rate, maturity, principal amount and other terms of the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of a Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to the Authority and the Trustee that such Bond has been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing the Authority and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section 3.7 shall comply with such other reasonable regulations as the Authority and the Trustee may prescribe and pay such expenses as the Authority and the Trustee may incur in connection therewith. All Bonds so surrendered to the Trustee shall be cancelled by it. Evidence of such cancellation shall be filed with the Authority at its request.

Section 3.8. Preparation of Definitive Bonds; Temporary Bonds. (A) Definitive Bonds of any Series shall be typewritten, lithographed, printed or prepared in such other fashion as is acceptable to the initial purchasers of the Bonds of such Series. Until definitive Bonds are prepared, the Authority may execute and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof and as to exchangeability, one or more temporary Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bonds are issued, in Authorized Denominations or any multiple thereof, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. Upon surrender of such temporary Bonds for exchange and cancellation, the Authority at its own expense shall prepare and execute and, without charge to the Owner thereof, deliver in exchange therefor, at the designated corporate trust office of the Trustee, definitive Bonds, of the same aggregate principal amount, Series and maturity, bearing the same rate of interest and having the same terms as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall be in all respects entitled to the same benefits and security as definitive Bonds issued pursuant to this Indenture.

(B) All temporary Bonds surrendered in exchange for definitive Bonds shall be forthwith cancelled by the Trustee.

Section 3.9. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bond, together with all Bonds purchased by the Trustee, and all Bonds surrendered to the Trustee in accordance with Sections 3.7 or 3.8 herein, shall thereupon be

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Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom or otherwise.

Section 3.3. Interchangeability of Bonds. Bonds, upon surrender thereof at the designated corporate trust office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its duly authorized attorney, may at the option of the registered owner thereof, and upon payment by such registered owner of any charges which the Trustee may make as provided in Section 3.6 hereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity bearing the same rate of interest and Authorized Denominations of any Bonds of the same Series; provided, however, that the exchange of Bonds may be restricted by the Supplemental Indenture pursuant to which such Bonds are issued.

Section 3.4. Negotiability, Transfer and Registry. Except as provided in any Supplemental Indenture, all the Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration, transfer and exchange contained in this Indenture and in the Bonds. So long as any of the Bonds remain Outstanding, the Authority shall maintain and keep, at the designated corporate trust office of the Registrar, which may be one or more banks or trust companies or national banking associations appointed by the Authority, books for the registration, transfer and exchange of Bonds. Upon presentation thereof for such purpose at said office, the Authority shall register or cause to be registered in such books, and permit to be transferred thereon, any Bonds pursuant to such reasonable regulations as it or the Registrar may prescribe. So long as any of the Bonds remain Outstanding, the Authority shall make all necessary provisions to permit the exchange of Bonds at the designated corporate trust office of the Registrar.

Section 3.5. Transfer of Bonds. (A) Each Bond shall be transferable only upon the books of the Authority, which shall be kept for such purpose at the designated corporate trust office of the Registrar, by the registered owner thereof in person or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its duly authorized attorney. Upon the transfer of any such Bond, the Authority shall issue in the name of the transferee a new Bond or Bonds, of the same aggregate principal amount, Series, priority, interest rate and maturity as the surrendered Bond.

(B) The Authority and any Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.6. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority shall execute, and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. For every such exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer,

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promptly cancelled. Bonds so cancelled may at any time be cancelled or otherwise destroyed by the Trustee in accordance with its retention policy then in effect.

Section 3.10. Execution and Authentication. (A) After their authorization pursuant to a Supplemental Indenture, Bonds of a Series may be executed pursuant to or on behalf of the Authority and delivered to an Authenticating Agent for authentication. The Bonds shall be executed in the name and on behalf of the Authority by the manual or facsimile signature of the Chairman or other Authorized Officer, or in such other manner as may be required by law or the resolution authorizing the Bonds of a Series. The corporate seal of the Authority (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved, or otherwise reproduced thereon and attested to by the manual or facsimile signature of the Secretary or other Authorized Officer, or in such other manner as may be required by law or the resolution authorizing the Bonds of a Series. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office or be so employed. Any Bond may be signed and sealed on behalf of the Authority by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Authority, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Indenture authorizing such Bonds, executed manually by the Authenticating Agent. No Bond shall be entitled to any right or benefit under this Indenture or shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Authenticating Agent. Such certificate of Authentication Agent upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated was issued and delivered under this Indenture and that the Owner thereof is entitled to the benefits hereof.

(C) Issuance of Bonds in the form of book-entry securities shall take place upon the completion of such acts as may be specified and in the manner which may be specified in the Supplemental Indenture authorizing such issuance.

Section 3.11. Subordinated Obligations. The Authority is hereby authorized to issue from time to time Subordinated Obligations, the provisions for issuance and general terms and provisions of which shall be set forth in the Supplemental Indenture authorizing such Subordinated Obligations, subject however in all cases, to the provisions of Section 5.5(A)(1)(b), Section 10.1 and Section 10.3 hereof. Subordinated Obligations may be issued for any purpose for which Bonds may be issued as described herein.

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ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

Section 4.1. Application of Bond Proceeds, Accrued Interest and Premium. Except as otherwise provided in a Supplemental Indenture, the proceeds of sale of any Series of Bonds or Subordinate Obligations (other than the proceeds of Refunding Bonds or the proceeds from the remarketing of any Bonds) shall, as soon as practicable upon the delivery of the Bonds or Subordinate Obligations by the Trustee pursuant to Section 2.5 hereof, be applied as follows:

(A) the amount, if any, necessary to cause the aggregate amount on deposit in the Debt Service Reserve Fund to at least equal the Debt Service Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Debt Service Reserve Fund, together with such additional amounts, if any, as may be specified in the Supplemental Indenture authorizing such Series;

(B) upon the delivery of a Series of Bonds or Subordinate Obligations, the amount, if any, received as capitalized interest as designated by a Supplemental Indenture, shall be deposited in the Capitalized Interest Fund unless otherwise provided in a Supplemental Indenture;

(C) upon the delivery of a Series of Bonds or Subordinate Obligations, the amount, if any, received at such time as a premium above the aggregate principal amount of such Bonds or Subordinate Obligations shall be applied by the Trustee as specified in the Supplemental Indenture authorizing such Series, and the amount, if any, received as accrued interest as designated by a Supplemental Indenture, shall be deposited in the Revenue Fund unless otherwise provided in a Supplemental Indenture; and

(D) the balance remaining after such deposits have been made shall be deposited in the Student Loan Fund.

Section 4.2. Application of Proceeds of Refunding Bonds. The proceeds of Refunding Bonds shall be deposited as provided in the Supplemental Indenture authorizing such Bonds.

Section 4.3. Application of Amounts Pledged as Security for Bonds Defeased. The balance of any Account or Fund which is pledged as security for any Series of Bonds shall be applied, upon the defeasance of such Series through the application of the proceeds of Refunding Bonds issued pursuant to this Indenture, as prescribed in the Supplemental Indenture authorizing such Refunding Bonds.

proper administration of all moneys received as proceeds of the Bonds and Subordinate Obligations, there are hereby created and established the following Funds and Accounts:

(A) The Student Loan Fund. Except as otherwise provided in a Supplemental Indenture, there shall be credited to the Student Loan Fund, the following:

(i) all proceeds from the sale of the Bonds (excluding accrued interest, original issue premium and capitalized interest, if any, and to the extent required by the Supplemental Indenture relating to a Series of Bonds or Subordinate Obligations), the Debt Service Reserve Fund Requirement pertaining to the Series of Bonds or Subordinate Obligations), other than proceeds of Refunding Bonds;

(ii) Recoveries of Principal subject to any limitations set forth in a Supplemental Indenture; and

(iii) all moneys required or directed to be transferred to the Student Loan Fund pursuant to this Indenture or any Supplemental Indenture. All moneys in the Student Loan Fund shall be used for the purposes and disbursed as provided in Section 5.4 hereof.

The Student Loan Fund shall constitute a part of the "New Jersey College Loans to Assist State Students (NJCLASS) Loan Fund" under the Act and the "Higher Education Student Assistance Fund" under the Act, in each case to the extent applicable.

(B) The Revenue Fund. Except as otherwise provided in a Supplemental Indenture, there shall be credited to the Revenue Fund:

(i) original issue premium, if any, and accrued interest, if any, from the sale of the Bonds,

(ii) any amounts transferred from the Capitalized Interest Fund pursuant to Section 5.8 hereof,

(iii) all Revenues,

(iv) any amounts transferred from the Student Loan Fund pursuant to Section 5.4(A)(v) hereof,

(v) any amounts transferred from the Debt Service Reserve Fund pursuant to Section 5.7 hereof; and

(vi) any other amounts required or directed to be deposited therein pursuant to a Supplemental Indenture and any other amounts available therefor and determined by the Authority to be deposited therein from time to time.

(C) The Debt Service Reserve Fund. Except as otherwise provided in a Supplemental Indenture, there shall be credited to the Debt Service Reserve Fund the following:

(i) the Debt Service Reserve Fund Requirement, if any, from initial proceeds of the Bonds or Subordinate Obligations and/or by the provisions of a Funding Instrument, and/or from such other moneys of the Authority as specified in the Supplemental Indenture authorizing the Series,

ARTICLE V

PLEDGE OF INDENTURE; ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 5.1. Pledge Effected by Indenture. The Trust Estate is pledged and assigned pursuant to this Indenture in accordance with the terms and conditions of this Indenture. To the fullest extent provided by the Act and other applicable laws, the Trust Estate shall immediately be subject to the lien of this Indenture without any physical delivery thereof or further act, and such lien shall be valid and binding against all parties having claims in tort, contract, or otherwise against the Authority, irrespective of whether such parties have notice hereof.

Section 5.2. Establishment of Trust Estate; Pledge. In order to secure in the following order of priority (1) first, equally and ratably on a parity basis one with the other (except as hereinafter provided in Sections 5.5(A)(1)(x), Section 10.1 and Section 10.3 hereof); (a) the payment of the principal and Redemption Price of, the interest on and the purchase price of the Bonds at any time issued and Outstanding under this Indenture according to their tenor and effect; and (b) the performance and observance of all of the covenants and conditions in said Bonds and herein contained; (2) second, except as otherwise provided in a Supplemental Indenture, Interest Rate Exchange Agreements; (3) third, except as otherwise provided in a Supplemental Indenture, (a) the obligations of the Authority incurred pursuant to any Credit or Liquidity Facility that may, from time to time, be in effect with respect to any Bonds; and (b) except as otherwise provided in a Supplemental Indenture, the performance and observance of the covenants and conditions contained in any such Credit or Liquidity Facility, and (4) fourth, on a subordinate basis as provided herein and in a Supplemental Indenture, the payment of the principal of, interest on and other amounts payable in respect of Subordinate Obligations, all of the following property, assets, rights and interests (including all proceeds thereof) (the "Trust Estate") are hereby pledged by the Authority and a security interest in the Trust Estate is hereby granted pursuant to the Act, to the Trustee and its successors and assigns in trust forever (subject to the terms and conditions hereof) for the benefit of the Bondholders, the counterparty to an Interest Rate Exchange Agreement, the provider of any Credit or Liquidity Facility, and the holders of any Subordinate Obligations, as their interests may appear:

(A) All Revenues and Recoveries of Principal;

(B) The Student Loans and notes evidencing the same and all extensions and renewals thereof; and

(C) All moneys and securities from time to time held by the Trustee under the terms of this Indenture (excluding moneys and securities held, or required to be deposited, in the Rebate Fund or the Excess Yield Fund) and any and all other real or personal property of every name and nature, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder by the Authority to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

Section 5.3. Establishment or Authorization of Student Loan Fund, Revenue Fund, Debt Service Reserve Fund, Capitalized Interest Fund, Rebate Fund and Excess Yield Fund. In order to best effectuate the making and acquiring of Student Loans, the payment of the principal of and interest on the Bonds and Subordinate Obligations and to provide for the

(ii) to the extent the amount available to be drawn under a Funding Instrument on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, funds shall be deposited therein to the extent required by Sections 5.5(A)(vi) and 5.7 hereof until the amount of cash and Investment Securities on deposit in the Debt Service Reserve Fund together with amount available to be drawn under a Funding Instrument therein, is equal to the Debt Service Reserve Fund Requirement, and

(iii) such other amounts as are required or directed to be deposited in or transferred to the Debt Service Reserve Fund pursuant to Sections 5.4 or 7.15 hereof or any other provisions of this Indenture or any Supplemental Indenture.

The Authority, with respect to any Series of Bonds or Subordinate Obligations, may cause to be deposited into the Debt Service Reserve Fund, cash or a Funding Instrument in an amount equal to the difference between the Debt Service Reserve Fund Requirement for such Series of Bonds or Subordinate Obligations and the cash and Investment Securities, if any, then on deposit or being deposited in the applicable Subaccount in the Debt Service Reserve Fund. The Authority may, at any time, substitute cash or a Funding Instrument comprising the Debt Service Reserve Fund Requirement for any series of Bonds or Subordinate Obligations for a Funding Instrument, or cash, respectively.

The provider, if any, of the Funding Instrument shall be rated in one of the two highest rating categories (without regard to any numerical or other modifier) by each Rating Agency, or shall have such other qualifications as shall be set forth in the Supplemental Indenture authorizing the issuance of such Series of Bonds or Subordinate Obligations.

(D) The Capitalized Interest Fund. Except as otherwise provided in a Supplemental Indenture, there shall be credited to the Capitalized Interest Fund the amount, if any, received as capitalized interest from the sale of Bonds or Subordinate Obligations or other funds of the Authority as designated by a Supplemental Indenture.

(E) The Rebate Fund and the Excess Yield Fund. The Authority hereby also authorizes the Trustee to establish special Accounts to be held by the Trustee and to be called the Rebate Fund and the Excess Yield Fund. Such Accounts are not included within the Trust Estate. The Trustee shall make deposits to and withdrawals from the Rebate Fund and the Excess Yield Fund at such time and in the manner specified by the Authority acting in accordance with the terms of each Tax Agreement.

(F) All Accounts shall be held and maintained by the Trustee and shall be identified by the Authority and the Trustee according to the designations herein provided in such manner as to distinguish such Accounts from the accounts established by the Authority for any other of its obligations. All moneys or securities held by the Trustee or any Fiduciary pursuant to this Indenture (other than the Rebate Fund and the Excess Yield Fund) shall be held in trust, as set forth in this Indenture, including for the benefit of the Bond owners, and applied only in accordance with the provisions of this Indenture.

(H) An Authorized Officer of the Authority may authorize the Trustee to establish Subaccounts or additional Accounts as it may deem necessary or as required by a Supplemental Indenture. Any Subaccount or Account established under the Revenue Fund, the Debt Service Reserve Fund, the Capitalized Interest Fund, and the Student Loan Fund shall be held and maintained as a separate Account or Subaccount solely for the purpose of tracking the

investment and receipts of money and Student Loans, if required by a Tax Agreement delivered in connection with any Series of Tax-Exempt Obligations or if in Bond Counsel's Opinion it is necessary to do so.

Section 5.4. Student Loan Fund. (A) Moneys in the Student Loan Fund shall be used, except as otherwise provided herein or in any Supplemental Indenture, only for the following purposes:

- (i) to pay Costs of Issuance, including the initial fees of any provider of a Credit Facility under a Supplemental Indenture, and the initial fees of the Trustee or other Fiduciary and any loan application fees, if such fees are to be paid from the proceeds of any Series of Bonds, as set forth in a Supplemental Indenture;
- (ii) upon receipt of a disbursement list or other written direction of the Authority, to make or acquire Eligible Loans, subject to the provisions and requirements of this Indenture or any Supplemental Indenture;
- (iii) in the event of foreclosure of the lien of the Trustee on the Trust Estate, for transfer to the Revenue Fund;
- (iv) after any funds on deposit in the Capitalized Interest Fund have been transferred and expended as provided herein, (i) to make deposits to the Revenue Fund for the purpose of paying Principal Installments or interest on Bonds, whether at maturity or earlier redemption, if there are insufficient funds on deposit in the Revenue Fund for the payment of Principal Installments or interest on Bonds on any Payment Date and/or (ii) to make deposits to the Debt Service Reserve Fund to the extent of any deficiency therein;
- (v) periodically upon the written direction of the Authority, after the above payments and/or transfers have been made, to make deposits to the Revenue Fund to pay Program Expenses, Servicing Fees, or Bond Fees, if any, not otherwise paid, retained or provided for by the Authority from moneys under this Indenture;
- (vi) to make deposits to the Revenue Fund required pursuant to Sections 5.4(B) or 5.4(C) of this Indenture;
- (vii) to make such other deposits or transfers as may be required by a Supplemental Indenture;
- (viii) subject to the provisions of the Tax Agreement, all investment income on the Student Loan Fund shall be credited as received to the Revenue Fund; and
- (ix) any amount remaining in the Student Loan Fund after the Bonds are no longer Outstanding shall be applied as an Authorized Officer may direct for any lawful Authority purpose under the Act.

For any disbursement to finance the Origination of an Eligible Loan, the written direction of the Authority shall include the principal amount of such Eligible Loan and the type of Student Loan it constitutes. As to each such disbursement, the Authority hereby covenants that it will comply with the requirements of applicable federal and State law and that (i) the disbursement to be made is a proper charge against the Student Loan Fund, all requirements of this Indenture and any Supplemental Indenture in connection therewith have been met and, in

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on such date; (b) on or before each Principal Payment Date, the amount of Principal Installments for the Bonds coming due on such date; and (c) on any such date, the amount required to reimburse the provider of any Credit Facility or Liquidity Facility issued for the Bonds for making any such payment, if any;

(v) On or before the due date thereof, the amount of any IREA Payment Obligation with respect to Bonds (but only to the extent that such disbursement will not result in a deficiency in the amounts required to make the payments required by clauses (i) through (iv) above on the later of such date or the next succeeding Interest Payment Date); provided that the Authority may, by Supplemental Indenture, provide for IREA Payment Obligations with respect to Bonds (other than Termination Payments) to be paid on parity with the disbursements to be made pursuant to clause (v) above, and provided further that the Authority may, by Supplemental Indenture, provide for Termination Payments to be disbursed only after the transfers and payments set forth in clauses (i) through (vii) have been made;

(vi) Into a payment account to be used by the Trustee therefor, subject to such limitations on the payment of interest on Subordinate Obligations as may be set forth in the Supplemental Indenture authorizing such Subordinate Obligations and after the above payments have been made, on or before each Interest Payment Date, the amount required to pay the interest payable on the Subordinate Obligations on such date;

(vii) On the first date that funds are available therefor, after taking into account any funds appropriated for this purpose by the Legislature of the State pursuant to the Act and deposited into the Debt Service Reserve Fund, (a) the amount required to reimburse the provider of a Funding Instrument for the amount of any draw and all amounts due and payable with respect to a draw under such Funding Instrument and (b) to the Debt Service Reserve Fund, until the amount of cash and Investment Securities on deposit, together with any amounts available to be drawn under a Funding Instrument therein, is equal to any Debt Service Reserve Requirement;

(viii) Into a payment account to be used by the Trustee therefor, on or before each Principal Payment Date, the amount of Sinking Fund Payments for the Bonds coming due on such date;

(ix) Into a payment account to be used by the Trustee therefor, and only provided all Principal Installments on the Bonds have been paid and no Bonds remain Outstanding: (a) on or before each Payment Date on which principal of the Subordinate Obligations comes due, the amount of principal for the Subordinate Obligations coming due on such date; (b) on or before each Payment Date on which a sinking fund payment for Subordinate Obligations comes due, the amount of sinking fund payments for the Subordinate Obligations coming due on such date; and (c) on any such date, the amount required to reimburse the provider of any Credit Facility or Liquidity Facility for making any such payment, if any;

(x) On or before the due date thereof, the amount of any IREA Payment Obligation with respect to Subordinate Obligations (but only to the extent that such disbursement will not result in a deficiency in the amounts required to make the payments required by clauses (i) through (vii) above on the later of such date or the next succeeding Interest Payment Date);

(xi) On each Interest Payment Date, as directed by the Authority, transfer into the Student Loan Fund (1) the amount, if any, of any transfers made from the Student Loan Fund into the Revenue Fund to satisfy any deficiencies therein as required by Section 5.7

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connection with disbursements pursuant to Section 5.4(A)(ii) hereof, no Event of Default has occurred and is continuing, and (ii) if the disbursement is to finance the acquisition of Eligible Loans, the electronic or paper promissory note or notes with respect to each such Eligible Loan so purchased has been delivered to the Trustee; provided that if the delivery of the promissory note or notes is not required under applicable law to perfect the security of the Eligible Loan, the Trustee may make a disbursement to finance the Origination of an Eligible Loan without receipt of the promissory note or notes. The Trustee shall be entitled to rely on a Counsel's Opinion with respect to the perfection of security of an Eligible Loan prior to making any disbursement without receipt of a promissory note or notes.

(B) At any time, except as otherwise provided in any Supplemental Indenture, the Authority may direct the Trustee in writing to apply amounts in the Student Loan Fund to the redemption or retirement of Bonds in accordance with their terms and the provisions of Article VI hereof, but only if there is delivered to the Trustee, along with such direction, a Certificate of an Authorized Officer stating that, in the judgment of the Authority, such transfer or application would not materially and adversely affect the security pledged to the payment of any Bonds remaining Outstanding during or subsequent to the completion of such transfer or application.

(C) In the event that the Authority determines, in its reasonable judgment, that it shall, by law or otherwise, become, for more than a temporary period, unable to finance Eligible Loans pursuant to this Indenture or shall suffer unreasonable burdens or excessive liabilities in connection therewith, the Authority shall with all reasonable dispatch deliver to the Trustee a Certificate of an Authorized Officer stating the occurrence of such an event and setting forth the amount, if any, required to be retained in the Student Loan Fund for the purpose of meeting any existing obligations of the Authority payable from the Student Loan Fund, and the Trustee, after reserving therein the amount stated in such Certificate, shall transfer any balance remaining in the Student Loan Fund to the Revenue Fund to be applied as set forth in Section 5.5 of this Indenture.

Section 5.5. Use and Disbursements of Revenue Fund Moneys. (A) (1) Except as otherwise provided herein or in a Supplemental Indenture, the Trustee shall make disbursements from the Revenue Fund as follows and in the following order of priority:

(i) Periodically, as directed in writing by an Authorized Officer of the Authority, to the Rebate Fund or the Excess Yield Fund such amounts as are required to be transferred therein to satisfy the requirements of the Tax Agreement;

(ii) Periodically, as directed in writing by an Authorized Officer of the Authority, the amounts required to pay all Bond Fees not otherwise paid, retained, or provided for from moneys under this Indenture subject to any limitations set forth in a Supplemental Indenture;

(iii) Periodically, as directed in writing by an Authorized Officer of the Authority, subject to any limitations set forth in a Supplemental Indenture, after the above payments have been made, the amount necessary to pay Program Expenses then unpaid and not otherwise paid or provided for from moneys under this Indenture; provided that, once paid to the Authority, such amounts can be applied by the Authority for any lawful purpose of the Authority free and clear of the lien of this Indenture;

(iv) Into a payment account to be used by the Trustee therefor, (a) on or before each Interest Payment Date, the amount required to pay the interest payable on the Bonds

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hereof, until the amount on deposit in the Student Loan Fund has been replenished by the amount of such transfers or (2) prior to termination of the Recycling Period, the amount, if any, directed in writing by the Authority to be transferred to the Student Loan Fund to originate or acquire additional Student Loans; provided, however, that with respect to any transfer pursuant to this clause (xi), the Trustee shall have received a Certificate from an Authorized Officer of the Authority that such disbursement would not cause the Authority to be unable to provide for the payment of any of the amounts to be disbursed pursuant to clauses (i) through (x) above;

(xii) On or before any redemption date, subject to any reservation of funds required to be reserved pursuant to such Supplemental Indenture, the amount required to pay the Redemption Price of and interest on the Bonds to be redeemed on such date and if permitted or required to be redeemed pursuant to the terms of any Supplemental Indenture authorizing the issuance of Subordinate Obligations, the amount required to pay the Redemption Price of and interest on Subordinate Obligations to be redeemed on such date;

(xiii) Periodically, the amount required, if any, to purchase Student Loans from other trust estates of the Authority; provided that any such Student Loans shall meet any and all requirements to be Eligible Loans as set forth in any Supplemental Indenture and shall be purchased for an amount equal to the outstanding principal balance thereof plus accrued but unpaid interest to the date of purchase;

(xiv) Periodically, if the Parity Percentage Requirement as required by any Supplemental Indenture for a Series of Bonds or Subordinate Obligations has been satisfied after the transfers and payments set forth in clauses (i) through (xii) have been made and after reservations of any funds required by a Supplemental Indenture, any funds remaining in the Revenue Fund may be applied by an Authorized Officer of the Authority, at the written direction of the Authority, free and clear of the lien or the pledge of this Indenture to the purpose of the Loan Finance Program or any other lawful Authority purpose under the Act, including to reimburse the Authority for any of its reserves transferred and deposited in the Student Loan Fund;

(xv) On any date of purchase of Bonds upon the written request of the Authority by its Authorized Officer, the amount required for payment of the principal portion of the purchase price of the Bonds to be purchased; provided, however, that with respect to any transfer pursuant to this clause (xv), the Trustee shall have received a Certificate from an Authorized Officer of the Authority that such disbursement would not cause the Authority to be unable to provide for the payment of any of the amounts to be disbursed pursuant to clauses (i) through (xii) above. The Trustee shall purchase the Bonds as directed by the Authority at the most advantageous price as determined by the Authorized Officer; provided that the purchase price in both cases shall be at par or less but without premium, plus accrued interest;

(xvi) Additional payments required to be made with respect to any prepayments of obligations under any Credit Facility or Liquidity Facility and payment of all other obligations due and payable under any Credit Facility or Liquidity Facility, provided, however, that with respect to any transfer pursuant to this clause (xvi), the Trustee shall have received a Certificate from an Authorized Officer of the Authority that such disbursement would not cause the Authority to be unable to provide for the payment of any of the amounts to be disbursed pursuant to clauses (i) through (xii) above; and

(xvii) At the direction of the Authority and in connection with a partial refunding of the Bonds, an amount not greater than the principal amount of the Bonds being paid from the

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proceeds of the Refunding Bonds may be transferred to be used for any lawful Authority purpose under the Act, provided, however, that with respect to any transfer pursuant to this clause (xvii), the Trustee shall have received a Certificate from an Authorized Officer of the Authority that such disbursement would not cause the Authority to be unable to provide for the payment of any of the amounts to be disbursed pursuant to clauses (i) through (xii) above.

(2) Subject to the provisions of the Tax Agreement, all investment income from the Revenue Fund shall remain deposited in and be credited as received to the Revenue Fund.

(B) As soon as practicable after the sixtieth (60th) day preceding any Principal Payment Date on which Sinking Fund Payments shall become due and payable, the Trustee shall proceed to call for redemption in accordance with Article VI hereof, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in an amount equal to the unsatisfied balance of such Sinking Fund Payment.

(C) Upon any purchase or redemption (other than redemption from Sinking Fund Payments) of Bonds of any Series and maturity for which Sinking Fund Payments shall have been established, there shall be credited toward each such Sinking Fund Payment thereafter to become due, unless otherwise directed by the Authority, an amount bearing the same ratio to such Sinking Fund Payments as the total principal amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be so credited.

(D) Any other provision of this Indenture, including without limitation this Section 5.5, to the contrary notwithstanding, in connection with the issuance of any Series of Bonds pursuant to a Supplemental Indenture, the Authority may, to the extent permitted by the laws of the State, enter into Interest Rate Exchange Agreements with other authorities, governmental agencies, private persons, firms, or corporations (collectively referred to in this paragraph (D) as a "person") pursuant to which the Authority shall agree to pay to such person all or a portion of the Revenues in exchange for such person agreeing to timely pay to the Trustee moneys to be used to pay all or a portion of the debt service on the Bonds or the Program Expenses when due, provided that prior to and in connection with entering into such contract, the Authority shall deliver to the Trustee (i) the consent of the Credit Facility provider or a Rating Agency Condition from each Rating Agency rating the Bonds, (ii) a Counsel's Opinion to the effect that the execution and delivery of such contract is authorized under this Indenture and the laws of the State and (iii) a Bond Counsel's Opinion to the effect that the execution, delivery and performance of such contract shall not adversely affect the exclusion from gross income of interest on the then Outstanding Tax-Exempt Obligations.

(E) In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs and subject to the terms of any related Supplemental Indenture, withdraw from the Revenue Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Refunded Obligations and deposit such amounts in a special fund with itself as trustee or escrow agent to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Refunded Obligations or for such other purpose as the Authority shall direct in writing; provided that such withdrawal shall not be made unless immediately thereafter the Refunded Obligations shall be deemed to have been paid pursuant to subsection (B) of Section 12.1 hereof.

Section 5.6. Intentionally Omitted.

Section 5.7. Use and Disbursements of Debt Service Reserve Fund Moneys.

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Refunded Obligations and deposit such amounts in a special fund with itself as trustee or escrow agent to be held for the payment of the Principal Installments or Redemption Price, if applicable, of and interest on the Refunded Obligations or for such other purpose as the Authority shall direct in writing; provided that such withdrawal shall not be made unless (a) immediately thereafter the Refunded Obligations shall be deemed to have been paid pursuant to subsection B of Section 12.1 hereof, and (b) the amount remaining in the Debt Service Reserve Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Fund Requirement with respect to all Outstanding Bonds which are not being refunded.

The Authority shall at all times maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement and do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Authority or the Trustee under the terms and provisions of this Indenture.

Section 5.8. Use and Disbursements of Capitalized Interest Fund Moneys. Unless the use and disbursement of funds on deposit in the Capitalized Interest Fund is otherwise specified in the applicable Supplemental Indenture for a Series of Bonds, on or prior to each Interest Payment Date, to the extent funds on deposit in the Revenue Fund are insufficient to pay interest due and payable on the Bonds on such Interest Payment Date, the Trustee shall transfer from the Capitalized Interest Fund, to the extent funds are available therefor, to the Revenue Fund, the amount required such that funds on deposit in the Revenue Fund are sufficient to pay interest due on the Bonds on such Interest Payment Date.

Section 5.9. Deposits.

(A) Until such time as deposited pursuant to this subsection (A), all moneys held by the Trustee will be held within the corporate trust department of the Trustee. In order to permit such amounts to be available for use at the time when needed, any amounts held in trust under this Indenture by any Fiduciary or Depository as such, including amounts held by the Trustee, may, if and as directed by the Authority, be deposited in the commercial banking department of such Fiduciary or Depository which may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary or Depository.

(B) All amounts deposited with any Fiduciary or Depository pursuant to subsection (A) shall be continuously and fully secured either (i) by lodging with the Trustee as custodian, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (ii) in such other manner as may then be required by applicable federal or State laws and regulations regarding security for the deposit of public funds. It shall not be necessary, unless required by applicable law, for any Fiduciary to give security under this Section 5.9 for the deposit of any amounts (i) deposited with the Authority or (ii) to the extent that such deposit is insured by the Federal Deposit Insurance Corporation or its successors.

Section 5.10. Investment of Certain Funds.

(A) The Authority shall direct the Trustee from time to time as to the investment of amounts in the Accounts. The Authority shall direct the Trustee to invest and reinvest the moneys in any Account in Investment Securities so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable, but in any case shall

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(A) Except as may be set forth in any Supplemental Indenture, in the event there shall be on any Payment Date a deficiency in the amounts in the Revenue Fund (after making any required deposit to the Revenue Fund from the Capitalized Interest Fund and Student Loan Fund pursuant to Sections 5.7 and 5.4 hereof) to be applied to the payment of Principal Installments of or interest on the Bonds, the Trustee shall make up such deficiency by transfer of moneys for that purpose from the Debt Service Reserve Fund. In the event that the Debt Service Reserve Fund has been funded in whole or in part with a Funding Instrument, the Trustee shall draw on such Funding Instrument on any Payment Date to the extent that the cash and Investment Securities then on deposit in the Debt Service Reserve Fund, if any, are insufficient to make any required transfer from the Debt Service Reserve Fund to the Revenue Fund to pay Principal Installments of or interest on any Bonds on such Payment Date. If a disbursement to pay Principal Installments of or interest on the Bonds is made from funds drawn under a Funding Instrument pursuant to this Section 5.7, the Authority shall reimburse the provider of such Funding Instrument from funds thereafter deposited to the Debt Service Reserve Fund in accordance with Section 5.5(A)(1)(v)(a), provided that amounts available from any funds appropriated by the Legislature of the State for this purpose shall only be applied to the principal amount of such drawing. After making any such reimbursement, the amount available to be drawn under the Funding Instrument shall be reinstated up to the amount of such reimbursement. Upon reinstatement of the Funding Instrument, the amount available to be drawn under the Funding Instrument, together with the amount of cash and Investment Securities then on deposit in the Debt Service Reserve Fund, and the amount available to be drawn under any other Funding Instrument then on deposit in the Debt Service Reserve Fund, shall be at least equal to the Debt Service Reserve Fund Requirement. The Authority may establish Accounts within the Debt Service Reserve Fund, including, without limitation, by any Supplemental Indenture providing for the deposit of moneys or a Funding Instrument into such Account within the Debt Service Reserve Fund, and the Authority may provide in such Supplemental Indenture or otherwise that such moneys and/or Funding Instrument deposited in the Account within the Debt Service Reserve Fund and income on Investment Securities therein shall be applied only to a particular Series of Bonds. Unless the Authority establishes by Supplemental Indenture or otherwise Accounts within the Debt Service Reserve Fund, all funds deposited into the Debt Service Reserve Fund pursuant to this Section 5.7 will be available for all Bonds.

(B) Amounts on deposit in the Debt Service Reserve Fund, including income on Investment Securities, may also be applied in conjunction with the final payment of the principal of and interest on the last Outstanding Bonds under this Indenture as directed by the Authority; provided that to the extent amounts on deposit in the Debt Service Reserve Fund are required to make up a deficiency in the Revenue Fund for the final payment of the principal of and interest on the last Outstanding Bonds, such funds shall be used as provided in paragraph (A). To the extent that the amount of cash and Investment Securities on deposit in the Debt Service Reserve Fund, together with the amount available to be drawn under any Funding Instrument then on deposit in the Debt Service Reserve Fund, exceeds the Debt Service Reserve Fund Requirement, as required hereunder, the Authority shall direct the Trustee to transfer such excess to the Revenue Fund for further transfer to the Rebate Fund or the Excess Yield Fund, provided that such direction shall be in accordance with any applicable provisions of the Tax Agreement.

In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs but subject to the terms of the related Supplemental Indenture, withdraw from the Debt Service Reserve Fund a *pro rata* portion of the amounts accumulated therein with respect to the

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not extend beyond, the times at which moneys are required to be so expended in accordance with this Indenture or any Supplemental Indenture. The Investment Securities purchased shall be held by the Trustee, or by such other Depository as permitted by this Indenture, and shall be accounted for at all times as part of such Account, and the Trustee, or such other Depository, shall keep the Authority advised as to the details of all such investments. The foregoing notwithstanding, to the extent permitted by applicable law, the Authority may direct the Trustee to commingle moneys in the various Accounts for investment purposes and the Trustee may transfer Investment Securities from Account to Account on the books kept for such purpose without selling such Investment Securities; provided, however, that moneys in the Rebate Fund and the Excess Yield Fund shall not be so commingled.

(B) Except as otherwise provided herein or in a Supplemental Indenture, Investment Securities purchased as an investment of moneys in any Account held by the Trustee under the provisions of this Indenture shall be deemed at all times to be a part of such Account but the income or interest earned and gains realized in excess of losses suffered by an Account due to the investment thereof (other than the Rebate Fund and the Excess Yield Fund), subject to the provisions of the Tax Agreement, and subject in addition in the case of the Debt Service Reserve Fund to Section 5.7 hereof, shall be deposited in the Revenue Fund or shall be credited as Revenues to the Revenue Fund from time to time and reinvested. Earnings and income derived from Investment Securities held in the Rebate Fund and the Excess Yield Fund shall be credited as provided in the Tax Agreement or as otherwise provided by a Supplemental Indenture.

Section 5.11. Valuation and Sale of Investments.

(A) In computing the amount in any Account, obligations purchased as an investment of moneys therein shall be valued by the Trustee at their Value, as hereinafter defined, plus accrued interest in each case. "Value," whenever necessary to be determined pursuant to this Indenture or any Supplemental Indenture, means the value of any investments calculated as follows:

(i) as to any Student Loan, the unpaid principal balance thereof plus any accrued but unpaid interest;

(ii) 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 are available on a regular basis from Bloomberg Financial Markets or Telerate or other nationally recognized similar services; the average of the bid and asked prices for such investments so published or made available on or most recently prior to such time of determination;

(iii) as to investments the bid and asked prices of which are not published or made available on a regular basis by the sources named in paragraph (i) above; the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service, if any;

(iv) as to interest bearing time or demand deposits, certificates of deposit and banker's acceptances: the face amount thereof, plus accrued interest; and

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(v) as to any investment not specified above: the value thereof established by prior agreement between the Authority and the Trustee, as provided by Supplemental Indenture or otherwise.

(B) Except as otherwise provided herein, the Trustee shall sell, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account held by it. As set forth hereunder and under Section 5.10 hereof, an Investment Security may be credited on a *pro rata* basis to more than one Account and need not be sold in order to provide for the transfer of amounts from one Account to another.

Section 5.12. Final Balances. Upon payment of all principal or Redemption Price, if applicable, of, and interest on, the Bonds, all amounts required to reimburse the issuer of any Credit Facility for making any such payment and upon payment of all other sums properly due and payable hereunder (including all fees, charges and expenses of any Fiduciary which are properly due and payable hereunder as of such date), all moneys remaining in all Accounts, except moneys held by the Trustee pursuant to Section 5.13 hereof, shall be remitted to the Authority.

Section 5.13. Nonpresentation of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof, if money sufficient to pay such Bond shall have been deposited in a separate account held by the Trustee, all liability of the Authority to the owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys without liability for interest thereon, for the benefit of the owner of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on such owner's part under this Indenture or on, or with respect to, said Bond.

Subject to the applicable laws of the State, any moneys so deposited with and held by the Trustee not so applied to the purchase or payment of Bonds within three years after the date on which the trusts created hereunder are discharged and satisfied pursuant to Section 12.1 of this Indenture, shall be paid by the Trustee to the providers of any Credit Facilities, to the extent of any amounts owing to them, and then shall be applied in accordance with any applicable escheat or unclaimed property laws of the State.

Section 5.14. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee under any provisions of this Indenture shall be held by the Trustee in trust and applied for the purposes herein specified.

Section 5.15. Rebate Fund and Excess Yield Fund Not a Part of Trust Estate. Notwithstanding anything in this Indenture to the contrary, neither the Rebate Fund nor the Excess Yield Fund is a part of the Trust Estate created by this Indenture for the benefit and security of the Bonds or otherwise.

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Authorized Denominations provided that the aggregate principal amount of each Bond remaining Outstanding following such redemption shall be in an Authorized Denomination.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 6.2 hereof and when redemption of Bonds is required by this Indenture pursuant to Section 6.3 hereof, the Trustee shall give notice of the redemption of such Bonds. Such notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all Bonds called for redemption, which moneys are or will be available for redemption of Bonds, such notice shall state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited. Such notice shall be given by first class mail, or otherwise in accordance with the procedures of any applicable Depository, not less than twenty (20) nor more than forty-five (45) days before the redemption date, unless otherwise specified in the applicable Supplemental Indenture, to the registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but failure so to mail any such notice to any one or more of the Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption of Bonds with respect to Owners to whom such notice was made; provided, however, that shorter periods before the redemption date during which notice pursuant to this Section 6.5 must be given may be prescribed by a Supplemental Indenture as to Bonds issued pursuant to such Supplemental Indenture. The Authority may modify in a Supplemental Indenture the notice requirements for redemption of the Bonds authorized by such Supplemental Indenture in order to conform to the requirements of DTC or any other applicable securities depository for a Series of Bonds or to provide for other or additional forms of, times for, and methods of giving notice.

Section 6.6. Payment of Redeemed Bonds. Notice having been given by mail in the manner provided in Section 6.5 hereof, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the designated office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than the entire principal amount of a Bond, the Authority shall execute, the Trustee shall authenticate and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the owner, Bonds of like Series, priority and maturity in Authorized Denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest on the Bonds or portions thereof of

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ARTICLE VI

REDEMPTION OF BONDS

Section 6.1. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity shall be redeemable, upon notice as provided in this Article VI, at such times, at such Redemption Prices and upon such other terms as may be specified in this Indenture, in the Bonds and in the respective Supplemental Indenture authorizing the issuance of such Bonds.

Section 6.2. Redemption at the Election or Direction of the Authority.

(A) In the case of any redemption of Bonds other than as provided in Section 6.3 hereof, the Authority shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the principal amounts of the Bonds of such Series and maturities to be redeemed (which redemption date, Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority, subject to subsection (B) of this Section 6.2 and any other limitations with respect thereto contained in or permitted by this Indenture or any Supplemental Indenture) and of any moneys to be applied to the payment of the Redemption Price. Except as otherwise set forth in a Supplemental Indenture or as otherwise agreed to by the Trustee, such notice shall be given not less than two (2) Business Days prior to the date on which the Trustee is required to give notice of such redemption to the Bondholders pursuant to Section 6.5 hereof or the applicable Supplemental Indenture. In the event notice of redemption shall have been given as provided in Section 6.5 hereof, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise the Authority, shall, prior to the redemption date, pay or cause to be paid to the appropriate Paying Agent or Paying Agents an amount which, in addition to other moneys, if any, available therefor held by such Paying Agent or Paying Agents, will be sufficient to redeem on the redemption date at the Redemption Price thereof, together with accrued but unpaid interest to the redemption date, for all the Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments made by the Authority to a Paying Agent.

(B) Except as otherwise set forth in a Supplemental Indenture, any redemption of Bonds of a Series as provided in this Article VI or in any Supplemental Indenture shall be (i) applied first to the redemption of any Variable Rate Obligations then owned by, or held for the benefit of, an issuer or provider of a Liquidity or Credit Facility and (ii) applied among the maturities of the Bonds of such Series then Outstanding as the Authority shall direct.

Section 6.3. Redemption Otherwise Than at Authority's Election or Direction. Whenever by the terms of this Indenture or any Supplemental Indenture, the Trustee is required to redeem Bonds otherwise than at the election or direction of the Authority, and subject to and in accordance with the terms of the Supplemental Indenture, this Article VI and, to the extent applicable, Article V hereof, the Trustee shall select the redemption date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, priority and maturity, except as otherwise specified in the applicable Supplemental Indenture, the Trustee shall select the Bonds or portions thereof to be redeemed *pro rata*, subject to any applicable procedures of DTC, in

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such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. If a conditional notice of redemption has been delivered as provided in Section 6.5 hereof and the condition does not occur on or before the scheduled redemption date, the Trustee shall give notice in the same manner as notice of redemption is provided to the effect that no redemption occurred on the scheduled redemption date.

Section 6.7. Mandatory Tender for Purchase of Bonds in Lieu of Optional Redemption. Whenever any Bonds are subject to redemption at the option of the Authority, the Authority may, upon notice to the Trustee, elect to call such Bonds for mandatory tender for purchase in lieu of optional redemption at a purchase price equal to the then applicable Redemption Price of such Bonds. The Authority shall give notice to the Trustee of its election pursuant to this Section 6.7 given not less than two (2) Business Days prior to the date on which the Trustee is required to give notice of such mandatory tender for purchase to the Bondholders (or such shorter period as shall be acceptable to the Trustee). The provisions of this Indenture or any Supplemental Indenture applicable to the redemption of Bonds at the option of the Authority shall also apply to a mandatory tender for purchase of such Bonds in lieu of optional redemption.

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ARTICLE VII

PARTICULAR COVENANTS

The Authority covenants and agrees with the Trustee and the Owners of the Bonds as follows:

Section 7.1. Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid, but only from the Trust Estate as herein provided, the principal or Redemption Price of every Bond and Subordinate Obligation and the interest, if any, thereon, at the dates and places and in the manner stated in the Bonds and the Subordinate Obligations, according to the true intent and meaning thereof.

Section 7.2. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement. Notwithstanding the foregoing, in the event that the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended by the Authority, such Bonds or claims for interest shall not be entitled to the benefit of this Indenture (including the benefit of any Credit Facility or Funding Instrument) or to any payment out of the Accounts established pursuant to this Indenture, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder prior to benefits accorded to or the payment of the principal of all Bonds the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds.

Section 7.3. Offices for Servicing Bonds. The Authority 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 Authority in respect of the Bonds or of this Indenture may be served. The Authority shall designate such Fiduciaries, in addition to or replacing the Trustee as to the agencies to which they are appointed, as Paying Agents or Registrar or Authenticating Agent as it may deem appropriate under the provisions of any Supplemental Indenture.

Section 7.4. Power to Issue Bonds and Subordinate Obligations and Pledge Revenues, Recoveries of Principal, Funds and Other Property. The Authority is duly authorized under all applicable laws to authorize and issue the Bonds and the Subordinate Obligations and the Authority is duly authorized under all applicable laws to adopt and deliver this Indenture and to pledge the Trust Estate purported to be pledged hereby in the manner and to the extent herein provided. The Trust Estate so pledged is and will be free and clear of any pledge, lien, charge or encumbrance thereon, or with respect thereto prior to the pledge created hereby, and all action on the part of the Authority to that end has been and will be duly and validly taken. The Bonds, any Subordinate Obligations and the provisions of this Indenture are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of this Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate, including rights therein pledged under this Indenture, and all the rights of the Bondholders and the holders of any

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and changes in fund balance for the period examined, in conformity with generally accepted accounting principles.

(C) Any such financial statements may be presented on a consolidated or combined basis with other reports of the Authority, so long as such financial statements for the Loan Finance Program are separately identified and only to the extent that such basis of reporting shall be consistent with that required under subsection (B) of this Section 7.7.

Section 7.8. Loan Finance Program. (A) The Authority shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the provisions of this Indenture and sound banking practices and principles, subject to the Act: (1) use and apply the proceeds of the Bonds, to the extent not reasonably or otherwise required for other purposes of the Loan Finance Program, to finance Eligible Loans pursuant to this Indenture or to pay other obligations of the Authority required to be paid under this Indenture, (ii) do all such acts and things as shall be necessary to receive and collect Revenues and Recoveries of Principal sufficient to pay the Bonds, Bond Fees and the Program Expenses and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Authority to protect its rights with respect to, to maintain any insurance on and to enforce all terms, covenants and conditions of Student Loans.

(B) No amount in the Student Loan Fund shall be expended or applied for the purpose of financing an Eligible Loan, and no Eligible Loan shall be financed, unless (except to the extent that a variance from such requirements is required by an agency or instrumentality of the United States of America insuring or guaranteeing the payment of an Eligible Loan) the Authority has determined that the loan is an Eligible Loan and that such loan is subject to being repurchased by the seller, if any, if such Eligible Loan does not comply with the provisions of the Program Documentation.

(C) The Authority may at any time sell, assign, transfer or otherwise dispose of Student Loans (i) at a price at least equal to the principal amount thereof (plus accrued and unpaid borrower interest) when (a) the amounts on deposit in the Accounts, excluding the Rebate Fund and the Excess Yield Fund, are at least equal to the principal amount of the Outstanding Bonds plus accrued interest and accrued and unpaid Program Expenses or to pay current Debt Service on the Bonds or; (ii) at a price equal to or lower than the principal amount thereof (plus accrued and unpaid borrower interest) when the Authority delivers to the Trustee a Certificate showing that either (a) the Revenues and Recoveries of Principal expected to be received assuming such sale, assignment, transfer or other disposition of such Student Loan would be at least equal to the Revenues and Recoveries of Principal expected to be received assuming such sale, assignment, transfer or other disposition of such Student Loan or (b) assuming such sale, assignment, transfer or other disposition (1) the Authority shall remain able to pay Debt Service on the Bonds and Program Expenses on a timely basis or (2) the amounts on deposit in the Revenue Fund and the Student Loan Fund (including the Student Loans therein) based on the principal amount of the Student Loans and the then current market value of the cash and securities in such Accounts, will be at least equal to the principal amount of the Outstanding Bonds plus accrued interest on the Bonds and Program Expenses, if any, not reasonably expected to be paid from the Revenue Fund or (iii) to another trust account of the Authority if the Authority delivers to the Trustee a Cash Flow Certificate showing that the Revenues and Recoveries of Principal expected to be received assuming such sale, assignment, transfer or other disposition of such Student Loan shall be sufficient to enable the Authority to pay Debt Service on the Bonds and Program Expenses on a timely basis. Accrued interest is to be taken into account as appropriate on both the asset and liability side of such statement. The Authority

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Subordinate Obligations issued under this Indenture against all claims and demands of all persons whomsoever.

Section 7.5. Further Assurance. At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver; all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the Trust Estate hereby pledged or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

Section 7.6. Tax Covenants.

(A) The Authority covenants that it will not take any action or inaction, or fail to take any action, or permit any action to be taken on its behalf or cause or permit any circumstance within its control to arise or continue, if any such action or inaction would adversely affect the exclusion from gross income for federal income tax purposes of the interest on Bonds, other than Federally Taxable Obligations, under Section 103 of the Code. In furtherance of the foregoing covenants, the Authority covenants to comply with any Tax Agreement.

(B) Notwithstanding any other provision of this Indenture to the contrary, including in particular Article XII hereof, the covenants contained in this Section 7.6 shall survive the defeasance or payment in full of the Tax-Exempt Obligations.

Section 7.7. Accounts and Reports.

(A) The Authority shall keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all of its transactions relating to the Student Loans and all Accounts established by this Indenture or any Supplemental Indenture which shall at all reasonable times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than 5% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(B) The Authority shall annually, within 180 days after the close of each Fiscal Year, file with the Trustee audited financial statements for such Fiscal Year which set forth in reasonable detail:

(1) a statement of net assets for the Authority, showing the assets and liabilities of the Loan Finance Program at the end of such Fiscal Year;

(2) a statement of the Authority's revenues and expenses and changes in net accounts in accordance with the categories or classifications established by the Authority for its operating and program purposes as to the Loan Finance Program, and showing the revenues and expenses of such Loan Finance Program during such Fiscal Year; and

(3) a statement of cash flows of the Loan Finance Program as of the end of such Fiscal Year.

The financial statements shall be accompanied by an Accountant's Certificate stating that the financial statements examined present fairly the financial position of the Authority with respect to the Loan Finance Program at the end of the Fiscal Year, the results of its operations

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may also sell Student Loans if necessary to prevent the occurrence of an Event of Default; provided, however, if such sale is lower than the principal amount thereof (plus accrued and unpaid borrower interest), the Authority shall either comply with the foregoing or obtain the prior written consent of all Credit Facility providers.

Section 7.9. Personnel and Servicing of Programs. (A) The Authority shall at all times appoint, retain and employ competent personnel for the purpose of carrying out the Loan Finance Program and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges. All persons employed by the Authority shall be qualified for their respective positions.

(B) The Authority shall duly and properly service all Student Loans and enforce the payment and collection of all payments of principal and interest in accordance with the provisions of the Act or shall cause such servicing to be done by a Servicer evidencing, in the judgment of the Authority, the capability and experience necessary to adequately service Student Loans in accordance with the Act and any Servicing Acknowledgment. All amounts received by the Authority from enforcement and collection of payments shall be deposited into the Revenue Fund within two Business Days after receipt thereof, except as otherwise may be set forth in a Supplemental Indenture or servicing agreement.

Section 7.10. Issuance of Additional Obligations and Subordinate Obligations. (A) The Authority shall not hereafter create or permit the creation or issue any obligations or create any additional indebtedness which will be secured by a charge or lien on the Trust Estate, except that (1) Additional Bonds may be issued from time to time, subject to the provisions of paragraph (B) hereof, subsequent to the issuance of all Series of Bonds authorized under the first Supplemental Indenture adopted pursuant to this Indenture, on a parity with the Bonds of such initial issuance of one or more Series of Bonds, and secured by an equal charge and lien on the Trust Estate and payable equally therefrom, (2) Interest Rate Exchange Agreements may be entered into from time to time with the priority and secured as provided herein and (3) Subordinate Obligations may be issued from time to time pursuant to paragraph (C) hereof.

(B) No Additional Bonds shall be issued under this Indenture unless:

(1) the principal amount of the Additional Bonds then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to applicable law, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) prior to the issuance and delivery of any such Additional Bonds, the Authority has obtained a Rating Agency Condition with respect to such issuance and delivery;

(3) the provisions of Sections 2.4., 2.5, any conditions for the issuance of Additional Bonds set forth in any Supplemental Indenture and, in the case of Refunding Bonds, Section 2.6, shall have been complied with as of the date of delivery of such Series; and

(4) at the time of issuance of such Additional Bonds, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Indenture except, in the case of Refunding Bonds, if the initial application of the proceeds of such Bonds shall cure such default.

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(C) The Authority expressly reserves the right to issue Subordinate Obligations for any purpose for which Additional Bonds may be issued hereunder subordinate to the Bonds issued hereunder, and payable from the Revenue Fund as described in subparagraphs (vi) and (ix) of Section 5.5 hereof upon satisfaction of the following conditions:

(1) the principal amount of the Subordinate Obligations then to be issued, together with the principal amount of the Bonds, notes and other obligations theretofore issued pursuant to applicable law, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(2) prior to the issuance and delivery of any such Subordinate Obligations, the Authority has obtained a Rating Agency Condition with respect to such issuance and delivery; and

(3) at the time of issuance of such Subordinate Obligations, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Indenture.

(D) The Authority hereby expressly reserves the right to maintain in effect and issue other obligations under Prior Indentures and to adopt one or more additional general resolutions or indentures, for its purposes, including the same purposes as those of the Loan Finance Program, and reserves the right to issue other obligations not payable from the Trust Estate for such purposes.

Section 7.11. Compliance With Conditions Precedent. The Authority shall see that upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Indenture to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by law.

Section 7.12. General. The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of this Indenture in accordance with the terms of such provisions.

Section 7.13. Maintenance of Accounts. The Authority at all times shall maintain the Student Loan Fund, the Revenue Fund, the Capitalized Interest Fund, the Debt Service Reserve Fund, the Rebate Fund and the Excess Yield Fund created and established by Section 5.3 of this Indenture and do and perform or cause to be done and performed each and every act and thing with respect to each such Account or Subaccount provided to be done or performed by or on behalf of the Authority or the Trustee under the terms and provisions of Article V of this Indenture.

Section 7.14. Debt Service Reserve Fund. The Authority at all times shall maintain the Debt Service Reserve Fund created and established by Section 5.3 of this Indenture and the Trustee shall do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Authority or the Trustee under the terms and provisions of this Indenture, any Supplemental Indenture or of the Act. The Authority hereby determines that the

Debt Service Reserve Fund shall constitute a part of the "New Jersey Higher Educational Assistance Capital Reserve Fund" under the Act.

The Authority shall at all times maintain in the Debt Service Reserve Fund an amount or Funding Instrument in an amount equal to the Debt Service Reserve Fund Requirement. The Authority will file all notices and requests with the Governor of the State as may be necessary or desirable to obtain payment of any amounts appropriated by the New Jersey State Legislature to restore the Debt Service Reserve Fund to the amount required pursuant to the Act.

Notwithstanding anything herein to the contrary, the Authority shall not be obligated to deposit any moneys into the Debt Service Reserve Fund except from moneys in the Trust Estate or moneys available to the Authority as provided in Section 7.15 hereof.

Section 7.15. Deficiency Statement. The Authority shall semi-annually by May 1 and November 1 of each year cause the Trustee to value the Debt Service Reserve Fund. The Chairman of the Authority shall annually, on or before December 1 of each year, make and deliver to the Governor of the State in accordance with the Act, a Certificate stating the sums, if any, required to restore the Debt Service Reserve Fund to the amount required pursuant to N.J.S.A. 18A:71A-25 or to reimburse the provider of any Funding Instrument deposited into the Debt Service Reserve Fund for any draws thereunder. Sums received from the State in accordance with said section of the Act shall be deposited upon receipt in the Debt Service Reserve Fund and applied in accordance with the terms of this Indenture and any Supplemental Indenture.

The Act provides that, in order to maintain the Debt Service Reserve Fund Requirement, the State will make an annual appropriation to the Authority for deposit in the Debt Service Reserve Fund, in the amount certified by the Chairman of the Authority as described above as the amount necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement. However, all moneys to be paid to the Authority pursuant to the provisions of the Act described in this Section 7.15 are subject to appropriation by the Legislature of the State (the "State Legislature") for such purpose from time to time. The State Legislature has no legal obligation to make such appropriations, and the provisions of the Act described herein do not constitute a legally enforceable obligation on the part of the State, nor does it create a debt or liability of the State.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.1. Supplemental Indentures Not Requiring the Consent of Bondholders. For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture not requiring the consent of Bondholders may be executed and delivered by the Authority and the Trustee for the following purposes:

(1) to close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture on the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

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

(3) to add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with this Indenture as then in effect;

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

(5) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture, the pledges of the Trust Estate, including Revenues, Recoveries of Principal or of any other revenues or assets;

(6) to modify any of the provisions of this Indenture in any respect whatever, but only if (i) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds initially delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(7) to authorize the issuance of one or more Series of Bonds and to prescribe the terms and conditions upon which such Bonds may be issued, including specifically the payment priority of any Interest Rate Exchange Agreement entered into with respect to such Series of Bonds, provided that in no event shall payments under an Interest Rate Exchange Agreement be afforded a higher priority than the payment of Debt Service on any Bonds;

(8) to create additional special trust accounts for the further securing of all Bonds issued pursuant to this Indenture if along with such Supplemental Indenture there is filed a Bond Counsel's Opinion to the effect that the creation

and operation of such account will in no way impair the existing security of the Owner of any Outstanding Bond;

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

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

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

(12) to satisfy the requirements of a Rating Agency in order to obtain, maintain or improve any rating (including any underlying rating on credit-enhanced Bonds) with respect to any of the Bonds;

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

(14) to make any other change which, in the judgment of the Trustee acting in reliance on a Bond Counsel's Opinion, is necessary or desirable to maintain the tax-exempt status of interest on the Tax-Exempt Obligations; or

(15) to make any change which, in the judgment of the Trustee acting in reliance upon a Counsel's Opinion, which may be a Bond Counsel's Opinion, to the extent the Trustee deems such opinion desirable, does not adversely affect the interest of any Bondholder.

Section 8.2. Supplemental Indenture Effective Only Upon Consent of Bondholders. At any time or from time to time, a Supplemental Indenture may be executed and delivered subject to consent by Bondholders in accordance with and subject to the provisions of Article IX hereof. Any such Supplemental Indenture shall become fully effective in accordance with its terms upon the execution and delivery thereof by the Authority and the Trustee and upon compliance with the provisions of Article IX hereof.

Section 8.3. General Provisions. (A) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article VIII and Article IX hereof. Nothing in this Article VIII or Article IX hereof shall affect or limit the right or obligation of the Authority to adopt, make, do, execute, acknowledge or deliver any Indenture, resolution, act or other instrument pursuant to the provisions of Section 7.5 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument which is to be delivered to said Fiduciary pursuant to this Indenture.

(B) Any Supplemental Indenture permitted or authorized by Section 8.1 hereof may be entered into by the Authority without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Section. Every Supplemental Indenture filed with the Trustee shall be accompanied by a Bond Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully entered into in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture and is valid and binding upon the Authority.

(C) No Supplemental Indenture shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

Section 8.4. Consent of the Credit Facility Provider in Lieu of Consent of Bondholders. Anything in this indenture to the contrary notwithstanding, whenever consent of the Owners of a specified percentage in aggregate principal amount of the Bonds of any particular Series then Outstanding shall be required to approve an action, determination or election hereunder, including but not limited to the execution and delivery of a Supplemental Indenture pursuant to Sections 8.2 or 9.2 hereof and direction of remedies upon the occurrence of an Event of Default, the Credit Facility provider, if any, for such Bonds acting alone, but subject to Section 12.6 hereof, may consent to and approve such action, determination or election, and the consent of the Owners of a specified percentage in aggregate principal amount of the Bonds then Outstanding shall not be required.

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(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 11.14 hereof. A Certificate executed by the Trustee stating that it has examined such proof and that such proof is sufficient in accordance with such Section 11.14 shall be conclusive that the consents have been given by the Owners of the Bonds described in such Certificate of the Trustee. Any such consent shall be binding upon the Owner of the Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section 9.3(B) is filed. The fact that a consent has not been revoked may likewise be proved by a Certificate of the Trustee filed with the Authority to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Authority and the Trustee shall retain for its files, a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in this Section 9.3(C) shall be given to Bondholders by the Authority by mailing such notice to the Bondholders not more than ninety (90) days after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed. The Authority shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section 9.3(C) to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the Owners of all Bonds after the filing with the Trustee of the proof of the first mailing of the notice of such consent.

Section 9.4. Modifications by Unanimous Consent. Notwithstanding anything to the contrary contained herein, the terms and provisions of this Indenture and the rights and obligations of the Authority and of the Owners of the Bonds hereunder may be modified or amended in any respect upon the adoption and filing by the Authority of a Supplemental Indenture and the consent of the Owners of all the Bonds then Outstanding, such consent to be given as provided in Section 9.3 hereof, but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondholders. No notice of any such modification, amendment, assent or publication thereof shall be required.

Section 9.5. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article IX, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article IX. At the time of any consent or other action taken under this Article, the Authority shall furnish the Trustee a Certificate of an Authorized Officer, upon which the Trustee may rely describing all Bonds so to be excluded.

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ARTICLE IX

AMENDMENTS

Section 9.1. Mailing of Notice of Amendment. Any provision of this Article IX for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid (i) to each registered Owner of Bonds then Outstanding at its address, if any, appearing upon the registry books of the Authority and (ii) to the Trustee, provided it shall not be effective as to the Trustee until it is received by the Trustee.

Section 9.2. Powers of Amendment. Except as provided in Article VIII hereof, any modification of or amendment to this Indenture and of the rights and obligations of the Authority, the provider of a Credit Facility under a Supplemental Indenture and of the Owners of the Bonds of any particular Series, may be made by a Supplemental Indenture and in the event such Supplemental Indenture shall be entered into pursuant to Section 8.2 hereof, with the written consent given as provided in Section 9.3 hereof (i) of the Owners of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. If any such modification or amendment will not take effect so long as any Bonds of any specified maturity remain Outstanding however, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 9.2. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section 9.2, Bonds shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the Owners of such Bonds. The Trustee may in its sole discretion, in reliance in good faith on a Counsel's Opinion or a Bond Counsel's Opinion satisfactory to it, which reliance shall constitute full protection for the Trustee, determine whether or not in accordance with the foregoing powers of amendment, the Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds.

Section 9.3. Consent of Bondholders. (A) A copy of any Supplemental Indenture making a modification or amendment which is not permitted by the provisions of Section 8.1 hereof (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee on behalf of the Authority to the Owner of any Bond to be effected by such proposed amendment or modification. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds specified in Section 9.2 hereof and (b) a Bond Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully entered into by the Authority in accordance with the provisions of this Indenture, is authorized or permitted hereby and is valid and binding upon the Authority.

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Section 9.6. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in Article VIII hereof or this Article IX may and, if the Trustee so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of its Bond for the purpose at the designated corporate trust office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds modified to conform to such action in the opinion of the Trustee and the Authority shall be prepared, executed, authenticated and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, upon surrender of such Outstanding Bond.

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ARTICLE X

DEFAULTS AND REMEDIES

Section 10.1. Events of Default. Each of the following events is an "Event of Default":

- (1) payment of the principal or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or upon the tender thereof in accordance with the provisions of the Supplemental Indenture authorizing the issuance of Variable Rate Obligations, shall not be made when and as the same becomes due; or
- (2) payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due; or
- (3) if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any applicable bankruptcy law or similar law for the relief of debtors are instituted by the Authority (other than such proceedings instituted by the Authority against other parties); or
- (4) the Authority shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of ninety (90) days after written notice thereof by the Trustee, a Credit Facility provider or the Owners of not less than 100% in principal amount of the Outstanding Bonds; or
- (5) with respect to any Series of Bonds, the occurrence of any Event of Default pursuant to the Supplemental Indenture authorizing such Series.

Notwithstanding the foregoing, for so long as any Bonds shall be Outstanding under this Indenture, a failure to pay the principal or Redemption Price of or interest on any Subordinate Obligations when and as the same shall become due shall not constitute an Event of Default under this Indenture unless there shall also have occurred and then be continuing an Event of Default described in paragraph (1) of this Section 10.1 with respect to the Bonds.

Section 10.2. Remedies. (A) Upon the happening and continuance of any Event of Default specified in paragraphs (1) or (2) of Section 10.1 hereof, the Trustee shall promptly notify the Authority, the Rating Agencies, each counterparty to an Interest Rate Exchange Agreement, the provider of any Credit Facility or Liquidity Facility, and each Fiduciary of the existence of such Event of Default and upon actual knowledge of or the receipt of notification of the happening and continuance of any Event of Default specified in paragraphs (3), (4) or (5) of Section 10.1 hereof, the Trustee shall promptly notify the Authority, the Rating Agencies, each counterparty to an Interest Rate Exchange Agreement, the provider of any Credit Facility or Liquidity Facility, and each Fiduciary of the existence of such Event of Default and may proceed, and, upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds with respect to an Event of Default specified in paragraphs (1), (2), (3) or (5) of Section 10.1 hereof and upon the written request of the Owners of not less than 100% in principal amount of the Outstanding Bonds with respect to an Event of Default specified in paragraph (4) of Section 10.1 hereof, shall proceed, in its own name, subject to the provisions of Article XI hereof, and each Supplemental Indenture, to protect and enforce the rights of the

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Loan Finance Program, pending such proceedings, with such powers as the court making such appointment shall confer.

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, the Authority hereby expressly reserves and retains the privilege to receive and, subject to the terms and provisions of this Indenture, to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Student Loans and the proceeds of any collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

Section 10.3. Priority of Payments After Default. (A) In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be insufficient for the payment of principal or Redemption Price of and interest then due on the Bonds, such funds (other than funds held for the payment of a particular Series of Bonds which have theretofore become due at maturity) and any other amounts received or collected by the Trustee acting pursuant to this Article X, after providing for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds, if any, and for the payment of the fees, charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Indenture, shall be applied as follows:

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

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, and to the reimbursement of the provider of any Credit Facility for making any such payment under a Credit Facility in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment then due on the Bonds, then to the payment thereof ratably, according to the amounts of interest due on such date, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid Principal Installments of or Redemption Price of any Bonds which shall have become due, to the reimbursement of the provider of any Credit Facility for making any such payment under a Credit Facility, and, if the amounts available shall not be sufficient to pay in full all the Principal Installments then due on the Bonds, then to the payment thereof ratably, according to the amounts of Principal Installments of or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

THIRD: Except as otherwise provided by Supplemental Indenture, to the payment to the persons entitled thereto of the unpaid payments payable by the Authority under the Interest Rate Exchange Agreements which shall have become due, and if the amounts available shall not be sufficient to pay in full all such payments, then to the payment thereof ratably, according to the amounts so due on such date, to the persons entitled thereto, without any discrimination or preference.

FOURTH: To the reimbursement of any and all amounts due and payable to the issuer of a Funding Instrument, including accrued interest thereon;

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Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the Authority to receive and collect Revenues and Recoveries of Principal adequate to carry out the covenants and agreements as to, and the assignment of, the Student Loans and to require the Authority to carry out any other covenants or agreements with Bondholders and to perform its duties as prescribed by law;
- (2) by bringing suit upon the Bonds;
- (3) by action or suit in equity, to require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds;
- (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or
- (5) upon the occurrence of an Event of Default specified in paragraphs (1), (2) or (3) of Section 10.1 hereof or as otherwise provided in a Supplemental Indenture in a manner that is not prejudicial to the interests of the holders of any Series of Bonds then Outstanding the Trustee shall, but (subject to the provisions in principal amount of the then Outstanding Bonds, declare the principal of all of the Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. If all defaults shall be cured, then the Trustee may annul such declaration and its consequences. In the event that all Bonds are declared due and payable, the Trustee may at the direction of such Owners, sell Student Loans and Investment Securities.

(B) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled (subject to the provisions in any Supplemental Indenture) to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Authority for principal, interest, or otherwise, under any provisions of this Indenture or a Supplemental Indenture or of the Bonds, with interest on overdue payments at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection permitted by the laws of the State and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Authority for any portion of such amounts remaining unpaid, with such interest, costs and expenses as may be permitted by the laws of the State, and to collect from the Authority any moneys adjudged or decreed to be payable; provided, that the obligation of the Authority to make any payments under this paragraph (B) shall be limited to the extent of the Trust Estate available therefor.

(C) Upon the occurrence of any Event of Default, and on the filing of suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Indenture, the Trustee shall (subject to the provisions in any Supplemental Indenture) be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and Recoveries of Principal and of the assets of the Authority relating to the Trust Estate and the

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FIFTH: To the payment to the persons entitled thereto of all installments of interest then due on Subordinate Obligations in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment then due on the Subordinate Obligations, then to the payment thereof ratably, according to the amounts of interest due on such date, to the persons entitled thereto, without any discrimination or preference; and

SIXTH: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Subordinate Obligations which shall have become due and, if the amounts available shall not be sufficient to pay in full all the Subordinate Obligations due, then to the payment thereof ratably, according to the amounts of principal or redemption price due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, then first, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, and to the reimbursement of the provider of any Credit Facility or Liquidity Facility for making any such payment, ratably, according to the amounts due respectively for principal and interest on the Bonds then due and unpaid or reimbursed, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; second, except as otherwise provided by Supplemental Indenture, to the payment of amounts then due and unpaid upon Interest Rate Exchange Agreements ratably according to the amounts due to the person entitled thereto; third, to the provider of any Credit Facility or Liquidity Facility, any amounts due and payable; and fourth, except as otherwise provided by the applicable Supplemental Indenture, to the payment of the principal and interest then due and unpaid upon the Subordinate Obligations without preference of priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Obligations over any other Subordinate Obligations ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Obligations.

(3) If the principal of all the Bonds shall have been declared immediately due and payable, and if such declarations shall theretofore have been rescinded and annulled under the provisions of this Article X or any Supplemental Indenture, then, subject to the provisions of Section 10.2(A)(5) hereof in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of Section 10.3(A)(1) hereof.

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section 10.3, such moneys shall, subject to the provisions of any Supplemental Indenture, be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with a Paying Agent, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this indenture as may be applicable at the time of

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application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Owner of any unpaid Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 10.4. Termination of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 10.5. Right of Bondholders to Direct Proceedings. Subject to Section 8.4 of this Indenture, the Owners of not less than 25% in principal amount of the Bonds, with respect to an Event of Default specified in paragraphs (1), (2), (3) or (5) of Section 10.1 hereof, and the Owners of not less than 50% in principal amount of the Bonds with respect to an Event of Default specified in paragraph (4) of Section 10.1 hereof, shall have the right, at any time during the continuance of an Event of Default, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or if the Trustee shall not have been furnished with the security or indemnification described in Section 11.1(f) hereof.

Section 10.6. Limitation on Rights of Bondholders. (A) Except as otherwise specifically provided by Section 10.2(A) hereof or by this Section 10.6, no Owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Indenture unless such Owner is an Owner of one or more Bonds then Outstanding, and such Owner previously shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25% or 50%, as provided in Section 10.2 hereof, in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the fees, costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or for any other remedy hereunder or by law. It is understood and intended that, except as otherwise above provided, no one or more Owners of the Bonds hereby secured shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder with respect to the Bonds or this Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of Owners of

ARTICLE XI

CONCERNING THE FIDUCIARIES

Section 11.1. Appointment and Acceptance of Duties of Trustee. Wells Fargo Bank, National Association is hereby appointed as Trustee. By executing this Indenture, the Trustee hereby accepts the trusts, duties and obligations imposed upon it by this Indenture and agrees to perform such trusts, duties and obligations, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent corporate trustee would exercise or use in the circumstances in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents appointed by it, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to act, upon the opinion or advice of counsel concerning all matters hereof, and may in all cases be reimbursed hereunder for reasonable compensation paid to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust hereof. The Trustee may act upon an opinion of counsel and shall not be responsible for any loss or damage resulting from any action or non-action by it taken or omitted to be taken in good faith in reliance upon such opinion of counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds), or collecting any insurance moneys, or for the validity of the execution by the Authority or sufficiency of this Indenture or of any supplements thereto or instruments of further assurance, or for the sufficiency of, or filing of documents related to, the security for the Bonds issued hereunder or intended to be secured hereby, and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority, except as set forth in subsection (j) of this Section 11.1. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Indenture.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The bank or trust company acting as Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee. To the extent permitted by law, such bank or trust company may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not the Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, email or communication by other electronic means or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the

the Outstanding Bonds. Nothing contained in this Article X shall affect or impair the right of any Bondholder to enforce the payment of the principal and of interest on its Bonds, or the obligation of the Authority to pay the principal of and interest on each Bond issued hereunder to the Owner thereof at the time and place in said Bond expressed.

(B) Anything to the contrary notwithstanding contained in this Section 10.6, or any other provision of this Indenture, each Owner of any Bond by acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Indenture or any Supplemental Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph (B) shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder or group of Bondholders holding at least 25% or 50%, as provided in Section 10.2 hereof, in principal amount of the Bonds then Outstanding, or to any suit instituted by any Bondholder in accordance with paragraph (A) of this Section 10.6 for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Section 10.7. Possession of Bonds by Trustee Not Required. All rights of action under this Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof in the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 10.8. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.9. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by this Indenture to the Trustee and the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 10.10. Notice of Event of Default. The Trustee shall give to the Bondholders, the Rating Agencies, and the provider of any Credit Facility notice of each Event of Default hereunder known by a trust officer in the corporate trust department of the Trustee within ten (10) days after actual knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all Owners of Bonds, as the names and addresses of such Owners appear upon the books for registration and transfer of Bonds as kept by the Trustee, (ii) to the providers of any Credit Facility at such address as is specified in the applicable Supplemental Indenture, and (iii) to such other persons as is required by law.

Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the registered owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate believed in good faith to be genuine and correct, signed on behalf of the Authority by an Authorized Officer, or such other person or persons as may be designated for such purpose by resolution of the Authority, as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (j) of this Section 11.1, or of which by said subsection it is deemed to have notice, the Trustee may also accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authorized Officer of the Authority to the effect that a resolution in the form therein set forth has been adopted by the Authority as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to give any bond or surety in respect to the execution of its rights and obligations hereunder.

(i) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Indenture or by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(j) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except Events of Default of which the Trustee has, through an officer of its corporate trust department, actual knowledge, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

(k) Notwithstanding anything contained elsewhere in this Indenture, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof as a condition of such action by the Trustee, reasonably and in good faith deemed necessary by the Trustee, for the purpose of establishing the right of the Authority to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action hereunder, whether permissive or mandatory, the Trustee may require that reasonable security and/or a reasonably satisfactory indemnification be furnished for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from negligence or misconduct by reason of any action so taken.

(m) If the Trustee receives different or conflicting instructions or directions from more than one group of Bondholders each of which is provided in accordance with this Indenture, the Trustee shall act in accordance with the instructions or directions provided by the Bondholders representing the larger aggregate principal amount of Bonds then Outstanding.

(n) Recitals, statements and representations contained in any document in the nature of an official statement or offering circular, preliminary or final, relating to any Series of Bonds shall not be taken or construed as made by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness or truth of the same. Except for information concerning the Trustee provided by the Trustee, if any, the Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted or delivered to any Bondholder in the nature of an official statement or offering circular, preliminary or final.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents, Bond Registrar and Other Fiduciaries. (A) The Authority shall appoint one or more Paying Agents and a Registrar for the Bonds and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 hereof for a successor Paying Agent, along with such other Fiduciaries as may be required in connection with any Bonds in accordance with the provisions of and by designation in the Supplemental Indenture authorizing such Bonds. The Trustee is hereby appointed as Paying Agent and as Registrar.

(B) Each Paying Agent, Registrar and other Fiduciary (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by a written instrument of acceptance executed and delivered to the Authority and the Trustee which shall include the address to which notice may be delivered in accordance with Section 12.3 of this Indenture.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agents of the Authority for the payment of the Bonds.

(D) If at any time or times the Trustee shall have determined, or shall have been advised by Counsel satisfactory to it, that it is necessary or prudent to appoint a co-Trustee under this Indenture (a "co-Trustee") (i) in order to comply with the legal requirements of any applicable jurisdiction; or (ii) in order to effectuate the exercise of any one or more of the powers, rights or remedies of the Trustee hereunder, then the Trustee shall be entitled, without the consent of the Authority and regardless of whether an Event of Default hereunder shall have occurred, to appoint an additional institution to serve as co-Trustee hereunder (whose costs, fees and expenses in carrying out (i) and (ii) hereof shall be borne by the Authority), with such powers as may be provided in the instrument of appointment; and to vest in each such institution any property, title, right or power deemed necessary or desirable, subject to the provisions of this Section 11.2.

(E) Each co-Trustee shall, to the extent permitted by applicable law, be appointed subject to the following terms:

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and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Account, such matter (unless other evidence of respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer or by another Fiduciary if so specified herein or in the applicable Supplemental Indenture, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee or other Fiduciary shall be liable to the Authority, the Owners of any of the Bonds, any provider of a Credit Facility or Liquidity Facility or any other person for any act or omission done or omitted to be done by such Fiduciary in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Indenture or for any act or omission done or omitted in good faith and without negligence and misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer. Notwithstanding any other provisions of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Credit Facility.

Section 11.5. Compensation.

(a) Unless otherwise determined by contract between the Authority and a Fiduciary, the Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Indenture.

(b) The Authority hereby agrees, to the extent permitted by State law, to reimburse and hold harmless each Fiduciary from and against any and all claims, damages, losses, liabilities, costs or reasonable expenses whatsoever which such Fiduciary may incur in connection with the performance by such Fiduciary of its obligations under this Indenture; provided, however, that the Authority shall not be required to reimburse and hold harmless any Fiduciary for any claims, damages, losses, liabilities, costs or expenses caused in whole or in part by such Fiduciary's negligence, bad faith, breach of contract or misconduct arising out of or as a result of such Fiduciary's performing its obligations under this Indenture or undertaking any transaction contemplated by this Indenture; and further provided, that the foregoing is subject to the limitations of the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:2-1 et seq., and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq.

(c) Each Fiduciary, by accepting its appointment as such under this Indenture, agrees that such Fiduciary (i) shall give the Authority prompt notice in writing of any actual or potential claim described above, and the institution of any suit or action; (ii) shall not adjust, settle or compromise any such claim, suit or action without the consent of the Authority; and (iii) shall permit the Authority, at the Authority's sole discretion, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

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(i) The rights, powers, duties and obligations conferred or imposed upon any such co-Trustee shall not be greater than those conferred or imposed upon the Trustee, and such rights and powers shall be exercisable only jointly with the Trustee, except to the extent that, under any law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights and powers shall be exercised by such co-Trustee subject to the provisions of subsection (E)(v) of this Section 11.2.

(ii) The Trustee may at any time, by an Instrument in writing executed by it, accept the resignation of or remove any co-Trustee appointed under this Section 11.2.

(iii) No co-Trustee under this Indenture shall be liable by reason of any act or omission of the Trustee or any other co-Trustee appointed under this Indenture.

(iv) No power given to such co-Trustee shall be separately exercised hereunder by such co-Trustee except with the consent in writing of the Trustee, anything herein contained to the contrary notwithstanding.

(F) Should any instrument in writing from the Authority be required by the co-Trustee so appointed or removed by the Trustee in order to vest in and confirm to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any co-Trustee, or a successor shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such co-Trustee.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Bonds issued hereunder or in respect of the security afforded by this Indenture, and no Fiduciary shall incur any responsibility in respect thereof. Any Authenticating Agent appointed as herein provided shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any obligation or duty with respect to the issuances of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or misconduct. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary and, in the case of Variable Rate Obligations, the Remarketing Agent, the Indexing Agent and the Tender Agent shall be protected in acting upon any notice, Indenture, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine,

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(d) While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq., is not applicable by its terms to claims arising under contracts with the Authority, each Fiduciary, by accepting its appointment as such under this Indenture, agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims against the Authority arising under this Section 11.5.

(e) The reimbursement obligation provided in this Section 11.5 does not apply to or extend to any indemnification which may be given by any Fiduciary to any other Person.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. Any Fiduciary may act as Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. Any Fiduciary may be a participant in the Loan Finance Program and may sell Eligible Loans to the Authority. Any Fiduciary may be an underwriter in connection with the sale of the Bonds or of any other securities offered or issued by the Authority.

Section 11.7. Resignation of Trustee. Subject to the provisions of a Supplemental Indenture, the Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than sixty (60) days written notice to the Authority, and mailing notice thereof specifying the date when such resignation shall take effect, to the registered owners of Bonds and each Rating Agency, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9 hereof, in which event such resignation shall take effect immediately on the appointment of such successor. Notwithstanding any other provision of this Indenture, no removal, resignation, or termination of the Trustee shall take effect until a successor shall be appointed.

Section 11.8. Removal of Trustee. Subject to the provisions of a Supplemental Indenture, the Trustee shall be removed by the Authority if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority. The Authority may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Authority by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee. (A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority covenants and agrees that it will thereupon appoint a successor Trustee. The Authority shall mail notice of any such appointment made by it within twenty (20) days after such appointment to all Owners of Bonds.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the Authority written notice, as provided in Section 11.7 hereof, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Owner

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of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Every successor Trustee appointed pursuant to this Section 11.9 shall be a trust company or commercial bank duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000, unless a higher amount is required in a Supplemental Indenture, and authorized by law to act as the Trustee.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of the Authority, or of its successor Trustee, upon payment in full of all fees, costs and expenses, 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 predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify each Fiduciary of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Indenture shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Indenture as Trustee.

Section 11.11. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 hereof and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Certificate of Authentication. In case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the successor Trustee, and in all such cases such certificate shall have the full force provided anywhere in said Bonds or in this Indenture.

(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All Fiduciaries under the provisions of this Indenture or any Supplemental Indenture shall maintain adequate records relating to the performance of their duties consistent with industry practices, which records, including, without limitation, the registration books of Bondholders, shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, any Bondholder and any Credit Facility provider and their agents and their representatives, any of whom may make copies thereof.

Section 11.16. Directions to Trustee. Except for the specific instances in which this Indenture expressly permits the Authority to give the Trustee directions orally which are promptly confirmed in writing, any directions given by the Authority to the Trustee must be in writing.

Section 11.13. Resignation or Removal of the Paying Agents, Registrar and Other Fiduciaries and Appointment of Successors. (A) Any Paying Agent may, the Registrar may and any Fiduciary (other than the Trustee) may, at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least sixty (60) days written notice to the Authority, the Trustee, and the Bondholders. Any Paying Agent may, the Registrar may and any Fiduciary (other than the Trustee) may be removed at any time by an instrument signed by an Authorized Officer and filed with such Paying Agent, Registrar or other Fiduciary and with the Trustee. Any successor Paying Agent, Registrar or Fiduciary (other than the Trustee) shall be appointed by the Authority and (subject to the requirements of Section 7.3 hereof or any Supplemental Indenture) shall be a trust company or commercial bank having the powers of a trust company, having a reported capital and surplus aggregating at least \$75,000,000, and willing and able to accept the office of Paying Agent, Registrar or Fiduciary (other than the Trustee), as the case may be, on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. Notwithstanding any other provision of this Indenture, no resignation or removal of any Paying Agent, Registrar or Fiduciary shall take effect until a successor shall be appointed.

(B) In the event of the resignation or removal of any Paying Agent, Registrar or Fiduciary (other than the Trustee), such Paying Agent, Registrar or Fiduciary (other than the Trustee) shall, after payment of its fees, costs and expenses, pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds. (A) Any request, consent or other instrument which this Indenture may require (or permit) to be executed by Bondholders may be executed by such Bondholders or by their attorneys pursuant to powers of attorney or instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable.

The fact and date of the execution by any Bondholder or its attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which such notary public or other officer purports to act, that the person signing such request or other instrument acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

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ARTICLE XII

DEFEASANCE, MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance. (A) If the Authority shall pay or cause to be paid to the Owners of the Bonds, the principal or Redemption Price of and interest to become due thereon, at the times and in the manner stipulated therein and in this Indenture, and pay or cause to be paid (i) to each Fiduciary its fees, costs and expenses, (ii) to each Credit Facility provider or Liquidity Facility provider all amounts owing under each Credit Facility or Liquidity Facility or agreements relating thereto, (iii) to each counterparty to each Interest Rate Exchange Agreement all amounts owing under each Interest Rate Exchange Agreement and (iv) to the holders of any Subordinate Obligations, the principal or redemption price of and interest to become due thereon, at the times and in the manner stipulated therein, then the pledge of the Trust Estate, including any Revenues, Recoveries of Principal, and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys or securities held by them pursuant to this Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series the principal or Redemption Price of and interest due or to become due thereon, at the times and in the manner stipulated hereunder and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and thereunder and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Notwithstanding the foregoing and subsection (B) below, the provisions of this Indenture relating to payment, registration, transfer and redemption of Bonds shall remain in effect until final maturity or the redemption date of the Bonds.

(B) Bonds or interest installments (in each case, other than on Bonds held in custody for the benefit of a Credit Facility or Liquidity Facility provider under a Supplemental Indenture) for the payment of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Authority of funds for such payment or otherwise) shall, at the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section 12.1. Except as otherwise provided in any Supplemental Indenture, all Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section 12.1 if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI hereof notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or noncallable Governmental Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section 12.1 and stating

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such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price of said Bonds and (iv) in the event said Bonds are not payable within the next succeeding ninety (90) days, the Authority shall have delivered to the Trustee a verification report prepared by an Accountant verifying that the deposits made pursuant to this subsection (B) are sufficient to pay when due the principal or Redemption Price of and interest due and to become due on said Bonds. Neither Governmental Obligations or moneys deposited with the Trustee pursuant to this Section 12.1 nor principal or interest payments on any such Governmental Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price of and interest on said Bonds unless at all times following such use or withdrawal there shall be deposited with the Trustee moneys and noncallable Governmental Obligations the principal of and the interest in which when due will provide moneys which shall be sufficient to pay when due the principal or Redemption Price of and interest due or to be due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and the Authority shall have delivered to the Trustee prior to such withdrawal or use a verification report as described in clause (iv) above verifying the deposit after taking into account such withdrawal or use; but any cash received from such principal or interest payments on such noncallable Governmental Obligations deposited with the Trustee, if not then 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 or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge.

(C) The deposit required by subsection (B) hereof may be made with respect to Bonds within any particular maturity, in which case such maturity of Bonds shall no longer be deemed to be Outstanding under the terms of this Indenture, and the Owners of such defeased Bonds shall be secured only by such trust funds and not by any other part of the Trust Estate, and this Indenture shall remain in full force and effect to protect the interests of the Owners of Bonds remaining Outstanding thereafter.

Section 12.2. No Recourse Under Indenture or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Authority contained in this Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any officer, employee or agent of the Authority in its individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds, amounts due under any Interest Rate Exchange Agreement or the principal of and interest on any Subordinate Obligations or for any claim based thereon or on this Indenture against any officer, employee or agent of the Authority or against any natural person executing the Bonds.

Section 12.3. Notices. Any notice, demand, direction, request or other instrument authorized or required by this Indenture or by any Supplemental Indenture to be given to or filed with the Authority, the Trustee, any other Fiduciary, or the Rating Agencies shall be deemed to have been sufficiently given or filed for all purposes if and when delivered or sent by registered or certified mail, return receipt requested, postage prepaid:

(A) To the Authority, to New Jersey Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, P.O. Box 545, Trenton, New Jersey 08625, Attention: Executive Director, Office of Student Assistance.

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shall be insolvent, or (d) a final non-appealable order of a court having competent jurisdiction in the premises shall be entered declaring any provision of a Credit Facility (other than provisions of the Credit Facility relating to service of process or relating to matters that solely benefit the Credit Facility provider) at any time, for any reason, invalid and not binding on the Credit Facility provider, or declaring any provision of the Credit Facility (other than provisions of the Credit Facility relating to service of process or relating to matters that solely benefit the Credit Facility provider) null and void, all consents, approvals, directions, appointments or requests, if any, of such Credit Facility provider set forth in this Indenture or any Supplemental Indenture shall not be required.

During such period or periods of time when (a) a Liquidity Facility provider shall not have in effect its Liquidity Facility (unless such Liquidity Facility provider owns custody bonds), (b) a Liquidity Facility provider shall be in default under or shall have wrongfully refused payment in accordance with the terms of its Liquidity Facility, (c) a Liquidity Facility provider shall be insolvent, or (d) a final nonappealable order of a court having competent jurisdiction in the premises shall be entered declaring any provision of a Liquidity Facility (other than provisions of the Liquidity Facility relating to service of process or relating to matters that solely benefit the Liquidity Facility provider) at any time, for any reason, invalid and not binding on the Liquidity Facility provider, or declaring any provision of the Liquidity Facility (other than provisions of the Credit Facility relating to service of process or relating to matters that solely benefit the Liquidity Facility provider) null and void, all consents, approvals, directions, appointments or requests, if any, of such Liquidity Facility provider set forth in this Indenture or any Supplemental Indenture shall not be required.

Section 12.7. Effective Date. This Indenture shall take effect upon its execution and delivery.

Section 12.8. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.9. Form of Bonds; Trustee's Certificate of Authentication. Subject to the provisions of this Indenture, the form of Bonds of each Series and the Trustee's Certificate of Authentication shall be substantially the following tenor with such variations, omissions and insertions as are required or permitted by this Indenture or as required by any Supplemental Indenture:

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

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If overnight delivery to the Authority: New Jersey Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, Mercerville, New Jersey 08619, Attention: Executive Director.

(B) To the Trustee, Paying Agent, Registrar or Authenticating Agent, to Wells Fargo Bank, National Association, 625 Marquette Avenue, 16th Floor, MAC NG311-163, Minneapolis, MN 55479, Attention: Corporate Trust Services (facsimile no. (612) 316-0309)

(C) To any other Fiduciary, to such address as such Fiduciary shall indicate in the acceptance of office filed by each such Fiduciary pursuant to Section 11.2(B) of this Indenture.

(D) To Moody's, to Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, 25th Floor, New York, New York 10007, Attention: ABS/RMBS Monitoring Department.

(E) To S&P, to Standard and Poor's ratings Services, 55 Water Street, New York, New York 10041, Attention: Asset-Backed Securities Structured Finance Group.

(F) To any counterparty of an Interest Rate Exchange Agreement, provider of a Credit Facility or Liquidity Facility, to the address specified in any Supplemental Indenture.

The Authority, the Trustee, and any other Fiduciary may, by like notice to each other such person, designate any further or different addresses to which subsequent notices shall be sent.

Section 12.4. Governing Law. This Indenture shall be construed pursuant to the laws of the State.

Section 12.5. Notices to Rating Agencies. The Authority shall provide written notice to any Rating Agency then rating the Outstanding Bonds of any Series, to the address specified by such Rating Agency for such purposes, upon the occurrence of any of the following:

(A) substitution or replacement of the Trustee;

(B) any amendment to this Indenture and any Supplemental Indenture pursuant to which Bonds are then Outstanding or any amendment to any Credit Facility or Liquidity Facility pursuant to a Supplemental Indenture;

(C) redemption or mandatory tender for purchase of any Outstanding Bonds of any Series;

(D) any amendments to the Servicing Acknowledgement; and

(E) an Event of Default.

Section 12.6. References to the Credit Facility and Liquidity Facility Provider(s). During such period or periods of time when (a) a Credit Facility provider shall not have in effect its Credit Facility, (b) a Credit Facility provider shall be in default under or shall have wrongfully refused payment in accordance with the terms of its Credit Facility, (c) a Credit Facility provider

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NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
STUDENT LOAN REVENUE [REFUNDING] BOND, SERIES 20__

No R-

Dated Date	Interest Rate	Maturity Date	CUSIP
	%		
REGISTERED OWNER:	CEDE & CO		
PRINCIPAL AMOUNT:	Dollars		

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the interest rate per annum specified above on each _____ and _____ commencing _____ (each an "Interest Payment Date"). Principal and redemption premium, if any, of this Bond are payable upon the presentation and surrender hereof at the designated corporate trust office of Wells Fargo Bank, National Association (together with its successors as Paying Agent, the "Paying Agent") currently Minneapolis, Minnesota. Interest on this Bond is payable to the registered Owner of record as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the "Registrar"), by check or draft mailed to the registered owner at the registered address; provided that, at the written request of the registered owner of at least \$1,000,000 principal amount of Bonds of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Bond shall be calculated on the basis of a 360-day year consisting of twelve 30 day months. Capitalized terms used in this Bond and not referred to herein shall have the meanings given thereto in the Indenture.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its Student Loan Revenue [Refunding] Bonds, Series 20__ (the "20__ Bonds") issued as fully registered bonds without coupons in the denominations of \$5,000 or integral multiples

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thereof ("Authorized Denominations") in the aggregate principal amount of \$ _____ under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act"), and by virtue of a resolution duly adopted by the Authority on April 26, 2012 (the "Bond Resolution") and equally and ratably secured under an Indenture of Trust dated as of _____ 2012 and a First Supplemental Indenture, dated as of _____ 2012, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by supplemental indentures (such Indenture and any and all such supplemental indentures, including, without limitation, the First Supplemental Indenture, being herein collectively called the "Indenture") for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

The Authority has issued the 20____ under the Indenture, (collectively, the "20____ Bonds" and, together with any additional bonds hereafter issued under the Indenture, referred to as the "Bonds"). The Indenture pledges for the payment of the Bonds, subject to the terms and conditions of the Indenture, the Student Loans (defined in the Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the Indenture for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Bonds, the manner of enforcement of such security, the custody and application of the proceeds of the Bonds, the terms and conditions upon which the Bonds are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the Bonds. Copies of the Bond Resolution and the Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the Indenture.

Pursuant to the Indenture, additional bonds equally secured, all except as expressly provided in Section 5.5(A)(1)(ix), Section 10.1 and Section 10.3 of the Indenture by the pledge and covenants made in the Indenture with the 20____ Bonds may be issued from time to time in one or more Series for the purposes set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

[The 20____ Bonds shall be subject to redemption as follows:

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INSERT REDEMPTION PROVISIONS]

This Bond shall neither be entitled to any security, right, or benefit under the Bond Resolution and the Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

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IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer, all as of the Dated Date.

CERTIFICATE OF AUTHENTICATION

This Bond is one of the 20____ Bonds described herein.

(SEAL) HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

WELLS FARGO BANK, NATIONAL ASSOCIATION, Authenticating Agent

By: _____
[Authorized Officer]

By: _____
Authorized Signatory

Authentication Date: _____, 20____

Attest:
By: _____
[Secretary]
[Authorized Officer]

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ASSIGNMENT

FOR VALUE RECEIVED, _____ (the "Transferor"), the undersigned, hereby sells, assigns and transfers unto

	(the "Transferee")
Name	
Address	

Social Security or Federal Employer Identification No. _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date:		
Signature Guaranteed:		<p>NOTICE: No transfer will be made in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and the date of the trust and the name of the trustee should be applied</p>
<p>NOTICE: signature(s) must be guaranteed by a member of the New York Stock Exchange or a bank or a trust company</p>		

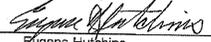
UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. (OR TO SUCH OTHER ENTITY AS IS REQUIRED 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.

Authentication Date: _____

[SIGNATURE PAGE TO INDENTURE OF TRUST]

IN WITNESS WHEREOF, the undersigned Authorized Officer of the Authority and the undersigned officer of the Trustee have hereunto executed this Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: 
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK NATIONAL ASSOCIATION

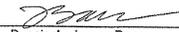
By: _____
Bonnie Anderson Rons
Vice President

IN WITNESS WHEREOF, the undersigned Authorized Officer of the Authority and the undersigned officer of the Trustee have hereunto executed this Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: _____
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK NATIONAL ASSOCIATION

By: 
Bonnie Anderson Rons
Vice President

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[SIGNATURE PAGE TO INDENTURE OF TRUST]

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By and Between	
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY	
and	
WELLS FARGO BANK, NATIONAL ASSOCIATION	
Relating To	
\$259,300,000 STUDENT LOAN REVENUE BONDS, SERIES 2012-1	
Consisting of	
\$248,300,000 Senior Student Loan Revenue Bonds, Series 2012-1A	
And	
\$11,000,000 Subordinate Student Loan Revenue Bonds, Series 2012-1B	
Dated as of June 1, 2012	
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FIRST SUPPLEMENTAL INDENTURE

This First Supplemental Indenture, dated as of June 1, 2012, by and between the Higher Education Student Assistance Authority (successor to the Higher Education Assistance Authority pursuant to N.J.S.A. 18A:71A-1 et seq., effective April 26, 1999) (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee").

WHEREAS, the Authority and the Trustee have entered into the Indenture of Trust dated as of June 1, 2012 (the "2012 Indenture"); and

WHEREAS, the Authority is established and created under and pursuant to the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, effective April 26, 1999, as amended and supplemented, and any successor legislation (the "Act"); and

WHEREAS, the execution and delivery of the 2012 Indenture and this Supplemental Indenture and the issuance of the Series 2012-1 Bonds (as defined herein) hereunder have been in all respects duly and validly authorized by resolution duly adopted by the Authority.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH THAT:

ARTICLE I

SHORT TITLE, DEFINITIONS, AND AUTHORITY

Section 1.1. **Short Title.** This Supplemental Indenture shall be known as and may be designated by the short title "First Supplemental Indenture" (this "Supplemental Indenture" or this "First Supplemental Indenture").

Section 1.2. **Definitions.** All words and phrases defined in Article I of the 2012 Indenture shall have the same meanings in this Supplemental Indenture, except as otherwise appears in this Section 1.2. In addition, the following terms shall have the following meanings, unless the context otherwise requires:

Act of Bankruptcy means the filing of a petition in bankruptcy by (with respect to itself) or against the Authority under the United States Bankruptcy Code or commencement of similar proceedings by (with respect to itself) or against the Authority under applicable state bankruptcy or insolvency laws.

Acknowledgement shall have the meaning given to such term in Section 3.13(b) hereof.

Administrative Fee means any application fee, origination fee, default fee, insurance or other fee due to the Authority for a 2012-1 NJCLASS Loan.

Aggregate Loan Balance means, as of the date of determination, the aggregate outstanding principal balance of a 2012-1 NJCLASS Loan, excluding any deferred interest which

may be added to the principal of such 2012-1 NJCLASS Loan.

Aggregate Pool Loan Balance means, as of the date of determination, the aggregate of the Aggregate Loan Balances of all 2012-1 NJCLASS Loans.

Authorized Denominations means for the Series 2012-1 Bonds, \$5,000 or any integral multiple in excess thereof.

Calendar Quarter means each three-month period ending on March 31, June 30, September 30 or December 31, as the case may require.

Consolidation Loan means a loan that consolidates into a single loan at the time it is made the unpaid principal (including any accrued interest) of two or more outstanding Student Loans totaling at least \$30,000.

DTC means The Depository Trust Company, New York, New York, which shall act as securities depository for the Series 2012-1 Bonds and any successors or assigns.

Fixed Rate Graduate/Professional NJCLASS Loan means an Eligible Student Loan made under the NJCLASS Graduate/Professional Loan Program with a fixed rate of interest for a loan term not to exceed 25 years and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Fixed Rate Standard NJCLASS Loan means an Eligible Student Loan made under the NJCLASS Loan Program with a fixed rate of interest for a loan term not to exceed 15 years with respect to Option 1 and Option 2 Loans (excluding Ten Year Option 1 Loans) and 20 years with respect to Option 3 Loans and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Issue Date means the date of delivery upon original issuance of the Series 2012-1 Bonds, which is June 28, 2012.

Loan Rate means, for 2012-1 NJCLASS Loans, the nominal interest rate charged by the Authority for the Eligible Student Loan. The Loan Rate for Eligible Student Loans made with proceeds of the Series 2012-1 Bonds is set forth in or determined in accordance with Section 4.2 of this Supplemental Indenture, and such Eligible Student Loans shall not be made at other than such Loan Rate unless approved by an Authorized Officer and there shall have been delivered to the Trustee (i) a Bond Counsel's Opinion to the effect that the revised Loan Rate is authorized or permitted by the Act, the 2012 Indenture, and this Supplemental Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2012-1 Bonds, and (ii) a Cash Flow Statement taking into account the revised Loan Rate.

NJCLASS Consolidation Loan Program means the Authority's NJCLASS Consolidation Loan Program provided pursuant to the Act and the regulations promulgated thereunder.

Option 1 Loan means a Student Loan, the principal of and interest on which is payable monthly immediately upon disbursement.

(iii) September 30, on or before the following November 15 and (iv) December 31, on or before the following February 15, as applicable.

Rating Agency shall mean Moody's and S&P.

Recycling Period means the period commencing on the Issue Date and ending on September 1, 2013 with respect to the use of Recoveries of Principal to originate new Fixed Rate Standard NJCLASS Loans; provided that the Recycling Period shall end on such earlier date, if any, on which an Event of Default shall occur and be continuing and the Recycling Period may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from each Rating Agency.

Senior Parity means the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities. For purposes of the definition of Senior Parity, "Accrued Liabilities" means with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds, plus all accrued but unpaid Program Expenses.

Senior Series 2012 Bonds means the Series 2012-1A Bonds maturing in the years 2013 through and including 2030, which shall be Bonds under the 2012 Indenture.

Series 2012-1 Bond Resolution means the resolution of the Authority adopted on April 26, 2012 authorizing the issuance and delivery of the Series 2012-1 Bonds.

Series 2012-1 Bonds means the Series of Senior Series 2012 Bonds and Subordinate Series 2012 Bonds authorized by Section 2.1 of this Supplemental Indenture and entitled "Student Loan Revenue Bonds, Series 2012-1."

Servicing Report shall have the meaning given to such term in Section 4.4 of this Supplemental Indenture.

Subordinate Series 2012 Bonds means the Series 2012-1 Bonds maturing in the year 2039, which constitute Subordinate Obligations under the 2012 Indenture.

Ten Year Option 1 Loan means an Option 1 Loan which is a Fixed Rate Standard NJCLASS Loan with a fixed rate of interest for a loan term not to exceed ten years and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Trustee means Wells Fargo Bank, National Association, or its successors or assigns.

2012 Indenture means the Indenture of Trust by and between the Trustee and the Authority, dated as of June 1, 2012.

2012-1 Capitalized Interest Account means the account of the Capitalized Interest Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 Consolidation Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 Debt Service Reserve Account means the account of the Debt Service Reserve Fund established pursuant to Section 3.1 of this Supplemental Indenture.

Option 2 Loan means a Student Loan, the interest on which is due and payable monthly and the principal of which is deferred by the borrower during the period of time the borrower attends school.

Option 3 Loan means a Student Loan, the principal of and interest on which is deferred by the borrower during the period of time the borrower attends school.

Origination Period means (i) the period commencing on the Issue Date and ending on February 1, 2013, with respect to the origination of \$170 million in 2012-1 Student Loans by the Authority, (ii) the period commencing February 2, 2013 and ending on May 1, 2013 with respect to the origination of \$232.5 million in 2012-1 Student Loans by the Authority; and (iii) the period commencing May 2, 2013 and ending on September 1, 2013 with respect to the cumulative origination of the remaining amounts originally deposited into the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 Consolidation Loan Account and 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account; provided that both of the Origination Periods described in clauses (i) and (ii) may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from each Rating Agency.

Parity means the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities. For purposes of the definition of Parity, "Accrued Liabilities" means, with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds and Subordinate Obligations, plus all accrued but unpaid Program Expenses.

Parity Percentage Requirement for purposes of Section 5.5(A)(1)(xiv) of the Indenture and with respect to the Series 2012-1 Bonds means, when, as of any particular date of calculation, after reserving the Debt Service requirements to be made on the next succeeding Payment Date, the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities is at least 112% (provided Accrued Assets include not less than two million dollars (\$2,000,000) of cash), or such other percentage as may be determined by the Authority if there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, provided that in no event shall the Parity Percentage Requirement be less than 105% and provided further that there shall be no release of funds in the Revenue Fund under Section 5.5(A)(1)(xiv) of the Indenture on and after December 1, 2023, unless there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. For purposes of the definition of Parity Percentage Requirement, "Accrued Liabilities" means, with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds and Subordinate Obligations, plus all accrued but unpaid Program Expenses.

Purchase Agreement means the Purchase Agreement, dated June 7, 2012 between Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Underwriter, and the Authority for the purchase and sale of the Series 2012-1 Bonds.

Person or "person" means any natural person and any firm, partnership, joint venture, joint-stock company, trust, association, unincorporated organization or corporation, or other entity, or public body government or political subdivision, including any state or federal agency.

Quarterly Report Date means, with respect to the Calendar Quarter ending on (i) March 31, on or before the following May 15, (ii) June 30, on or before the following August 15,

2012-1 Excess Yield Account means the account of the Excess Yield Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 NJCLASS Fixed Rate Standard Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 NJCLASS Loan means a 2012-1 Student Loan made with expenditures from the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 Consolidation Loan Account or 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account.

2012-1 Option 3 Loan Subaccount means the subaccount of the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 Rebate Account means the account of the Rebate Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 Repayment Subaccount means the subaccount of the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 Reserve Requirement means the Debt Service Reserve Fund Requirement applicable to the Series 2012-1 Bonds as specified in Section 3.4 of this Supplemental Indenture.

2012-1 Revenue Account means the account of the Revenue Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2012-1 Student Loan means an Eligible Student Loan which is a Fixed Rate Standard NJCLASS Loan, including a Ten Year Option 1 Loan, Fixed Rate Graduate/Professional Loan or Consolidation Loan.

United States Bankruptcy Code means Title 11 U.S.C., Section 101 *et seq.*, as amended or supplemented from time to time, or any successor federal act.

Any reference in this Supplemental Indenture to making, originating, purchasing or acquiring (or similar words) 2012-1 Student Loans shall mean and include all such terms and words.

Section 1.3. Authority. This Supplemental Indenture is executed pursuant to the provisions of the Act, the 2012 Indenture, and the Series 2012-1 Bond Resolution. Nothing in this First Supplemental Indenture, expressed or implied, is intended to or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Paying Agent, the Registrar, any other Fiduciary and the owners of the Series 2012-1 Bonds, any right, remedy or claim under or by reason of this First Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this First Supplemental Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Paying Agent, the Registrar, any other Fiduciary and the owners of the Series 2012-1 Bonds.

Section 1.4. Time. All references to time in this Supplemental Indenture shall refer to New York City time unless otherwise provided herein.

issued in the Authorized Denominations and shall be numbered separately from 1 upward and may be preceded by a letter or letters so as to distinguish such Series of Series 2012-1 Bonds.

Section 2.5. Appointment of Paying Agent. Wells Fargo Bank, National Association is hereby appointed the Paying Agent with respect to the Series 2012-1 Bonds.

Section 2.6. Appointment of Registrar and Authenticating Agent. Wells Fargo Bank, National Association is hereby appointed Registrar with respect to the Series 2012-1 Bonds.

The Authority hereby determines that the appointment of an Authenticating Agent is necessary to the issuance of the Series 2012-1 Bonds and hereby appoints Wells Fargo Bank, National Association, as Authenticating Agent with respect to the Series 2012-1 Bonds.

Section 2.7. Book Entry, Letter of Representation. The Series 2012-1 Bonds shall be issued in book-entry-only form and shall be issued initially in the name of Cede & Co., as nominee for DTC, as registered owner of such Series 2012-1 Bonds, and held in the custody of DTC. The actual purchasers of the Series 2012-1 Bonds (the "Beneficial Owners") will not receive physical delivery of Series 2012-1 Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each Series 2012-1 Bond acquired. For so long as DTC shall continue to serve as securities depository for such Series 2012-1 Bonds, all transfers of beneficial ownership interests will be made by book-entry-only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Series 2012-1 Bonds is to receive, hold or deliver any Series 2012-1 Bond certificate.

For every transfer and exchange of Series 2012-1 Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner's allocable share of any tax, fee or other governmental charge that may be imposed in relation thereto. Certificates for Series 2012-1 Bonds are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) DTC determines to discontinue providing its service with respect to Series 2012-1 Bonds, in which case such a determination may be made at any time by the giving of notice to the Authority and the Trustee discharging its responsibilities with respect thereto under applicable law; and

(b) The Authority determines that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners, the Authority or the State.

The Authority and the Trustee will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting.

Whenever, during the term of the Series 2012-1 Bonds, the beneficial ownership thereof is determined by a book-entry at DTC, the requirements in the 2012 Indenture for holding, delivering or transferring Series 2012-1 Bonds shall be deemed modified to require the appropriate person to meet the requirements of DTC as to registering or transferring the book-entry to produce the same effect.

ARTICLE II

AUTHORIZATION, TERMS, AND ISSUANCE OF SERIES 2012-1 BONDS

Section 2.1. Principal Amount, Designation, and Series. (a) Pursuant to the provisions of the 2012 Indenture and in particular Sections 2.5 and 8.1 thereof, the Senior Series 2012 Bonds are hereby authorized in the aggregate principal amount of \$248,300,000 and the Subordinate Series 2012 Bonds are hereby authorized in the aggregate principal amount of \$11,000,000, for a total authorization of Series 2012-1 Bonds in the aggregate principal amount of \$259,300,000. The Senior Series 2012 Bonds shall be distinguished from the Bonds of all other Series by the title "Senior Student Loan Revenue Bonds, Series 2012-1A." The Subordinate Series 2012 Bonds shall be distinguished from the Bonds or Subordinate Obligations of all other Series by the title "Subordinate Student Loan Revenue Obligations, Series 2012-1B."

(b) The Senior Series 2012 Bonds shall be issued as Bonds under the 2012 Indenture and shall be payable as Bonds as provided therein. The Subordinate Series 2012 Bonds shall be issued as, and shall constitute Subordinate Obligations under the 2012 Indenture and shall be payable as Subordinate Obligations as provided therein and herein. The Subordinate Series 2012 Bonds shall bear the terms and provisions of Bonds under Article III of the 2012 Indenture and shall otherwise have the terms and conditions for the Series 2012-1 Bonds as set forth herein, except as specifically provided in Section 3.5 hereof.

Section 2.2. Purposes. (a) The Series 2012-1 Bonds are issued for the purpose of: (i) making deposits into the Student Loan Fund established pursuant to the 2012 Indenture in the amounts and in the Accounts set forth in Article III hereof to be applied as set forth therein and herein, including, without limitation, to Originate 2012-1 NJCLASS Loans and (ii) making deposits into special trust accounts established pursuant to the 2012 Indenture as required by and in the amounts specified in Article III hereof. The Series 2012-1 Bonds shall be issued as fixed rate Tax-Exempt Obligations.

(b) The 2012-1 NJCLASS Loans shall satisfy the criteria set forth in Schedule C attached hereto unless the Authority receives a Rating Agency Condition from Moody's waiving or permitting a change in such criteria and twenty (20) days prior written notice to S&P.

Section 2.3. Date, Maturities, and Interest Rate. The Series 2012-1 Bonds shall be payable at the places and in the manner set forth in the 2012 Indenture, this Supplemental Indenture and Schedule B attached hereto. The Series 2012-1 Bonds shall consist of serial bonds and term bonds, which shall be dated the Issue Date, shall bear interest, shall mature, shall be payable and shall be subject to redemption as described in Schedule A attached hereto and in Section 2.8 hereof.

Section 2.4. Form, Denomination, Numbers, and Letters. The Series 2012-1 Bonds shall be issued in the form of fully registered bonds without coupons, and the Series 2012-1 Bonds (and the Authenticating Agent's Certificates of Authentication) shall be issued in substantially the form set forth in Schedule B attached hereto. The Series 2012-1 Bonds shall be

The Authority hereby authorizes and directs the execution and delivery by an Authorized Officer of the Authority of a Letter of Representation or Letter of Representations, if required, with DTC and the Trustee in the standard form to effectuate a book-entry-only system with respect to the Series 2012-1 Bonds.

If, at any time, DTC ceases to hold such Series 2012-1 Bonds, all references to DTC with respect to such Series 2012-1 Bonds shall be of no further force or effect except that, if the Authority shall appoint a successor securities depository company, such references shall be deemed to refer to such successor securities depository company.

Section 2.8. Redemption of Series 2012-1 Bonds. (a) The Series 2012-1 Bonds shall be subject to redemption as follows:

(A) Optional Redemption. The Series 2012-1 Bonds maturing prior to December 1, 2023 are not subject to optional redemption prior to maturity. The Series 2012-1 Bonds maturing on and after December 1, 2023 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2022 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) Mandatory Redemption Resulting From Non-Origination. (1) The Series 2012-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2012-1 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2012-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2012-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2012-1 Bonds remaining in the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2012-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2012-1 Bonds shall be equal to the amount designated to be originated by the expiration of each Origination Period less the amount actually used to originate 2012-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2012-1 Bonds pursuant to this paragraph (b) shall be applied, first, to the redemption of Series 2012-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining Series 2012-1 Bonds maturing on December 1, 2013 through and including December 1, 2030, pro rata, and third, to the Subordinate Series 2012 Bonds.

(2) The Senior Series 2012-1 Bonds are subject to redemption prior to maturity, in whole, on March 1, 2013, (i) with respect to the Premium Bonds, at the respective Redemption Prices set forth below, and (ii) with respect to all other Senior Series 2012-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2012-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from funds on deposit in the 2012-1 Capitalized Interest Account, 2012-1 Reserve Account (to the extent permitted under Section 3.4 hereof), 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, and 2012-1 Consolidation Loan Account, if by

February 1, 2013, less than sixty million dollars (\$60,000,000) of 2012-1 NJCLASS Loans have been originated.

Senior Series 2012-1 Bonds Maturing on	CUSIP No.	3/1/2013	6/1/2013	10/1/2013
12/1/2013	646080NN7	101.414%	100.944%	100.314%
12/1/2014	646080NP2	104.176%	103.589%	102.796%
12/1/2015	646080NQ0	107.846%	107.153%	106.217%
12/1/2016	646080NR8	109.042%	108.468%	107.689%
12/1/2017	646080NS6	104.708%	104.480%	104.165%
12/1/2018	646080NT4	109.765%	109.381%	108.852%
12/1/2019	646080NU1	103.954%	103.827%	103.647%
12/1/2020	646080NV9	109.460%	109.199%	108.835%
12/1/2021	646080NW7	108.778%	108.571%	108.279%
12/1/2022	646080NX5	108.338%	108.167%	107.924%

(C) **Special Optional Redemption From Excess Revenue.** The Series 2012-1 Bonds (excluding Series 2012-1 Bonds maturing on December 1, 2013 to and including December 1, 2022) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date, pursuant to Section 5.5(A)(1)(x) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2012-1 Bonds pursuant to this paragraph (C) shall be applied, *first*, to the redemption of Series 2012-1 Bonds maturing on December 1, 2027, *second*, to the redemption of the remaining Series 2012-1 Bonds maturing on December 1, 2023 through and including December 1, 2030, *pro rata*, and *third*, to the Subordinate Series 2012 Bonds (provided no Senior Series 2012-1 Bonds remain outstanding).

For purposes of Sections 2.8(a)(C) and (D), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2012-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2012-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2012-1 Bonds on the next succeeding December 1 is reserved to remain in the 2012-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made.

(D) **Special Mandatory Redemption From Excess Revenue.** The Series 2012-1 Bonds (excluding Series 2012-1 Bonds maturing on December 1, 2013 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) if the Parity Percentage is below 103%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess

Revenues. Moneys to be applied to the redemption of Series 2012-1 Bonds pursuant to this paragraph shall be applied, *first*, to the redemption of Series 2012-1 Bonds maturing on December 1, 2027, *second*, to the redemption of the remaining Series 2012-1 Bonds maturing on December 1, 2023 through and including December 1, 2030, *pro rata*, and *third*, to the Subordinate Series 2012 Bonds (provided no Senior Series 2012-1 Bonds remain outstanding).

(E) **Partial Redemption.** Any partial redemption of the Series 2012-1 Bonds shall be in the largest integral multiples of the minimum Authorized Denomination derived from the amounts to be applied to such redemption; provided, however, the remaining Series 2012-1 Bonds left Outstanding must be in Authorized Denominations.

(b) (A) The Authority may elect to apply moneys available in the Revenue Fund for the redemption of the Series 2012-1 Bonds pursuant to Section 2.8(a)(A), (C) or (D) hereof.

(B) The Authority may elect to apply moneys available in the Revenue Fund to the payment or redemption of other Series of Bonds or to some other purpose if:

(i) notice of redemption of the Bonds from such moneys shall not have been given; and

(ii) the Authority shall deliver to the Trustee at least twenty (20) Business Days prior to such election, a Cash Flow Statement taking into account the application of such moneys to the payment or redemption of other Bonds or to some other purpose, and the Authority shall deliver to the Trustee at least ten (10) days prior to such election, a Bond Counsel's Opinion to the effect that the application of such moneys in accordance with the Authority's election will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Bonds.

ARTICLE III

ESTABLISHMENT OF ADDITIONAL ACCOUNTS, APPLICATION OF PROCEEDS OF THE SALE OF SERIES 2012-1 BONDS; AND USE AND DISBURSEMENTS OF ACCOUNTS

Section 3.1. **Establishment of Accounts.** In addition to the Accounts previously established under the 2012 Indenture, the Trustee is directed to establish the following additional Accounts: the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account (and within the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, the 2012-1 Option 3 Loan Subaccount and the 2012-1 Repayment Subaccount); the 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account; the 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account; the 2012-1 Consolidation Loan Account; the 2012-1 Capitalized Interest Account; the 2012-1 Revenue Account; the 2012-1 Rebate Account; the 2012-1 Excess Yield Account; and the 2012-1 Debt Service Reserve Account. The Authority may, from time to time, direct the Trustee in writing to establish additional Accounts or Subaccounts in accordance with the 2012 Indenture or to close any Account or Subaccount during any period that no money is deposited in such Account or Subaccount. The 2012-1 Repayment Subaccount shall be closed following the expiration of the Recycling Period. Except as otherwise provided in this Supplemental Indenture, the moneys and securities relating to the Series 2012-1 Bonds (including Revenues and Recoveries of Principal arising from the 2012-1 Student Loans) deposited in the Accounts created hereby shall not be commingled with any moneys or securities relating to any other Series of Bonds heretofore or hereafter issued under the 2012 Indenture, if any, and deposited in the respective Accounts to which they relate, and moneys and securities required to be transferred between Accounts pursuant to Article V of the 2012 Indenture in respect of the Series 2012-1 Bonds shall only be transferred between the respective Accounts to which they relate, except to the extent that: (i) if the amounts deposited in the Accounts (excluding amounts deposited in the Accounts for the Series 2012-1 Bonds) are insufficient for required transfers or payments with respect to then Outstanding Bonds other than the Series 2012-1 Bonds or other amounts transferable or payable therefrom; or (ii) if the amounts deposited in the Accounts for the Series 2012-1 Bonds are insufficient for required transfers or payments with respect to the Series 2012-1 Bonds or other amounts transferable or payable therefrom, amounts on deposit in the Accounts shall be deemed commingled for purposes of making required transfers and payments in accordance with Article V of the 2012 Indenture.

Section 3.2. **Application of Series 2012-1 Bond Proceeds and Use of 2012-1 Accounts.** (A) \$277,326,262 (equal to the aggregate principal amount of Series 2012-1 Bonds, plus net original issue premium paid to the Authority in the amount of \$10,139,262, plus other available funds of the Authority in the amount of \$7,886,000) shall be deposited with the Trustee for transfer to the following Accounts (the Authority shall pay the Underwriter's fee of \$1,658,625 from otherwise available funds of the Authority and shall retain \$50,000 of such fee to be released to Merrill Lynch, Pierce, Fenner & Smith Incorporated, upon satisfactory completion of the conditions in Section 8(d) of the Purchase Contract):

(a) To the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, the amount of \$154,139,262 consisting of \$146,253,262 from proceeds of the Series 2012-1 Bonds and \$7,886,000 from other available funds of the Authority to Originate Option 1 and Option 2 Fixed Rate Standard NJCLASS Loans, excluding Ten Year Option 1 Loans; and

(b) To the 2012-1 Option 3 Loan Subaccount, the amount of \$34,500,000 to be used to originate Option 3 Loans; and

(c) To the 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, the amount of \$42,500,000 to Originate Ten Year Option 1 Loans; and

(d) To the 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, the amount of \$4,000,000 to Originate Fixed Rate Graduate/Professional NJCLASS Loans; and

(e) To the 2012-1 Consolidation Loan Account, the amount of \$25,000,000 to Originate Consolidation Loans; and

(f) To the 2012-1 Capitalized Interest Account, the amount of \$12,000,000 which shall be applied to the payment of interest on the Series 2012-1 Bonds as provided in Section 3.2(F) below; and

(g) To the 2012-1 Debt Service Reserve Account, the amount of \$5,186,000 in satisfaction of the 2012-1 Reserve Requirement.

(B) During the Origination Period, the Authority may direct the Trustee in writing to transfer funds, subject to the origination limitations set forth in Section 3.12 hereof, (i) on deposit in the 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to the 2012-1 Consolidation Loan Account or the 2012-1 NJCLASS Fixed Rate Student Loan Account to originate Consolidation Loans (up to a maximum of \$29 million) or Option 1 or Option 2 Loans, respectively; (ii) an amount not exceeding \$7.5 million on deposit in the 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account to the 2012-1 NJCLASS Fixed Rate Student Loan Account to originate Option 1 or Option 2 Loans; and (iii) on deposit in the 2012-1 Consolidation Loan Account to the 2012-1 NJCLASS Fixed Rate Student Loan Account to originate Option 1 or Option 2 Loans. Moneys transferred from the 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 Consolidation Loan Account and 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to Originate 2012-1 NJCLASS Loans shall be transferred, to the extent available, from the Account corresponding to the type of 2012-1 NJCLASS Loan being originated.

(C) All Recoveries of Principal with respect to 2012-1 Student Loans shall be deposited by the Trustee upon the written direction of the Authority (i) during the Recycling Period, to the 2012-1 Repayment Subaccount within the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account to originate new Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans, and (ii) following the Recycling Period, to the 2012-1 Revenue Account. All Revenues from 2012-1 Student Loans shall be deposited in the 2012-1 Revenue Account. The Authority shall identify in writing to the Trustee Recoveries of Principal and Revenues as they are received by the Authority and into which Account the Recoveries of Principal and Revenues should be deposited.

(D) **Student Loan Fund.** (i) \$146,253,262 from proceeds of the Series 2012-1 Bonds and \$7,886,000 from the other available funds of the Authority set forth in Section 3.2 shall be deposited in the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account to Originate Fixed Rate Standard NJCLASS Loans (including \$34,500,000 to be held in the 2012-1 Option 3 Loan Subaccount and used to originate Option 3 Loans); (ii) \$42,500,000 from proceeds of the Series 2012-1 Bonds shall be deposited in the 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account to Originate Ten Year Option 1 Loans; (iii) \$4,000,000 from proceeds of the Series 2012-1 Bonds shall be deposited in the 2012-1 NJCLASS Fixed Rate Graduate/Professional

Student Loan Account to be used to Originate Fixed Rate Graduate/Professional NJCLASS Loans; and (iv) \$25,000,000 from proceeds of the Series 2012-1 Bonds shall be deposited in the 2012-1 Consolidation Loan Account to be used to Originate Consolidation Loans.

(E) **2012-1 Capitalized Interest Account.** On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the 2012-1 Capitalized Interest Account, to the extent funds are on deposit in such Account, to the 2012-1 Revenue Account an amount necessary so that the amount in the 2012-1 Revenue Account is sufficient to pay the Interest due on the Series 2012-1 Bonds on such Interest Payment Date. On each Release Date in Schedule 1 set forth below, the Trustee may, at the written direction of the Authority, reduce the amount on deposit in the 2012-1 Capitalized Interest Account in accordance with Schedule 1 set forth below. Any amounts on deposit in the 2012-1 Capitalized Interest Account in excess of the amounts set forth in Schedule 1 below, shall be transferred from the 2012-1 Capitalized Interest Account to the 2012-1 Revenue Account.

Schedule 1:

Release Date	Maximum Amount on Deposit in Account
Initial deposit (Issue Date):	\$12,000,000
6/1/2013	5,000,000
12/1/2014	2,000,000
12/1/2015	0

(F) **2012-1 Revenue Account.** (i) On each Payment Date, the Authority shall pay the amount of Interest, Principal Installments or Sinking Fund Payments, as applicable, for the Senior Series 2012 Bonds coming due on such date, and to the extent funds are sufficient therefor and subject to Section 3.5 of this Supplemental Indenture, the Authority shall pay the amount of interest, principal or sinking fund payments, as applicable, for the Subordinate Series 2012 Bonds, in the order of priority established by Section 5.5(A)(1) of the 2012 Indenture.

(ii) On each Payment Date prior to the termination of the Recycling Period, any funds remaining in the 2012-1 Revenue Account, after payment of the Principal Installment or interest due and payable on the Senior Series 2012-1 Bonds on such Payment Date and, to the extent funds are sufficient therefor, and subject to Section 3.5 of this Supplemental Indenture, after payment of the principal or interest on the Subordinate Series 2012 Bonds and provided all transfers required by Section 5.5(A)(1)(i)-(x) of the 2012 Indenture have been made, shall be transferred to the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account at the written direction of the Authority.

(G) **2012-1 Debt Service Reserve Account.** The 2012-1 Debt Service Reserve Account shall be funded with proceeds of the Series 2012-1 Bonds in an amount equal to the 2012-1 Reserve Requirement calculated upon issuance of the Series 2012-1 Bonds.

Section 3.3. Instructions to Trustee Concerning Certain Program Expenses and Certain Costs of Issuance. (A) The Trustee is hereby instructed to pay, from the moneys deposited to the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 Consolidation Loan Account, 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account or the 2012-1 Revenue Account, 2012-1 Capitalized Interest Account, the Program Expenses, as may be

Section 4.4) posted on EMMA on such Quarterly Report Date is at or above eighty percent (80%), interest on the Subordinate Series 2012 Bonds shall accrue and be paid on the next succeeding Interest Payment Date as required by Section 5.5(A)(1)(v) of the 2012 Indenture.

For illustration purposes only, if the Parity Percentage as listed in the Servicing Report posted on May 15, 2013 for the Calendar Quarter ending March 31, 2013 is 78%, then no interest would be paid on December 1, 2013 for the period commencing June 1, 2013 through, but not including December 1, 2013, but such interest would accrue and be paid, together with interest thereon as Carry-over Interest for such Suspension Interest Period on June 1, 2014 (assuming sufficiency of funds and meeting the Parity Percentage Requirement). If the Parity Percentage as listed in the Servicing Report on November 15, 2013 for the Calendar Quarter ending September 30, 2013 is 82%, the interest would accrue for the period December 1, 2013 through but not including June 1, 2014 and would be paid on June 1, 2014.

Section 3.6. Reserved.

Section 3.7. Option 3 Loan Limitations. Unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and provides twenty (20) days prior written notice to S&P, the Authority hereby agrees that it shall not originate Option 3 Loans from proceeds of the Series 2012-1 Bonds or otherwise permit a 2012-1 Fixed Rate Standard NJCLASS Loan originated from proceeds of the Series 2012-1 Bonds to become an Option 3 Loan, in an aggregate principal amount of all such Option 3 Loans (computed as of the date of origination of each Option 3 Loan or such later date as a 2012-1 NJCLASS Loan is to become an Option 3 Loan and without regard to any amount of deferred interest which may be added to principal) which are Fixed Rate Standard NJCLASS Loans, greater than 15% of the total amount of 2012-1 NJCLASS Loans which are Fixed Rate Standard NJCLASS Loans.

Section 3.8. Amount of Program Expenses. The Authority hereby agrees and covenants that the payment of Program Expenses for the NJCLASS Loan Program pursuant to the 2012 Indenture as of any date shall not exceed the amount of Program Expenses for the NJCLASS Loan Program set forth in the most recent Cash Flow Statement delivered prior to such date.

Section 3.9. Rating Agency Permitted Investments. As long as the Series 2012-1 Bonds are rated by Moody's, all requirements for a rating by Moody's or S&P in the definition of Investment Securities shall not be deemed satisfied with respect to an investment rated by Moody's unless Moody's has provided the required rating or waived such requirement. In addition, as long as the Series 2012-1 Bonds are rated by S&P, all requirements for a rating by Moody's or S&P in the definition of Investment Securities shall not be deemed satisfied with respect to an investment rated by S&P unless S&P has provided the required rating or waived such requirement. Notwithstanding the foregoing, Wells Fargo Advantage Funds and Secured Institutional Money Market Account shall constitute Investment Securities.

Section 3.10. Events of Default. As long as any Series 2012-1 Bonds are Outstanding, the Events of Default under the 2012 Indenture shall include the occurrence of an Act of Bankruptcy.

Section 3.11. No Indemnification as Condition Precedent. Anything in the 2012 Indenture or herein to the contrary notwithstanding, the Trustee agrees that it may not require indemnification as a condition precedent to (i) making payments of the principal, Redemption Price of and interest on the Series 2012-1 Bonds as required herein or (ii) mailing any notices of

indicated in a Certificate of an Authorized Officer of the Authority delivered to the Trustee on the Issue Date, and from time to time thereafter in conformance with Sections 5.4 and 5.5 of the 2012 Indenture and this Supplemental Indenture.

(B) The Costs of Issuance of the Series 2012-1 Bonds, including the Underwriter's fee, shall be paid for by the Authority from other available funds of the Authority and shall not be paid by the Trustee from proceeds of the 2012-1 Bonds.

Section 3.4. 2012-1 Reserve Requirement. Upon issuance of the Series 2012-1 Bonds, the 2012-1 Reserve Requirement shall be the amount of \$5,186,000 (equal to two percent (2%) of the original principal amount of Series 2012-1 Bonds) and shall be funded with proceeds of the Series 2012-1 Bonds. Thereafter, as of any date of calculation, the 2012-1 Reserve Requirement shall equal the greater of (i) two percent (2%) of the principal amount of Outstanding Series 2012-1 Bonds on such date and (ii) \$1,000,000.

Section 3.5. Subordinate Series 2012 Bonds. Anything in the 2012 Indenture to the contrary notwithstanding, no interest on the Subordinate Series 2012 Bonds otherwise due with respect to a Suspended Interest Period shall be paid to Subordinate Series 2012 Bondholders until the applicable Restoration Interest Date (subject to the sufficiency of funds and Parity Percentage Requirement as described below). Suspended Interest Period means the period commencing on any Suspension Interest Date on or after June 1, 2013, to, but not including the next succeeding Interest Payment Date. A Suspension Interest Date shall mean any Interest Payment Date if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA on such Quarterly Report Date is less than eighty percent (80%).

Interest not paid with respect to any Suspended Interest Period shall accrue at the applicable stated Subordinate Series 2012 Bond rate and shall be paid, together with interest thereon at the applicable stated Subordinate Series 2012 Bond rate (together, "Carry-over Interest") on the next succeeding Restoration Interest Date; provided Carry-over Interest shall be paid from funds in the 2012-1 Revenue Account after the transfers and payments set forth in clauses (i) through (xiii) of Section 5.5(A)(1) of the 2012 Indenture have been made, but before any funds can be released to the Authority pursuant to Section 5.5(A)(1)(xiv) of the 2012 Indenture, provided further that the Parity Percentage Requirement has been met and provided further that non-payment of Carry-over Interest due to insufficient funds in the Revenue Fund shall not be deemed an Event of Default under the 2012 Indenture. Interest on Carry-over Interest shall continue to accrue until the earlier of the Interest Payment Date on which the Parity Percentage Requirement is met and such Carry-over Interest can be paid or final maturity of the Subordinate Series 2012 Bonds. A Restoration Interest Date shall mean the Interest Payment Date next succeeding a Restoration Event. A Restoration Event shall mean any Interest Payment Date if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA on such Quarterly Report Date is at or above eighty percent (80%).

If, as of the Quarterly Report Date next preceding an Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in

redemption or purchase as required hereby, it being understood and agreed, however, that while the Trustee may not require indemnification prior to or as a condition of performing the acts referred to in clauses (i) or (ii) above, the Trustee shall continue to be entitled to indemnification, as otherwise provided herein or in the 2012 Indenture, for such acts.

Section 3.12. Loan Limitations.

(A) Fixed Rate Graduate/Professional NJCLASS Loans shall only be originated from the 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account. The Authority shall not make Fixed Rate Graduate/Professional NJCLASS Loans in an aggregate principal amount (computed as of the date of origination and without regard to any interest which may be added to principal for Option 3 Loans) exceeding \$4,000,000 without prior written notice to the Rating Agencies.

(B) Ten Year Option 1 Loans shall only be originated from the 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account. The Authority shall not make Ten Year Option 1 Loans in an aggregate principal amount (computed as of the date of origination) exceeding \$42,500,000 without prior written notice to the Rating Agencies.

(C) Consolidation Loans shall only be originated from the 2012-1 Consolidation Loan Account. The Authority shall not make Consolidation Loans in an aggregate principal amount (computed as of the date of origination and without regard to any interest which may be added to principal for Option 3 Loans) exceeding \$29,000,000 (including any amounts transferred from the 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account) without prior written notice to the Rating Agencies.

Section 3.13. Loan Servicers and Servicing Acknowledgements. (A) The Authority agrees that, without delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, the only permitted Servicer of 2012-1 NJCLASS Loans is the Authority.

(B) (i) The Trustee shall have the right to replace the Servicer upon the occurrence of the Event of Default set forth in 10.1(3) of the 2012 Indenture or an Act of Bankruptcy if the Authority fails to take action resulting in the withdrawal or dismissal of such Act of Bankruptcy within 60 days.

(ii) The Trustee may, and at the direction of the Owners of at least 51% in principal amount of Bonds then Outstanding shall, procure a third party successor Servicer and the Authority shall be required to enter into any such contracts with the successor Servicer as may be required in the event of a Servicer Event of Default (as defined in and as provided in the Acknowledgement of Servicing by and between the Authority and the Trustee with respect to the 2012-1 NJCLASS Loans (the "Acknowledgement")). Notwithstanding the foregoing, the removal of the Servicer or the procurement of a successor Servicer shall not be effective until the successor Servicer shall have agreed in writing to be bound by the terms of a Servicing Acknowledgement in the same manner as the Authority, in its capacity as Servicer is bound under the Acknowledgement; and provided further that if the Trustee is unable or unwilling to appoint a successor Servicer, the Trustee shall petition a court of competent jurisdiction to appoint a successor Servicer whose regular business includes the servicing of loans for post-secondary education.

(C) The Acknowledgement shall not be materially amended by the parties thereto without delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P.

(D) The Trustee shall provide notice to the Rating Agencies if the Servicer is replaced or if a third-party successor Servicer is contracted by the Authority in accordance with Section 3.13(b) above and the Acknowledgement.

ARTICLE IV

REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE AUTHORITY

Section 4.1 2012-1 NJCLASS Loan Requirements.

The Authority hereby represents, warrants and covenants that, unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P:

(A) With respect to each disbursement from the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 Consolidation Loan Account or 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to originate 2012-1 NJCLASS Loans, as of the related disbursement date:

(1) the Authority and such disbursement will comply with the requirements of applicable federal and State law,

(2) the disbursement will be a proper charge against the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 Consolidation Loan Account or 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account,

(3) all requirements of the 2012 Indenture and this Supplemental Indenture in connection with origination of 2012-1 NJCLASS Loans will have been met,

(4) the Authority will be in compliance with the covenants set forth in the 2012 Indenture and in this Supplemental Indenture,

(5) no Event of Default will have occurred and be continuing,

(6) the Recycling Period will not have terminated, and

(7) the promissory note or notes with respect to each such 2012-1 NJCLASS Loan originated will be delivered to the Trustee prior to the related disbursement; provided that such promissory note or notes may be executed by wet or electronic signature and delivered to the Trustee in accordance with the Authority's e-sign procedures.

(B) Each 2012-1 NJCLASS Loan will:

(1) be a Fixed Rate Standard NJCLASS Loan, including a Ten Year Option 1 Loan, Fixed Rate Graduate/Professional NJCLASS Loan or Consolidation Loan;

(2) comply with the covenants set forth in this Article IV and the credit criteria contained in Schedule C hereto; and

(3) be originated in the principal amount of such 2012-1 NJCLASS Loan plus unpaid accrued interest.

(C) No 2012-1 NJCLASS Loan will have a maturity date that is more than 15 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Option 1 Fixed Rate Standard NJCLASS Loans (excluding Ten Year Option 1 Loans) or Option 2 Fixed Rate Standard NJCLASS Loans, 20 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Option 3 Fixed Rate Standard NJCLASS Loans, 25 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Fixed Rate Graduate/Professional Loans, 10 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Ten Year Option 1 Loans or 30 years after the date of the first disbursement, with respect to Consolidation Loans.

(D) The Authority shall not Originate any 2012-1 NJCLASS Loans with a FICO score less than 670.

(E) The Administrative Fee shall equal 3% of the original principal amount of each 2012-1 NJCLASS Loan, except for Consolidation Loans. Once a 2012-1 NJCLASS Loan has been made, the Authority may not grant any waivers or alterations to the payment structure for such 2012-1 NJCLASS Loan, except the deferral and forbearance options described under the Program Documentation, unless the Authority has received a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. Of the Administration Fees received, 2% of each 2012-1 NJCLASS Loan, except for Consolidation Loans, shall be deposited in the 2012-1 Repayment Subaccount within the 2012-1 Fixed Rate Standard Student Loan Account and applied to originate Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans and 1% shall be retained by the Authority. The Administrative Fee for Consolidation Loans shall equal 1% of the original principal amount of each Consolidation Loan.

(F) The Authority shall not provide borrower benefit programs for the 2012-1 NJCLASS Loans; provided that loan forgiveness in order to reduce excess yield earnings shall not be deemed a borrower benefit program.

(G) No adverse selection process will be used in Originating the 2012-1 NJCLASS Loans.

(H) The Authority shall comply with the Origination limitations for Option 3 Loans set forth in Section 3.7 of this Supplemental Indenture.

(I) No 2012-1 NJCLASS Loans will be Originated to students attending a school with a Federal cohort default rate greater than 20%.

(J) The Authority shall not originate more than five percent (5%) of all Fixed Rate Standard NJCLASS Loans for students attending proprietary or trade school.

Section 4.2. Loan Rates. The Loan Rate for all 2012-1 NJCLASS Loans shall be as follows:

Fixed Rate Standard NJCLASS Loans (exclusive of Ten Year Option 1 Loans):

(i) for Option 1 Fixed Rate Standard NJCLASS Loans, 7.05% through the end of the fourth year of principal repayment and thereafter 7.80%,

(ii) for Option 2 Fixed Rate Standard NJCLASS Loans, 7.05% through the end of the fourth year of principal repayment and thereafter 7.80%, and

(iii) for Option 3 Fixed Rate Standard NJCLASS Loans, 8.05% through the end of the first year of principal repayment and thereafter 8.80%.

Fixed Rate Graduate/Professional NJCLASS Loans:

(i) for Option 1 and Option 2 Fixed Rate Graduate/Professional NJCLASS Loans, 7.05% through the end of the fourth year of principal repayment and thereafter 7.80%, and

(ii) for Option 3 Fixed Rate Graduate/Professional NJCLASS Loans, 8.05% through the end of the fourth year of principal repayment and thereafter 8.80%.

Ten Year Option 1 Loans:

(i) for Ten Year Option 1 Loans, 6.15% through the end of the fourth year of principal repayment and thereafter 6.90%.

Consolidation Loans:

The interest rate on the Consolidation Loan will be a fixed rate based upon the weighted average interest rate of all the underlying NJCLASS loans being consolidated plus 25 basis points. The interest rate of the underlying NJCLASS loan is calculated using a blending of the applicable initial and step-up interest rates disclosed to the borrower. If the interest rate of the underlying NJCLASS loan currently reflects the step-up interest rate, the step-up interest rate will be used solely in the calculation. If a variable rate NJCLASS loan is being included in the NJCLASS consolidation, the applicable NJCLASS fixed interest rate for that the academic year the variable rate loan was disbursed will be used in the calculation of the weighted average interest rate. In the event that a 10-year loan is included in the Consolidation Loan, the rate used in the weighted average calculation will be the equivalent 20-year fixed rate program rate in effect at the time of disbursement of the 10-year loan. Interest on a Consolidation Loan will begin to accrue at the time of the loan disbursement.

Section 4.3. Additional Bonds. (A) So long as any Series 2012-1 Bonds are Outstanding, the Authority shall not issue any Additional Bonds or Subordinate Obligations, unless:

(a) the Authority shall have delivered a Cash Flow Statement to the Rating Agencies prior to the issuance of such Additional Bonds or Subordinate Obligations, taking into account the issuance of all such Additional Bonds or Subordinate Obligations, and the assumptions and scenarios in such Cash Flow Statement shall be acceptable to the Rating Agencies;

(b) the Authority shall have delivered to the Trustee a Rating Agency Condition from each Rating Agency for the Series 2012-1 Bonds; and

(c) the Parity Percentage is at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations.

(B) So long as any Series 2012-1 Bonds are Outstanding, the Authority shall not execute and deliver any Supplemental Indenture for any purpose if such issuance or execution and delivery would, in and of itself, result in a decrease or withdrawal of any public rating on the Series 2012-1 Bonds.

Section 4.4. Report to Rating Agencies. (A) So long as any Series 2012-1 Bonds are Outstanding, the Authority will deliver to the Trustee and each Rating Agency, and shall file or cause the Trustee to file with the Municipal Securities Rulemaking Board (through the Electronic Municipal Market Access program) or such other national repository for the deposit of secondary market disclosure information permitted by Securities and Exchange Commission Rule 15(c)2-12, a quarterly report (the "Servicing Report"), not later than each Quarterly Report Date, in each case calculated as of the last day of the related Calendar Quarter, which shall state the following:

(a) The number and Aggregate Pool Loan Balance of 2012-1 Student Loans outstanding as of the end of such Calendar Quarter;

(b) The number and dollar amount of 2012-1 Student Loans which are Option 2 Loans and 2012-1 Student Loans in forbearance and repayment status;

(c) The number and dollar amount of 2012-1 Student Loans which are delinquent 0-30, 31-60, 61-90, 91-120, 121-180 and 181 or more days and the cumulative number and dollar amount of 2012-1 NJCLASS Loans which have been 181 or more days delinquent;

(d) The cumulative number and dollar amount of 2012-1 Student Loans charged off since the Issue Date of the Series 2012-1 Bonds;

(e) The cumulative dollar amount recovered on defaulted 2012-1 Student Loans as of the end of such Calendar Quarter (broken out by principal, interest and fees recovered) and the gross and net cumulative amounts of defaults on 2012-1 Student Loans as of the end of such Calendar Quarter and as a percentage of the outstanding 2012-1 Student Loans;

(f) The dollar amount of the Series 2012-1 Bonds issued, the cumulative changes in the amount Outstanding and descriptions of such changes, as well as the Bonds Outstanding as of the end of such Calendar Quarter;

(g) The beginning balance of the 2012-1 Debt Service Reserve Account, the cumulative withdrawals and deposits, and the balance of the 2012-1 Debt Service Reserve Account as of the end of such Calendar Quarter;

(h) As of the end of such Calendar Quarter, the cash balance in the Loan Reserve Fund, a listing of amounts currently due to and from the Loan Reserve Fund and descriptions of these amounts, as well as the resulting net assets of the Loan Reserve Fund;

(i) As of the end of such Calendar Quarter, the cumulative cash balance of the amounts on deposit in each Account and Subaccount for the Series 2012-1 Bonds,

including changes in net assets, the principal amount of any Series 2012-1 Bonds redeemed and amounts reserved to pay principal of and interest on the next Principal Payment Date;

(j) Program Expenses, Bond Fees and Administrative Fees paid during the Calendar Quarter;

(k) Any funds released from the Trust Estate to the Authority;

(l) The dollar amount of any rebate payment to the Federal government;

(m) So long as the Series 2012-1 Bonds are rated by Moody's and/or S&P, the Authority shall give Moody's and/or S&P, respectively, prompt written notice of any withdrawal from the 2012-1 Debt Service Reserve Account to pay principal of or interest on the Series 2012-1 Bonds, and of any deficiency amount certified by the Authority pursuant to Section 7.15 of the 2012 Indenture, and of any amount received from the State of New Jersey following such deficiency certification;

(n) Accrued Assets, Accrued Liabilities, Delinquent Loan Percentage, Loans in Repayment, Parity Percentage, Senior Parity, Parity Percentage Requirement and Repayment Ratio;

(o) Amount of funds requested from the State to restore the Debt Service Reserve Fund and the amounts of funds so paid; and

(p) Aggregate Loan Balance of all Student Loans purchased pursuant to Section 5.5(A)(1)(xlii) of the 2012 Indenture.

(B) During any applicable Origination Period and Recycling Period, the Authority will deliver to the Trustee and each Rating Agency a report, no later than the first Business Day of each month, which report shall include, as of the first Business Day of the next preceding month, the number and principal balance of 2012-1 NJCLASS Loans Originated during the Origination Period and/or Recycling Period, as applicable, and detailing the following characteristics for such 2012-1 NJCLASS Loans:

-number and principal balance of 2012-1 NJCLASS Loans Originated by Option Type

-number and principal balance of 2012-1 NJCLASS Loans Originated by type of loan (i.e. Fixed Rate Standard NJCLASS Loan, Ten Year Option 1 Loan, Fixed Rate Graduate/Professional NJCLASS Loan, Consolidation Loan)

(C) The Authority will deliver to the Trustee and each Rating Agency a report within forty-five (45) days after the end of the final Origination Period which report shall include the number and balance of 2012-1 NJCLASS Loans Originated during the Origination Period detailing the following characteristics for such 2012-1 NJCLASS Loans:

-Percentage of 2012-1 NJCLASS Loans co-signed; and
-Original FICO Score (in increments of 10).

(D) So long as any Series 2012-1 Bonds are Outstanding, the Authority will furnish or cause to be furnished to each Rating Agency, annual audited financial statements of

the NJCLASS/FFELP Loan Program prepared by an independent certified public accountant, within one hundred eighty (180) days of the completion of the NJCLASS/FFELP Loan Program's Fiscal Year.

(E) So long as any Series 2012-1 Bonds are Outstanding, the Authority will furnish or cause to be furnished to each Rating Agency, within a reasonable time after request therefor, a report containing information with respect to updated static pool default and recovery information on 2012-1 NJCLASS Loans.

Section 4.5. Loan Transfers. So long as the Series 2012-1 Bonds are Outstanding, the Authority shall not sell or transfer any Student Loan except (i) as authorized under the 2012 Indenture and (ii) for cash, except that the Authority may transfer Student Loans to another trust estate of the Authority in accordance with the requirements of Section 7.8 of the 2012 Indenture.

Section 4.6. Origination Period. All 2012-1 NJCLASS Loans shall be Originated within the time periods set forth under the definition for Origination Period. A Student Loan shall be deemed Originated upon execution by a borrower of the promissory note. In the event a Student Loan is cancelled by the borrower after the end of the Origination Period and disbursed funds returned to the Authority, such disbursed funds shall be transferred at the written direction of an Authorized Officer to the 2012-1 Revenue Account.

ARTICLE V

MISCELLANEOUS

Section 5.1. First Supplemental Indenture Construed with 2012 Indenture. All of the provisions of this Supplemental Indenture shall be deemed to be and construed as part of the 2012 Indenture to the same extent as if fully set forth therein.

Section 5.2. 2012 Indenture as Supplemented to Remain in Effect. Save and except as herein supplemented by this Supplemental Indenture, the 2012 Indenture shall remain in full force and effect.

Section 5.3. Instrument of Acceptance by Fiduciaries. Wells Fargo Bank, National Association hereby accepts its appointment as Paying Agent, Registrar and Authenticating Agent and the duties and obligations thereof and agrees that this constitutes the written instrument of acceptance required by Section 11.2(B) of the 2012 Indenture.

Section 5.4. Execution in Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 5.5. Severability. If any section, paragraph, clause, or provision of this Supplemental Indenture shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Supplemental Indenture.

Section 5.6. Confirmation of Actions. All action (not inconsistent with the provisions of this Supplemental Indenture) heretofore taken by the Authority directed toward the issuance and sale of the Series 2012-1 Bonds is hereby ratified, approved, and confirmed.

Section 5.7. Governing Law. This Supplemental Indenture shall be construed in accordance with the laws of the State of New Jersey.

Section 5.8. Notices. Any notice, demand, direction, request, or other instrument authorized or required by this Supplemental Indenture to be given to or filed with the Authority, the Trustee, the Paying Agent, the Registrar, or the Authenticating Agent, shall be deemed to have been sufficiently given or filed for all purposes, if any, when delivered or sent by registered or certified mail, return receipt requested, postage prepaid, and, if given by telex, telegraphic or electronic means, shall be deemed given when transmitted (receipt confirmed) to the following addresses; provided that facsimile or electronic transmissions of notices shall only be deemed to have been sufficiently given or filed for all purposes if the Authority and the Fiduciaries have agreed to accept notices by facsimile or electronic communication, such notice has been sent by a person authorized to give such notice and receipt of such notice has been confirmed.

If to the Authority: New Jersey Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, P.O. Box 545, Trenton, New Jersey 08625, Attention: Chief Financial Officer (facsimile no. (609) 584-4831), (email: gene_hutchins@hesaa.org).

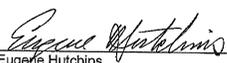
If overnight delivery to the Authority: New Jersey Higher Education Student Assistance Authority, #4 Quakerbridge Plaza, Mercerville, New Jersey 08619, Attention: Chief Financial Officer.

If to the Trustee, Paying Agent, Registrar or Authenticating Agent: Wells Fargo Bank, National Association, MAC N9311-163, 625 Marquette Avenue, 16th Floor, Minneapolis, MN 55479 Attention: Corporate Trust Services (facsimile no. (612) 316-0309) (email: bonnie.rons@wellsfargo.com).

The Authority and the Fiduciaries may, by like notice to each other, designate any further or different addresses to which subsequent notices shall be sent.

IN WITNESS WHEREOF, an Authorized Officer of the Authority and an authorized officer of the Trustee have hereunto executed this Supplemental Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: 
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Bonnie Anderson Rons
Vice President

IN WITNESS WHEREOF, an Authorized Officer of the Authority and an authorized officer of the Trustee have hereunto executed this Supplemental Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: _____
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: 
Bonnie Anderson Rons
Vice President

[SIGNATURE PAGE FOR 2012-1 FIRST SUPPLEMENTAL INDENTURE]

[SIGNATURE PAGE FOR 2012-1 FIRST SUPPLEMENTAL INDENTURE]

SCHEDULE A

TERMS OF SERIES 2012-1 BONDS

The Series 2012-1 Bonds will initially be dated and will bear interest from the Issue Date. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2012. The Series 2012-1 Bonds will bear interest at the interest rates per annum, and will mature on December 1 in of the years and in the principal amounts shown below:

\$248,300,000 Senior Series 2012-1A Bonds

Maturity	Par Amount	Coupon	Yield	Price	CUSIP
12/1/2013	\$ 5,000,000	3.000%	1.100%	102.678	646080NN7
12/1/2014	7,000,000	4.000%	1.570%	105.758	646080NP2
12/1/2015	13,000,000	5.000%	2.050%	109.707	646080NQ0
12/1/2016	13,000,000	5.000%	2.460%	110.585	646080NR8
12/1/2017	16,500,000	4.000%	2.930%	105.329	646080NS6
12/1/2018	18,000,000	5.000%	3.130%	110.805	646080NT4
12/1/2019	19,000,000	4.000%	3.340%	104.306	646080NU1
12/1/2020	17,300,000	5.000%	3.590%	110.170	646080NV9
12/1/2021	15,700,000	5.000%	3.810%	109.346	646080NW7
12/1/2022	12,500,000	5.000%	3.960%	108.809	646080NX5
12/1/2023	12,000,000	4.000%	4.110%	99.002	646080NY3
12/1/2024	11,300,000	4.125%	4.250%	98.600	646080NZ0
12/1/2025	15,000,000	4.250%	4.370%	98.788	646080PA3
12/1/2026	14,000,000	4.375%	4.450%	99.204	646080PB1
12/1/2028	15,500,000	4.500%	4.580%	99.080	646080PD7
12/1/2029	13,000,000	4.500%	4.650%	98.218	646080PE5
12/1/2030	9,000,000	4.625%	4.700%	99.078	646080PF2

\$21,500,000 4.000% Term Bonds Due December 1, 2027 – Yield 4.000% Price 100.000%
CUSIP 646080PC9

\$11,000,000 Subordinate Series 2012-1B Bonds

Due (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2039	\$11,000,000	5.750%	5.750%	100.000	646080PG0

The Series 2012-1 Bonds will be issued in fully registered form, without coupons, in Authorized Denominations

SCHEDULE B-1

FORM OF SENIOR SERIES 2012 BOND

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE 2012 INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
SENIOR STUDENT LOAN REVENUE BOND, SERIES 2012-1A

No R-

Dated Date	Interest Rate	Maturity Date	CUSIP
June 28, 2012		%	

REGISTERED OWNER: CEDE & CO

PRINCIPAL AMOUNT: Dollars

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each June 1 and December 1, commencing December 1, 2012 (each an "Interest Payment Date"). Principal and redemption premium, if any, of this Bond are payable upon the presentation and surrender hereof at the designated corporate trust office of Wells Fargo Bank, National Association (together with its successors as Paying Agent, the "Paying Agent"), currently Minneapolis, Minnesota. Interest on this Bond is payable to the Registered Owner of record as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the "Registrar"), by check or draft mailed to the Registered Owner at the registered address; provided that, at the written

request of the Registered Owner of at least \$1,000,000 principal amount of Bonds of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Bond shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Capitalized terms used in this Bond and not defined herein shall have the meanings given thereto in the 2012 Indenture.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its Senior Student Loan Revenue Bonds, Series 2012-1A (the "2012-1 Bonds") issued as fully registered Bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$248,300,000 under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on April 26, 2012 (the "Bond Resolution") and equally and ratably secured under an Indenture of Trust (the "Indenture of Trust"), dated as of June 1, 2012, as amended and supplemented, including by a First Supplemental Indenture (the "First Supplemental Indenture"), dated as of June 1, 2012, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by Supplemental Indentures (such Indenture of Trust and any and all such Supplemental Indentures, including, without limitation, the First Supplemental Indenture, being herein collectively called the "2012 Indenture") for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

The Authority has issued its 2012-1 Bonds (and, together with any Additional Bonds hereafter issued under the 2012 Indenture, referred to as the "Bonds"). The 2012 Indenture pledges for the payment of the Bonds, subject to the terms and conditions of the 2012 Indenture, the Student Loans (defined in the 2012 Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the 2012 Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the 2012 Indenture for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Bonds, the manner of enforcement of such security, the custody and application of the proceeds of the Bonds, the terms and conditions upon which the Bonds are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the Bonds. Copies of the Bond Resolution and the 2012 Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the 2012 Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the 2012 Indenture.

Pursuant to the 2012 Indenture, Additional Bonds equally secured, all except as expressly provided in Section 5.5(A)(1)(vi), Section 5.5(A)(1)(ix), Section 10.1 and Section 10.3 of the 2012 Indenture by the pledge and covenants made in the 2012 Indenture, with the 2012-1 Bonds may be issued from time to time in one or more Series for the purposes set forth therein.

The 2012 Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The 2012 Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

The 2012-1 Bonds shall be subject to redemption as follows:

(A) Optional Redemption. The 2012-1 Bonds maturing prior to December 1, 2023 are not subject to optional redemption prior to maturity. The 2012-1 Bonds maturing on and after December 1, 2023 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2022 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) Mandatory Redemption Resulting From Non-Origination. (1) The 2012-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the 2012-1 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other 2012-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such 2012-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2012-1 Bonds remaining in the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2012-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2012-1 Bonds shall be equal to the amount designated to be originated by the expiration of each Origination Period less the amount actually used to originate 2012-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of 2012-1 Bonds pursuant to this paragraph (b) shall be applied, first, to the redemption of 2012-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining 2012-1 Bonds maturing on December 1, 2013 through and including December 1, 2030, pro rata, and third, to the Subordinate Series 2012 Bonds.

(2) The 2012-1 Bonds are subject to redemption prior to maturity, in whole, on March 1, 2013, (i) with respect to the Premium Bonds, at the respective Redemption Prices set forth below, and (ii) with respect to all other 2012-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such 2012-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from funds on deposit in the 2012-1 Capitalized Interest Account, 2012-1 Reserve Account (to the extent permitted under Section 3.4 hereof), 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan

Account, and 2012-1 Consolidation Loan Account, if by February 1, 2013, less than sixty million dollars (\$60,000,000) of 2012-1 NJCLASS Loans have been originated.

2012-1 Bonds Maturing on	CUSIP No.	3/1/2013	6/1/2013	10/1/2013
12/1/2013	646080NN7	101.414%	100.944%	100.314%
12/1/2014	646080NP2	104.176%	103.588%	102.796%
12/1/2015	646080NQ0	107.845%	107.153%	106.217%
12/1/2016	646080NR8	109.042%	108.468%	107.889%
12/1/2017	646080NS6	104.708%	104.480%	104.165%
12/1/2018	646080NT4	108.765%	109.381%	108.852%
12/1/2019	646080NU1	103.954%	103.827%	103.647%
12/1/2020	646080NV9	106.480%	109.199%	108.835%
12/1/2021	646080NW7	108.778%	108.571%	108.279%
12/1/2022	646080NX5	108.538%	108.167%	107.924%

(C) Special Optional Redemption From Excess Revenue. The 2012-1 Bonds (excluding 2012-1 Bonds maturing on December 1, 2013 to and including December 1, 2022) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date, pursuant to Section 5.5(A)(1)(x) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of 2012-1 Bonds pursuant to this paragraph (C) shall be applied, first, to the redemption of 2012-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining 2012-1 Bonds maturing on December 1, 2023 through and including December 1, 2030, pro rata, and third, to the Subordinate Series 2012 Bonds (provided no 2012-1 Bonds remain outstanding).

For purposes of paragraph (C) and (D) above, Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2012-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2012-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2012-1 Bonds on the next succeeding December 1 is reserved to remain in the 2012-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

(D) Special Mandatory Redemption From Excess Revenue. The 2012-1 Bonds (excluding Series 2012-1 Bonds maturing on December 1, 2013 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) if the Parity Percentage is below 103%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from

Excess Revenues. Moneys to be applied to the redemption of 2012-1 Bonds pursuant to this paragraph shall be applied, first, to the redemption of 2012-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining 2012-1 Bonds maturing on December 1, 2023 through and including December 1, 2030, pro rata, and third, to the Subordinate Series 2012 Bonds (provided no 2012-1 Bonds remain outstanding).

Notice of redemption is to be given by mail not less than twenty (20) days prior to the date fixed for redemption to the Registered Owner of each 2012-1 Bond to be redeemed at the address of the Registered Owner, as shown on the registration books of the Authority maintained by the Registrar. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any 2012-1 Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the 2012 Indenture, this 2012-1 Bond if so called for redemption, shall become due and payable at the stated Redemption Price and to the extent moneys are available therefor, interest shall cease to accrue on this 2012-1 Bond and this 2012-1 Bond shall no longer be entitled to any benefit or security under the 2012 Indenture. The 2012-1 Bonds to be redeemed in whole or in part shall be selected as provided in the 2012 Indenture.

Reference is hereby made to the First Supplemental Indenture, a copy of which is on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this 2012-1 Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the 2012-1 Bonds; the Authority's student loan origination and acquisition program; the revenues and other money pledged to the payment of the principal and redemption premium, if any, of and interest on the 2012-1 Bonds; the nature and extent and manner of enforcement of the pledge; the conditions upon which the First Supplemental Indenture may be amended or supplemented with or without the consent of the Registered Owners of the 2012-1 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 Authority 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 2012-1 Bond, and this 2012-1 Bond thereafter shall no longer be secured by the First Supplemental Indenture or be deemed to be Outstanding, as defined in the First Supplemental Indenture, thereunder; and for the other terms and provisions thereof.

Subject to the limitations provided in the 2012 Indenture and upon payment of the charges required by the 2012 Indenture, 2012-1 Bonds may be exchanged for a like aggregate principal amount of 2012-1 Bonds of the same Series and other Authorized Denominations.

This 2012-1 Bond is transferable by the Registered Owner hereof or his duly authorized attorney on the registration books of the Authority kept at the corporate trust office of the Registrar, upon surrender of this 2012-1 Bond accompanied by a duly executed instrument of transfer in form and with warranty of signature satisfactory to the Registrar, subject to such reasonable regulations as the Authority, the Trustee, the Registrar, or the Paying Agent may prescribe. Upon any such transfer, a new 2012-1 Bond or Bonds of the same Series and an authorized denomination or denominations of the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the 2012 Indenture. The Authority, the Registrar, the Trustee, and the Paying Agent may deem and treat the person in whose

name this Bond is registered as the absolute owner hereof, whether or not this 2012-1 Bond shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Authority, the Registrar, the Trustee, nor the Paying Agent shall be affected by any notice to the contrary.

The Act provides that neither the members of the Authority nor any person executing bonds of the Authority nor any officer or employee of the Authority shall be liable personally on said bonds by reason of the issuance thereof. This 2012-1 Bond is not and shall not be in any way a debt or liability of the State of New Jersey or of any political subdivision thereof and does not and shall not create or constitute any indebtedness, liability, or obligation of said State, or of any political subdivision thereof. This 2012-1 Bond does not now and shall never constitute a charge against the general credit of the Authority.

The owner of this 2012-1 Bond shall have no right to enforce the provisions of the 2012 Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in the 2012 Indenture. If an event of default under the 2012 Indenture occurs, the principal of all Bonds then Outstanding issued under the 2012 Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the 2012 Indenture.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution or statutes of the State of New Jersey or the 2012 Indenture to exist, to have happened, or to have been performed precedent to or in the issuance of this 2012-1 Bond exist, have happened, and have been performed, and that the issuances of this 2012-1 Bond is within every debt and other limit prescribed by said Constitution, statutes or 2012 Indenture.

This 2012-1 Bond shall neither be entitled to any security, right, or benefit under the Bond Resolution and the 2012 Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this 2012-1 Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer of the Authority, all as of the Dated Date.

CERTIFICATE OF AUTHENTICATION

This bond is one of the 2012-1 Bonds described herein.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

WELLS FARGO BANK, NATIONAL ASSOCIATION, Authenticating Agent

(SEAL)

By: _____ Authorized Signatory

By: _____

Authentication Date: _____, 20__

Attest:

By: _____ [Secretary] [Authorized Officer]

FORM OF SUBORDINATE SERIES 2012 OBLIGATION

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE 2012 INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
SUBORDINATE STUDENT LOAN REVENUE BOND, SERIES 2012-1B

No R-

Dated Date	Interest Rate	Maturity Date	CUSIP
June 28, 2012		%	
REGISTERED OWNER:	CEDE & CO		
PRINCIPAL AMOUNT:	Dollars		

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each June 1 and December 1, commencing December 1, 2012 (each an "Interest Payment Date"). Principal and redemption premium, if any, of this Bond are payable upon the presentation and surrender hereof at the designated corporate trust office of Wells Fargo Bank, National Association (together with its successors as Paying Agent, the "Paying Agent"), currently Minneapolis, Minnesota. Interest on this Obligation is payable to the Registered Owner of record (except during a Suspended Interest Period as defined in the First Supplemental Indenture (as defined below) as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the

"Registrar"), by check or draft mailed to the Registered Owner at the registered address; provided that, at the written request of the Registered Owner of at least \$1,000,000 principal amount of Obligations of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Obligation shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Capitalized terms used in this Obligation and not defined herein shall have the meanings given thereto in the 2012 Indenture.

This Obligation is one of a duly authorized issue of Subordinate Obligations of the Authority designated as its Subordinate Student Loan Revenue Bonds, Series 2012-1B (the "2012 Subordinate Obligations") issued as fully registered Bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$11,000,000 under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on April 26, 2012 (the "Bond Resolution") are secured under an Indenture of Trust (the "Indenture of Trust"), dated as of June 1, 2012, as amended and supplemented, including by a First Supplemental Indenture (the "First Supplemental Indenture"), dated as of June 1, 2012, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by Supplemental Indentures (such Indenture of Trust and any and all such Supplemental Indentures, including, without limitation, the First Supplemental Indenture, being herein collectively called the "2012 Indenture") on a subordinate basis to Bonds issued under the Indenture of Trust as provided in Section 5.5(A)(1) of the Indenture of Trust for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

The Authority has issued its 2012 Subordinate Obligations. The 2012 Indenture pledges for the payment of the Subordinate Obligation, subject to the terms and conditions of the 2012 Indenture, the Student Loans (defined in the 2012 Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the 2012 Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the 2012 Indenture for the provisions, among other things, with respect to the priority of payment of the 2012 Subordinate Obligations, the nature and extent of the Trust Estate securing payment of the 2012 Subordinate Obligations, the manner of enforcement of such security, the custody and application of the proceeds of the 2012 Subordinate Obligations, the terms and conditions upon which the 2012 Subordinate Obligations are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the 2012 Subordinate Obligations. Copies of the Bond Resolution and the 2012 Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the 2012 Indenture may be discharged at or prior to the maturity or redemption of the 2012 Subordinate Obligations upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the 2012 Indenture.

Pursuant to the 2012 Indenture, the Subordinate Obligations are equally secured, all

except as expressly provided in Section 5.5(A)(1)(vi), Section 5.5(A)(1)(x), Section 10.1 and Section 10.3 of the 2012 Indenture by the pledge and covenants made in the 2012 Indenture, with the \$248,300,000 aggregate principal amount of Senior Student Loan Revenue Bonds, Series 2012-1A (the "Senior 2012-1A Bonds") issued by the Authority simultaneously with the issuance of the Subordinate Obligations and with any Additional Bonds (as defined in the 2012 Indenture) which may be issued from time to time in one or more Series for the purposes set forth therein.

The 2012 Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The 2012 Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

The 2012 Subordinate Obligations shall be subject to redemption as follows:

(a) **Optional Redemption.** The 2012 Subordinate Obligations are subject to redemption prior to their respective maturities, at the option of the Authority, in whole or in part, on any date on or after December 1, 2022 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(b) **Mandatory Redemption Resulting From Non-Origination.** The 2012 Subordinate Obligations are subject to redemption prior to maturity, in whole or in part, on any date within thirty (30) days after the end of each Origination Period, at a Redemption Price equal to 100% of the principal amount of 2012 Subordinate Obligations to be redeemed, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the 2012 Subordinate Obligations remaining in the 2012-1 NJCLASS Fixed Rate Standard Student Loan Account, 2012-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2012-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of 2012 Subordinate Obligations shall be equal to the amount designated to be originated by the expiration of each Origination Period less the amount actually used to originate 2012-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2012-1 Bonds pursuant to this paragraph (b) shall be applied, first, to the redemption of Senior Series 2012-1A Bonds maturing on December 1, 2027 and second, to the redemption of the remaining Senior Series 2012-1A Bonds maturing on December 1, 2013 through and including December 1, 2030, *pro rata*, and third, to the 2012 Subordinate Obligations.

(c) **Special Optional Redemption From Excess Revenue.** The 2012 Subordinate Obligations are subject to redemption prior to maturity, in whole or in part, on any date, pursuant to Section 5.5(A)(1)(x) of the 2012 Indenture, provided that such date shall be no

earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of 2012 Subordinate Obligations pursuant to this paragraph (c) shall be applied, first, to the redemption of Senior Series 2012-1A Bonds maturing on December 1, 2027, second, to the redemption of the remaining Senior Series 2012-1A Bonds maturing on December 1, 2023 through and including December 1, 2030, *pro rata*, third, to the 2012 Subordinate Obligations (provided no Senior Series 2102-1A Bonds remain outstanding).

For purposes of paragraphs (C) and (D) above, Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2012-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2012-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2012-1 Bonds on the next succeeding December 1 is reserved to remain in the 2012-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(x) of the 2012 Indenture have been made.

(d) Special Mandatory Redemption From Excess Revenue. The 2012 Subordinate Obligations are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(ix) of the 2012 Indenture have been made, from Excess Revenues or (ii) if the Parity Percentage is below 103%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(ix) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2012-1 Bonds pursuant to this paragraph (d) shall be applied, first, to the redemption of Senior Series 2012-1A Bonds maturing on December 1, 2027, second, to the redemption of the remaining Senior Series 2012-1A Bonds maturing on December 1, 2023 through and including December 1, 2030, *pro rata*, third, to the 2012 Subordinate Obligations (provided no Senior Series 2102-1A Bonds remain outstanding).

Notice of redemption is to be given by mail not less than twenty (20) days prior to the date fixed for redemption to the Registered Owner of each 2012 Subordinate Obligation to be redeemed at the address of the Registered Owner, as shown on the registration books of the Authority maintained by the Registrar. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any 2012-1 Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the 2012 Indenture, this 2012 Subordinate Obligation if so called for redemption, shall become due and payable at the stated Redemption Price and to the extent moneys are available therefor, interest shall cease to accrue on this 2012 Subordinate Obligation and this 2012 Subordinate Obligation shall no longer be entitled to any benefit or security under the 2012 Indenture. The 2012 Subordinate Obligations to be redeemed in whole or in part shall be selected as provided in the 2012 Indenture.

Reference is hereby made to the First Supplemental Indenture, a copy of which is on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this 2012 Subordinate Obligation by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the 2012 Subordinate

Obligations; the Authority's student loan origination and acquisition program; the revenues and other money pledged to the payment of the principal and redemption premium, if any, of and interest on the 2012 Subordinate Obligations; the nature and extent and manner of enforcement of the pledge; the conditions upon which the First Supplemental Indenture may be amended or supplemented with or without the consent of the Registered Owners of the 2012 Subordinate Obligations; 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 Authority 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 2012 Subordinate Obligation, and this 2012 Subordinate Obligation thereafter shall no longer be secured by the First Supplemental Indenture or be deemed to be Outstanding, as defined in the First Supplemental Indenture, thereunder; and for the other terms and provisions thereof.

Subject to the limitations provided in the 2012 Indenture and upon payment of the charges required by the 2012 Indenture, 2012 Subordinate Obligations may be exchanged for a like aggregate principal amount of 2012 Subordinate Obligations of the same Series and other Authorized Denominations.

This 2012 Subordinate Obligations is transferable by the Registered Owner hereof or his duly authorized attorney on the registration books of the Authority kept at the corporate trust office of the Registrar, upon surrender of this 2012 Subordinate Obligation accompanied by a duly executed instrument of transfer in form and with warranty of signature satisfactory to the Registrar, subject to such reasonable regulations as the Authority, the Trustee, the Registrar, or the Paying Agent may prescribe. Upon any such transfer, a new 2012 Subordinate Obligation and an authorized denomination or denominations of the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the 2012 Indenture. The Authority, the Registrar, the Trustee, and the Paying Agent may deem and treat the person in whose name this 2012 Subordinate Obligations is registered as the absolute owner hereof, whether or not this 2012 Subordinate Obligation shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Authority, the Registrar, the Trustee, nor the Paying Agent shall be affected by any notice to the contrary.

The Act provides that neither the members of the Authority nor any person executing bonds of the Authority nor any officer or employee of the Authority shall be liable personally on said bonds by reason of the issuance thereof. This 2012 Subordinate Obligation is not and shall not be in any way a debt or liability of the State of New Jersey or of any political subdivision thereof and does not and shall not create or constitute any indebtedness, liability, or obligation of said State, or of any political subdivision thereof. This 2012 Subordinate Obligation does not now and shall never constitute a charge against the general credit of the Authority.

The owner of this 2012 Subordinate Obligation shall have no right to enforce the provisions of the 2012 Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in the 2012 Indenture. If an event of default under the 2012 Indenture occurs, the principal of all 2012 Subordinate Obligations then Outstanding issued under the 2012 Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the 2012 Indenture.

IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this 2012 Subordinate Obligation to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, impressed, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer of the Authority, all as of the Dated Date.

HIGHER EDUCATION STUDENT
ASSISTANCE AUTHORITY
(SEAL)

By: _____

Attest:

By: _____
[Secretary]
[Authorized Officer]

CERTIFICATE OF AUTHENTICATION

This bond is one of the 2012 Subordinate Obligations described herein.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
Authenticating Agent

By: _____
Authorized Signatory

Authentication Date: _____, 20__

ASSIGNMENT

FOR VALUE RECEIVED, _____ (the "Transferor"), the undersigned, hereby sells, assigns and transfers unto

(the "Transferee")	
Name	
Address	

Social Security or Federal Employer Identification No. _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date:	
Signature Guaranteed:	<p>NOTICE: No transfer will be made in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and the date of the trust and the name of the trustee should be applied</p>
<p>NOTICE: signature(s) must be guaranteed by a member of the New York Stock Exchange or a bank or a trust company</p>	

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. (OR TO SUCH OTHER ENTITY AS IS REQUIRED 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.

Authentication Date: _____

SCHEDULE C

STUDENT ELIGIBILITY AND CREDIT CRITERIA

I. ELIGIBILITY REQUIREMENTS FOR NJCLASS LOANS

The student, borrower and cosigner (if necessary) must meet the NJCLASS Loan Program eligibility criteria and one of the borrower(s) and/or cosigner(s) must demonstrate creditworthiness as defined below. The Authority's current minimum income requirement is \$40,000.

STUDENT

- 1) The Student must be a citizen or permanent resident of the United States.
- 2) New Jersey residents must be enrolled or accepted for enrollment at a college or university or non-traditional/proprietary institution eligible for Title IV, Higher Education Act of 1965 assistance, approved or licensed by the New Jersey Commission on Higher Education or its equivalent in another state and accredited by a nationally recognized accrediting association and having a federal cohort default rate of 20 percent or less. Out-of-state students, who attend an approved New Jersey school, are eligible as well. Approved schools also include certain proprietary institutions.
- 3) The student must be making satisfactory academic progress towards their degree or certificate.
- 4) The student must file all financial aid information required by the school to determine the student's eligibility for a Federal Stafford Loan before applying for an NJCLASS Loan.
- 5) The student, if the student is the borrower, must not owe a grant refund and must not be in default or have had any student loan discharged in default.

BORROWER/CO-BORROWER

- 1) The borrower/co-borrower must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.
- 2) The borrower/co-borrower must not owe a grant refund and must not be in default or have had any student loan discharged in default.

COSIGNER/JOINT COSIGNER

- 1) The cosigner/joint cosigner must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.

- 2) The cosigner/joint cosigner must not owe a grant refund and must not be in default or have had any student loan discharged in default.

The student can be a borrower. If the borrower(s) do not meet the minimum income requirement, they will need a cosigner. Cosigner(s) must meet the income requirement.

II. CREDIT TEST FOR BORROWERS/CO-BORROWERS AND COSIGNERS/JOINT COSIGNERS FOR NJCLASS LOANS

- A. The Authority will retrieve a credit score and detailed consumer report only on those borrowers/cosigners who meet the minimum income requirement.
- B. Borrower(s) or cosigner(s) with a FICO credit score of 700 or greater, will be pre-approved.
- C. Borrower(s) or cosigner(s) must have a minimum FICO credit score of at least 670.
- D. If the credit score of a borrower or cosigner falls into the range (670 -699), then those borrower(s) or cosigner(s) must satisfy the credit history review outlined below to qualify.

If any of the following exist, it may result in a denial of a NJCLASS Loan. However, the applicant may still be eligible for a NJCLASS Loan if the applicant is able to secure a creditworthy cosigner.

- 1) 4 accounts 30 days delinquent within last 6 months
- 2) 1 account 60 days delinquent in the last 3 months
- 3) 2 accounts 60 days delinquent in the last 6 months
- 4) 4 or more accounts rated 60 days delinquent in the last 12 months
- 5) 1 or more account(s) 90 days or greater delinquent in the last 12 months
- 6) 1 or more unpaid collection, charged-off, or judgment accounts (non-medical) greater than \$100.00
- 7) 1 or more foreclosure(s) in the last 3 years
- 8) 1 or more repossession(s) in the last 3 years
- 9) Bankruptcy filed or discharged in the past 3 years
- 10) 1 or more unpaid tax lien(s)
- 11) 1 or more student loan(s) in default
- 12) 1 or more delinquent NJCLASS loan(s)

The Authority reserves the right to make the final credit assessment.

III. CREDIT CRITERIA FOR BORROWERS AND COSIGNERS FOR FIXED RATE GRADUATE/PROFESSIONAL NJCLASS LOANS

Borrowers under the Fixed Rate Graduate/Professional NJCLASS Loan Program must have no negative credit history under the credit history review criteria set forth in Paragraph II above.

Borrowers who do not meet the credit criteria can be considered under the NJCLASS Fixed Rate Program with an eligible cosigner.

Unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, the following table shows the limits of certain amounts in the Cash Flow Statement:

Item	Amount
Program Expenses:	
Trustee Fee	0.7 bps
Administrative Fee	0.10% per annum of each loan balance outstanding
Servicing Fee	\$2.68 per loan per month while the student is in school and \$3.75 per loan per month while in repayment

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SECOND SUPPLEMENTAL INDENTURE
By and Between
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
and
WELLS FARGO BANK, NATIONAL ASSOCIATION
Relating To
\$200,000,000 STUDENT LOAN REVENUE BONDS, SERIES 2013-1
Consisting of
\$180,000,000 Senior Student Loan Revenue Bonds, Series 2013-1A
And
\$20,000,000 Subordinate Student Loan Revenue Bonds, Series 2013-1B
Dated as of June 1, 2013

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SECOND SUPPLEMENTAL INDENTURE

This Second Supplemental Indenture, dated as of June 1, 2013, by and between the Higher Education Student Assistance Authority (successor to the Higher Education Assistance Authority pursuant to N.J.S.A. 18A:71A-1 et seq., effective April 26, 1999) (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee").

WHEREAS, the Authority and the Trustee have entered into the Indenture of Trust dated as of June 1, 2012 (the "2012 Indenture"); and

WHEREAS, the Authority is established and created under and pursuant to the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, effective April 26, 1999, as amended and supplemented, and any successor legislation (the "Act"); and

WHEREAS, the execution and delivery of the 2012 Indenture and this Supplemental Indenture and the issuance of the Series 2013-1 Bonds (as defined herein) hereunder have been in all respects duly and validly authorized by resolution duly adopted by the Authority.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH THAT:

ARTICLE I

SHORT TITLE, DEFINITIONS, AND AUTHORITY

Section 1.1. **Short Title.** This Supplemental Indenture shall be known as and may be designated by the short title "Second Supplemental Indenture" (this "Supplemental Indenture" or this "Second Supplemental Indenture").

Section 1.2. **Definitions.** All words and phrases defined in Article I of the 2012 Indenture shall have the same meanings in this Supplemental Indenture, except as otherwise appears in this Section 1.2. In addition, the following terms shall have the following meanings, unless the context otherwise requires:

Act of Bankruptcy means the filing of a petition in bankruptcy by (with respect to itself) or against the Authority under the United States Bankruptcy Code or commencement of similar proceedings by (with respect to itself) or against the Authority under applicable state bankruptcy or insolvency laws.

Acknowledgement shall have the meaning given to such term in Section 3.13(b) hereof.

Administrative Fee means any application fee, origination fee, default fee, insurance or other fee due to the Authority for a 2013-1 NJCLASS Loan.

Aggregate Loan Balance means, as of the date of determination, the aggregate

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outstanding principal balance of a 2013-1 NJCLASS Loan, excluding any deferred interest which may be added to the principal of such 2013-1 NJCLASS Loan.

Aggregate Pool Loan Balance means, as of the date of determination, the aggregate of the Aggregate Loan Balances of all 2013-1 NJCLASS Loans.

Authorized Denominations means for the Series 2013-1 Bonds, \$5,000 or any integral multiple in excess thereof.

Calendar Quarter means each three-month period ending on March 31, June 30, September 30 or December 31, as the case may require.

Consolidation Loan means a loan that consolidates into a single loan at the time it is made the unpaid principal (including any accrued interest) of two or more outstanding Student Loans totaling at least \$30,000.

DTC means The Depository Trust Company, New York, New York, which shall act as securities depository for the Series 2013-1 Bonds and any successors or assigns.

First Supplemental Indenture means the First Supplemental Indenture dated June 1, 2012 by and between the Authority and the Trustee authorizing the issuance of the Series 2012-1 Bonds.

Fixed Rate Graduate/Professional NJCLASS Loan means an Eligible Student Loan made under the NJCLASS Graduate/Professional Loan Program with a fixed rate of interest for a loan term not to exceed 25 years and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Fixed Rate Standard NJCLASS Loan means an Eligible Student Loan made under the NJCLASS Loan Program with a fixed rate of interest for a loan term not to exceed 15 years with respect to Option 1 and Option 2 Loans (excluding Ten Year Option 1 Loans) and 20 years with respect to Option 3 Loans and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Issue Date means the date of delivery upon original issuance of the Series 2013-1 Bonds, which is June 20, 2013.

Loan Rate means, for 2013-1 NJCLASS Loans, the nominal interest rate charged by the Authority for the Eligible Student Loan. The Loan Rate for Eligible Student Loans made with proceeds of the Series 2013-1 Bonds is set forth in or determined in accordance with Section 4.2 of this Supplemental Indenture, and such Eligible Student Loans shall not be made at other than such Loan Rate unless approved by an Authorized Officer and there shall have been delivered to the Trustee (i) a Bond Counsel's Opinion to the effect that the revised Loan Rate is authorized or permitted by the Act, the 2012 Indenture, and this Supplemental Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2013-1 Bonds, (ii) a Cash Flow Statement taking into account the revised Loan Rate and (iii) a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P; provided that, if Additional Bonds or Subordinate Obligations are issued under the 2012 Indenture prior to the end of the Origination Period to fund Eligible Loans for academic year 2013/2014 or 2014/2015, then, at the option of the

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of funds in the Revenue Fund under Section 5.5(A)(1)(xiv) of the Indenture on and after December 1, 2023, unless there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. For purposes of the definition of Parity Percentage Requirement, "Accrued Liabilities" means, with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds and Subordinate Obligations, plus all accrued but unpaid Program Expenses.

Purchase Agreement means the Purchase Agreement, dated May 16, 2013 between Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Underwriter, and the Authority for the purchase and sale of the Series 2013-1 Bonds.

Person or "person" means any natural person and any firm, partnership, joint venture, joint-stock company, trust, association, unincorporated organization or corporation, or other entity, or public body government or political subdivision, including any state or federal agency.

Quarterly Report Date means, with respect to the Calendar Quarter ending on (i) March 31, on or before the following May 15, (ii) June 30, on or before the following August 15, (iii) September 30, on or before the following November 15 and (iv) December 31, on or before the following February 15, as applicable.

Rating Agency shall mean Moody's and S&P.

Recycling Period means the period commencing on the Issue Date and ending on October 1, 2014 with respect to the use of Recoveries of Principal to originate new Fixed Rate Standard NJCLASS Loans; provided that the Recycling Period shall end on such earlier date, if any, on which an Event of Default shall occur and be continuing and the Recycling Period may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from each Rating Agency and notice of such extension is provided to Bondholders promptly upon receipt of the Rating Agency Condition.

Senior Parity means the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities. For purposes of the definition of Senior Parity, "Accrued Liabilities" means with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds (excluding Subordinate Obligations), plus all accrued but unpaid Program Expenses.

Senior Series 2013 Bonds means the Series 2013-1A Bonds maturing in the years 2014 through and including 2031, which shall be Bonds under the 2012 Indenture.

Series 2012-1 Bonds means the \$259,300,000 Student Loan Revenue Bonds, Series 2012-1 of the Authority, consisting of \$248,300,000 Senior Student Loan Revenue Bonds, Series 2012-1A and \$11,000,000 Subordinate Student Loan Revenue Bonds, Series 2012-1B and dated June 28, 2012.

Series 2013-1 Bond Resolution means the resolution of the Authority adopted on April 24, 2013 authorizing the issuance and delivery of the Series 2013-1 Bonds.

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Authority, 2013-1 NJCLASS Loans to be Originated with remaining proceeds of the Series 2013-1 Bonds from and after the issue date of such Additional Bonds and/or Subordinate Obligations shall be Originated at the same loan rates as those established for the Additional Bonds and/or Subordinate Obligations, from and after the issue date of such Additional Bonds and/or Subordinate Obligations through the remainder of the Origination Period, if there has been delivered to the Trustee evidence in the form of a letter or Rating Agency Condition from each Rating Agency that the change in the Loan Rate will not in and of itself result in a withdrawal, reduction or termination of any rating on the Series 2013-1 Bonds.

NJCLASS Consolidation Loan Program means the Authority's NJCLASS Consolidation Loan Program provided pursuant to the Act and the regulations promulgated thereunder.

Option 1 Loan means a Student Loan, the principal of and interest on which is payable monthly immediately upon disbursement.

Option 2 Loan means a Student Loan, the interest on which is due and payable monthly and the principal of which is deferred by the borrower during the period of time the borrower attends school.

Option 3 Loan means a Student Loan, the principal of and interest on which is deferred by the borrower during the period of time the borrower attends school.

Origination Period means (i) the period commencing on the Issue Date and ending on February 1, 2014, with respect to the origination of \$60 million in 2013-1 Student Loans by the Authority, (ii) the period commencing February 2, 2014 and ending on July 1, 2014 with respect to the cumulative origination of \$100 million in 2013-1 Student Loans by the Authority; and (iii) the period commencing July 2, 2014 and ending on October 1, 2014 with respect to the cumulative origination of the remaining amounts originally deposited into the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 Consolidation Loan Account and 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account; provided that any of the periods described in clauses (i), (ii) or (iii) may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from each Rating Agency and notice of such extension is provided to Bondholders promptly upon receipt of the Rating Agency Condition.

Parity means the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities. For purposes of the definition of Parity, "Accrued Liabilities" means, with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds and Subordinate Obligations, plus all accrued but unpaid Program Expenses.

Parity Percentage Requirement for purposes of Section 5.5(A)(1)(xiv) of the Indenture and with respect to the Series 2013-1 Bonds means, when, as of any particular date of calculation, after reserving the Debt Service requirements to be made on the next succeeding Payment Date, the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities is at least 112% (provided Accrued Assets include not less than two million dollars (\$2,000,000) of cash), or such other percentage as may be determined by the Authority if there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P; provided that in no event shall any release be made if the Parity Percentage would be less than 105% and provided further that there shall be no release

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Series 2013-1 Bonds means the Series of Senior Series 2013 Bonds and Subordinate Series 2013 Bonds authorized by Section 2.1 of this Supplemental Indenture and entitled "Student Loan Revenue Bonds, Series 2013-1."

Servicing Report shall have the meaning given to such term in Section 4.4 of this Supplemental Indenture.

Subordinate Series 2013 Bonds means the Series 2013-1 Bonds maturing in the year 2043, which constitute Subordinate Obligations under the 2012 Indenture.

Ten Year Option 1 Loan means an Option 1 Loan which is a Fixed Rate Standard NJCLASS Loan with a fixed rate of interest for a loan term not to exceed ten years and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Trustee means Wells Fargo Bank, National Association, or its successors or assigns.

2012 Indenture means the Indenture of Trust by and between the Trustee and the Authority, dated as of June 1, 2012.

2012-1 NJCLASS Loan shall have the meaning given to such term in the First Supplemental Indenture.

2013-1 Capitalized Interest Account means the account of the Capitalized Interest Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 Consolidation Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 Debt Service Reserve Account means the account of the Debt Service Reserve Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 Excess Yield Account means the account of the Excess Yield Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 NJCLASS Fixed Rate Standard Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 NJCLASS Loan means a 2013-1 Student Loan made with expenditures from the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten

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2013-1 Option 3 Loan Subaccount means the subaccount of the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 Rebate Account means the account of the Rebate Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 Repayment Subaccount means the subaccount of the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 Reserve Requirement means the Debt Service Reserve Fund Requirement applicable to the Series 2013-1 Bonds as specified in Section 3.4 of this Supplemental Indenture.

2013-1 Revenue Account means the account of the Revenue Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2013-1 Student Loan means an Eligible Student Loan which is a Fixed Rate Standard NJCLASS Loan, including a Ten Year Option 1 Loan, Fixed Rate Graduate/Professional Loan or Consolidation Loan.

United States Bankruptcy Code means Title 11 U.S.C., Section 101 *et seq.*, as amended or supplemented from time to time, or any successor federal act.

Any reference in this Supplemental Indenture to making, originating, purchasing or acquiring (or similar words) 2013-1 Student Loans shall mean and include all such terms and words.

Section 1.3. **Authority.** This Supplemental Indenture is executed pursuant to the provisions of the Act, the 2012 Indenture, and the Series 2013-1 Bond Resolution. Nothing in this Second Supplemental Indenture, expressed or implied, is intended to or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Paying Agent, the Registrar, any other Fiduciary and the owners of the Series 2013-1 Bonds, any right, remedy or claim under or by reason of this Second Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Second Supplemental Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Paying Agent, the Registrar, any other Fiduciary and the owners of the Series 2013-1 Bonds.

Section 1.4. **Time.** All references to time in this Supplemental Indenture shall refer to New York City time unless otherwise provided herein.

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Section 2.4. **Form, Denomination, Numbers, and Letters.** The Series 2013-1 Bonds shall be issued in the form of fully registered bonds without coupons, and the Series 2013-1 Bonds (and the Authenticating Agent's Certificate of Authentication) shall be issued in substantially the forms set forth in Schedule B attached hereto. The Series 2013-1 Bonds shall be issued in the Authorized Denominations and shall be numbered separately from 1 upward and may be preceded by a letter or letters so as to distinguish such Series of Series 2013-1 Bonds.

Section 2.5. **Appointment of Paying Agent.** Wells Fargo Bank, National Association is hereby appointed the Paying Agent with respect to the Series 2013-1 Bonds.

Section 2.6. **Appointment of Registrar and Authenticating Agent.** (a) Wells Fargo Bank, National Association is hereby appointed Registrar with respect to the Series 2013-1 Bonds.

(b) The Authority hereby determines that the appointment of an Authenticating Agent is necessary to the issuance of the Series 2013-1 Bonds and hereby appoints Wells Fargo Bank, National Association, as Authenticating Agent with respect to the Series 2013-1 Bonds.

Section 2.7. **Book Entry; Letter of Representation.** The Series 2013-1 Bonds shall be issued in book-entry-only form and shall be issued initially in the name of Cede & Co., as nominee for DTC, as registered owner of such Series 2013-1 Bonds, and held in the custody of DTC. The actual purchasers of the Series 2013-1 Bonds (the "Beneficial Owners") will not receive physical delivery of Series 2013-1 Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each Series 2013-1 Bond acquired. For so long as DTC shall continue to serve as securities depository for such Series 2013-1 Bonds, all transfers of beneficial ownership interests will be made by book-entry-only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Series 2013-1 Bonds is to receive, hold or deliver any Series 2013-1 Bond certificate.

For every transfer and exchange of Series 2013-1 Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner's allocable share of any tax, fee or other governmental charge that may be imposed in relation thereto. Certificates for Series 2013-1 Bonds are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) DTC determines to discontinue providing its service with respect to Series 2013-1 Bonds, in which case such a determination may be made at any time by the giving of notice to the Authority and the Trustee discharging its responsibilities with respect thereto under applicable law; and

(b) The Authority determines that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners, the Authority or the State.

The Authority and the Trustee will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting.

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ARTICLE II

AUTHORIZATION, TERMS, AND ISSUANCE OF SERIES 2013-1 BONDS

Section 2.1. **Principal Amount, Designation, and Series.** (a) Pursuant to the provisions of the 2012 Indenture and in particular Sections 2.5 and 8.1 thereof, the Senior Series 2013 Bonds are hereby authorized in the aggregate principal amount of \$180,000,000 and the Subordinate Series 2013 Bonds are hereby authorized in the aggregate principal amount of \$200,000,000, for a total authorization of Series 2013-1 Bonds in the aggregate principal amount of \$380,000,000. The Senior Series 2013 Bonds shall be distinguished from the Bonds of all other Series by the title "Senior Student Loan Revenue Bonds, Series 2013-1A." The Subordinate Series 2013 Bonds shall be distinguished from the Bonds or Subordinate Obligations of all other Series by the title "Subordinate Student Loan Revenue Obligations, Series 2013-1B."

(b) The Senior Series 2013 Bonds shall be issued as Bonds under the 2012 Indenture and shall be payable as Bonds as provided therein. The Subordinate Series 2013 Bonds shall be issued as, and shall constitute Subordinate Obligations under the 2012 Indenture and shall be payable as Subordinate Obligations as provided therein and herein. The Subordinate Series 2013 Bonds shall bear the terms and provisions of Bonds under Article III of the 2012 Indenture and shall otherwise have the terms and conditions for the Series 2013-1 Bonds as set forth herein, except as specifically provided in Section 3.5 hereof.

(c) The Senior Series 2013 Bonds and Subordinate Series 2013 Bonds are part of the same Series, including for purposes of Section 5.5(A)(1)(ix) of the 2012 Indenture.

Section 2.2. **Purposes.** (a) The Series 2013-1 Bonds are issued for the purpose of: (i) making deposits into the Student Loan Fund established pursuant to the 2012 Indenture in the amounts and in the Accounts set forth in Article III hereof to be applied as set forth therein and herein, including, without limitation, to Originate 2013-1 NJCLASS Loans, and (ii) making deposits into special trust accounts established pursuant to the 2012 Indenture as required by and in the amounts specified in Article III hereof. The Series 2013-1 Bonds shall be issued as fixed rate Tax-Exempt Obligations.

(b) The 2013-1 NJCLASS Loans shall satisfy the criteria set forth in Schedule C attached hereto unless the Authority receives a Rating Agency Condition from Moody's waiving or permitting a change in such criteria and twenty (20) days prior written notice to S&P.

Section 2.3. **Date, Maturities, and Interest Rate.** The Series 2013-1 Bonds shall be payable at the places and in the manner set forth in the 2012 Indenture, this Supplemental Indenture and Schedule B attached hereto. The Series 2013-1 Bonds shall consist of serial bonds and term bonds, which shall be dated the Issue Date, shall bear interest, shall mature, shall be payable and shall be subject to redemption as described in Schedule A attached hereto and in Section 2.8 hereof.

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Whenever, during the term of the Series 2013-1 Bonds, the beneficial ownership thereof is determined by a book-entry at DTC, the requirements in the 2012 Indenture for holding, delivering or transferring Series 2013-1 Bonds shall be deemed modified to require the appropriate person to meet the requirements of DTC as to registering or transferring the book-entry to produce the same effect.

The Authority hereby authorizes and directs the execution and delivery by an Authorized Officer of the Authority of a Letter of Representation or Letter of Representations, if required, with DTC and the Trustee in the standard form to effectuate a book-entry-only system with respect to the Series 2013-1 Bonds.

If, at any time, DTC ceases to hold such Series 2013-1 Bonds, all references to DTC with respect to such Series 2013-1 Bonds shall be of no further force or effect except that, if the Authority shall appoint a successor securities depository company, such references shall be deemed to refer to such successor securities depository company.

Section 2.8. **Redemption of Series 2013-1 Bonds.** (a) The Series 2013-1 Bonds shall be subject to redemption as follows:

(A) **Optional Redemption.** The Series 2013-1 Bonds maturing prior to December 1, 2023 are not subject to optional redemption prior to maturity. The Series 2013-1 Bonds maturing on and after December 1, 2023 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2022 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) **Mandatory Redemption Resulting From Non-Origination.** The Series 2013-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2013-1 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2013-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2013-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2013-1 Bonds remaining in the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2013-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2013-1 Bonds shall be equal to the amount designated to be originated by the expiration of each Origination Period less the amount actually used to originate 2013-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph (b) shall be applied, *first*, to the redemption of Series 2013-1 Bonds maturing on December 1, 2027, *second*, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2014 through and including December 1, 2035, *pro rata*, and *third*, to the Subordinate Series 2013 Bonds. In the event that zero Originations are made by October 1, 2014, the Authority shall redeem all of the Subordinate Series 2013-1 Bonds in accordance with this Section and Section 3.1 hereof.

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Senior Series 2013-1 Bonds Maturing on	CUSIP No.	3/1/2014	8/1/2014	11/1/2014
12/1/2014	646080PH8	101.716%	100.763%	100.190%
12/1/2015	646080PJ4	105.011%	103.826%	103.113%
12/1/2016	646080PK1	107.016%	105.970%	105.340%
12/1/2017	646080PL9	111.743%	110.476%	109.712%
12/1/2018	646080PM7	112.800%	111.729%	111.082%
12/1/2019	646080PN5	113.136%	112.247%	111.710%
12/1/2020	646080PP0	107.139%	106.737%	106.494%
12/1/2021	646080PQ8	113.069%	112.443%	112.065%
12/1/2022	646080PR6	112.661%	112.138%	111.822%

(C) Special Optional Redemption From Excess Revenue. The Series 2013-1 Bonds (excluding Series 2013-1 Bonds maturing on December 1, 2014 to and including December 1, 2022) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date, pursuant to Section 5.5(A)(1)(x) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph (C) shall be applied, first, to the redemption of Series 2013-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2023 through and including December 1, 2035, pro rata, and third, to the Subordinate Series 2013 Bonds (provided no Senior Series 2013-1 Bonds remain outstanding).

For purposes of Sections 2.8(A)(C) and (D), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2013-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2013-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2013-1 Bonds on the next succeeding December 1 is reserved to remain in the 2013-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

(D) Special Mandatory Redemption From Excess Revenue. The Series 2013-1 Bonds (excluding Series 2013-1 Bonds maturing on December 1, 2014 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) if the Parity Percentage is below 105%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph shall be applied, first, to the redemption of Series 2013-1 Bonds maturing on

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December 1, 2027, second, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2023 through and including December 1, 2035, pro rata, and third, to the Subordinate Series 2013 Bonds (provided no Senior Series 2013-1 Bonds remain outstanding).

(E) Partial Redemption. Any partial redemption of the Series 2013-1 Bonds shall be in the largest integral multiples of the minimum Authorized Denomination derived from the amounts to be applied to such redemption; provided, however, the remaining Series 2013-1 Bonds left Outstanding must be in Authorized Denominations.

(b) (A) The Authority may elect to apply moneys available in the Revenue Fund for the redemption of the Series 2013-1 Bonds pursuant to Section 2.8(a)(A), (C) or (D) hereof.

(B) The Authority may elect to apply moneys available in the Revenue Fund to the payment or redemption of other Series of Bonds or to some other purpose if:

(i) notice of redemption of the Bonds from such moneys shall not have been given; and

(ii) the Authority shall deliver to the Trustee at least twenty (20) Business Days prior to such election, a Cash Flow Statement taking into account the application of such moneys to the payment or redemption of other Bonds or to some other purpose, and the Authority shall deliver to the Trustee at least ten (10) days prior to such election, a Bond Counsel's Opinion to the effect that the application of such moneys in accordance with the Authority's election will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Bonds.

ARTICLE III

ESTABLISHMENT OF ADDITIONAL ACCOUNTS, APPLICATION OF PROCEEDS OF THE SALE OF SERIES 2013-1 BONDS; AND USE AND DISBURSEMENTS OF ACCOUNTS

Section 3.1. Establishment of Accounts. In addition to the Accounts previously established under the 2012 Indenture, the Trustee is directed to establish the following additional Accounts: the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account (and within the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, the 2013-1 Option 3 Loan Subaccount and the 2013-1 Repayment Subaccount); the 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account; the 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account; the 2013-1 Consolidation Loan Account; the 2013-1 Capitalized Interest Account; the 2013-1 Revenue Account; the 2013-1 Rebate Account; the 2013-1 Excess Yield Account; and the 2013-1 Debt Service Reserve Account. The Authority may, from time to time, direct the Trustee in writing to establish additional Accounts or Subaccounts in accordance with the 2012 Indenture or to close any Account or Subaccount during any period that no money is deposited in such Account or Subaccount. The 2013-1 Repayment Subaccount shall be closed following the expiration of the Recycling Period. Except as otherwise provided in this Supplemental Indenture, the moneys and securities relating to the Series 2013-1 Bonds (including Revenues and Recoveries of Principal arising from the 2013-1 Student Loans) deposited in the Accounts created hereby shall not be commingled with any moneys or securities relating to any other Series of Bonds heretofore or hereafter issued under the 2012

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Indenture, if any, and deposited in the respective Accounts to which they relate, and moneys and securities required to be transferred between Accounts pursuant to Article V of the 2012 Indenture in respect of the Series 2013-1 Bonds shall only be transferred between the respective Accounts to which they relate, except to the extent that: (i) if the amounts deposited in the Accounts (excluding amounts deposited in the Accounts for the Series 2013-1 Bonds) are insufficient for required transfers or payments with respect to then Outstanding Bonds other than the Series 2013-1 Bonds or other amounts transferable or payable therefrom; or (ii) if the amounts deposited in the Accounts for the Series 2013-1 Bonds are insufficient for required transfers or payments with respect to the Series 2013-1 Bonds or other amounts transferable or payable therefrom, amounts on deposit in the Accounts shall be deemed commingled for purposes of making required transfers and payments in accordance with Article V of the 2012 Indenture or (iii) if zero loans have been Originated from the proceeds of the Series 2013-1 Bonds and all Series 2013-1 Bonds required to be redeemed by Section 2.8(B) of this Second Supplemental Indenture under the "first" and "second" categories have been redeemed and therefore no Senior Series 2013-1 Bonds remain Outstanding, then for purposes of the "third" category of bonds to be redeemed (the Subordinate Series 2013 Bonds), amounts on deposit in the Accounts shall be deemed commingled for purposes of making required transfers and payments in accordance with Article V of the 2012 Indenture.

Section 3.2. Application of Series 2013-1 Bond Proceeds and Use of 2013-1 Accounts. (A) \$213,927,369 (equal to the aggregate principal amount of Series 2013-1 Bonds, plus net original issue premium paid to the Authority in the amount of \$8,927,369, plus other available funds of the Authority in the amount of \$5,000,000) shall be deposited with the Trustee for transfer to the following Accounts (the Authority shall pay the Underwriter's fee of \$1,250,000 from otherwise available funds of the Authority and shall retain \$50,000 of such fee to be released to Merrill Lynch, Pierce, Fenner & Smith Incorporated, upon satisfactory completion of the conditions in Section 8(d) of the Purchase Contract):

- To the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, the amount of \$98,927,369 consisting of \$93,927,369 from proceeds of the Series 2013-1 Bonds and \$5,000,000 from other available funds of the Authority to Originate Option 1 and Option 2 Fixed Rate Standard NJCLASS Loans, excluding Ten Year Option 1 Loans; and
- To the 2013-1 Option 3 Loan Subaccount, the amount of \$35,000,000 to be used to originate Option 3 Loans; and
- To the 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, the amount of \$25,000,000 to Originate Ten Year Option 1 Loans; and
- To the 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, the amount of \$6,000,000 to Originate Fixed Rate Graduate/Professional NJCLASS Loans; and
- To the 2013-1 Consolidation Loan Account, the amount of \$35,000,000 to Originate Consolidation Loans; and
- To the 2013-1 Capitalized Interest Account, the amount of \$10,000,000 which shall be applied to the payment of interest on the Series 2013-1 Bonds as provided in Section 3.2(F) below; and

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(g) To the 2013-1 Debt Service Reserve Account, the amount of \$4,000,000 in satisfaction of the 2013-1 Reserve Requirement.

(B) During the Origination Period, the Authority may direct the Trustee in writing to transfer funds, subject to the origination limitations set forth in Section 3.12 hereof:

- on deposit in the 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to the 2013-1 Consolidation Loan Account or the 2013-1 NJCLASS Fixed Rate Student Loan Account to originate Consolidation Loans (up to a maximum of \$41 million) or Option 1 or Option 2 Loans, respectively;
- an amount not exceeding \$5 million on deposit in the 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account to the 2013-1 NJCLASS Fixed Rate Student Loan Account to originate Option 1 or Option 2 Loans;
- on deposit in the 2013-1 Consolidation Loan Account to the 2013-1 NJCLASS Fixed Rate Student Loan Account to originate Option 1 or Option 2 Loans; and
- such other account as the Authority may direct the Trustee in writing; provided the Authority deliver to the Trustee a letter from each Rating Agency that the transfer of funds would not, in and of itself, result in a decrease or withdrawal of any public rating on the Series 2013-1 Bonds.

Moneys transferred from the 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 Consolidation Loan Account and 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to Originate 2013-1 NJCLASS Loans shall be transferred, to the extent available, from the Account corresponding to the type of 2013-1 NJCLASS Loan being originated.

(C) All Recoveries of Principal with respect to 2013-1 Student Loans shall be deposited by the Trustee upon the written direction of the Authority (a) during the Recycling Period, to the 2013-1 Repayment Subaccount within the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account to originate new Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans, and (b) following the Recycling Period, to the 2013-1 Revenue Account. All Revenues from 2013-1 Student Loans shall be deposited in the 2013-1 Revenue Account. The Authority shall identify in writing to the Trustee Recoveries of Principal and Revenues as they are received by the Authority and into which Account the Recoveries of Principal and Revenues should be deposited. At conclusion or other termination of the Recycling Period, any funds remaining in the 2013-1 Repayment Subaccount within the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account will be transferred to the 2013-1 Revenue Account and the 2013-1 Repayment Subaccount will be closed.

(D) Student Loan Fund. (a) \$93,927,369 from proceeds of the Series 2013-1 Bonds and \$5,000,000 from the other available funds of the Authority set forth in Section 3.2 shall be deposited in the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account to Originate Fixed Rate Standard NJCLASS Loans (including \$35,000,000 to be held in the 2013-1 Option 3 Loan Subaccount and used to originate Option 3 Loans); (b) \$25,000,000 from proceeds of the Series 2013-1 Bonds shall be deposited in the 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account to Originate Ten Year Option 1 Loans; (c) \$6,000,000 from proceeds of the Series 2013-1 Bonds shall be deposited in the 2013-1 NJCLASS Fixed Rate

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Graduate/Professional Student Loan Account to be used to Originate Fixed Rate Graduate/Professional NJCLASS Loans; and (d) \$35,000,000 from proceeds of the Series 2013-1 Bonds shall be deposited in the 2013-1 Consolidation Loan Account to be used to Originate Consolidation Loans.

(E) 2013-1 Capitalized Interest Account. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the 2013-1 Capitalized Interest Account, to the extent funds are on deposit in such Account, to the 2013-1 Revenue Account an amount necessary so that the amount in the 2013-1 Revenue Account is sufficient to pay the interest due on the Series 2013-1 Bonds on such Interest Payment Date. On each Release Date in Schedule 1 set forth below, the Trustee may, at the written direction of the Authority, reduce the amount on deposit in the 2013-1 Capitalized Interest Account in accordance with Schedule 1 set forth below. Any amounts on deposit in the 2013-1 Capitalized Interest Account in excess of the amounts set forth in Schedule 1 below, shall be transferred from the 2013-1 Capitalized Interest Account to the 2013-1 Revenue Account.

Schedule 1:

Release Date	Maximum Amount on Deposit in Account
Initial deposit (Issue Date):	\$10,000,000
12/1/2014	5,000,000
12/1/2015	2,000,000
12/1/2016	0

(F) 2013-1 Revenue Account. (a) On each Payment Date, the Authority shall pay the amount of interest, Principal Installments or Sinking Fund Payments, as applicable, for the Senior Series 2013 Bonds coming due on such date, and to the extent funds are sufficient therefor and subject to Section 3.5 of this Supplemental Indenture, the Authority shall pay the amount of interest, principal of or sinking fund payments, as applicable, for the Subordinate Series 2013 Bonds, in the order of priority established by Section 5.5(A)(1) of the 2012 Indenture.

(b) On each Payment Date prior to the termination of the Recycling Period, any funds remaining in the 2013-1 Revenue Account, after payment of the Principal Installment or interest due and payable on the Senior Series 2013-1 Bonds on such Payment Date and, to the extent funds are sufficient therefor, and subject to Section 3.5 of this Supplemental Indenture, after payment of the principal of or interest on the Subordinate Series 2013 Bonds and provided all transfers required by Section 5.5(A)(1)(i)-(iv) of the 2012 Indenture have been made, may be transferred to the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account at the written direction of the Authority.

(G) 2013-1 Debt Service Reserve Account. The 2013-1 Debt Service Reserve Account shall be funded with proceeds of the Series 2013-1 Bonds in an amount equal to the 2013-1 Reserve Requirement calculated upon issuance of the Series 2013-1 Bonds.

Section 3.3. Instructions to Trustee Concerning Certain Program Expenses and Certain Costs of Issuance. (A) The Trustee is hereby instructed to pay, from the moneys deposited to the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 Consolidation Loan Account,

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2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, 2013-1 Revenue Account, or the 2013-1 Capitalized Interest Account, the Program Expenses, as may be indicated in a Certificate of an Authorized Officer of the Authority delivered to the Trustee on the Issue Date, and from time to time thereafter in conformance with Sections 5.4 and 5.5 of the 2012 Indenture and this Supplemental Indenture.

(B) The Underwriter's fee, and the costs and expenses incurred in connection with the authorization, issuance and delivery of the Series 2013-1 Bonds shall be paid for by the Authority from other available funds of the Authority and shall not be paid by the Trustee from proceeds of the 2013-1 Bonds.

Section 3.4. 2013-1 Reserve Requirement. Upon issuance of the Series 2013-1 Bonds, the 2013-1 Reserve Requirement shall be the amount of \$4,000,000 (equal to two percent (2%) of the original principal amount of Series 2013-1 Bonds) and shall be funded with proceeds of the Series 2013-1 Bonds. Thereafter, as of any date of calculation, the 2013-1 Reserve Requirement shall equal the greater of (i) two percent (2%) of the principal amount of Outstanding Series 2013-1 Bonds on such date and (ii) \$1,000,000.

Section 3.5. Subordinate Series 2013 Bonds. Anything in the 2012 Indenture to the contrary notwithstanding, no interest on the Subordinate Series 2013 Bonds otherwise due with respect to a Suspended Interest Period shall be paid to Subordinate Series 2013 Bondholders until the applicable Restoration Interest Date (subject to the sufficiency of funds and Parity Percentage Requirement as described below). Suspended Interest Period means the period commencing on any Suspension Interest Date on or after June 1, 2014, to, but not including the next succeeding Interest Payment Date. A Suspension Interest Date shall mean any Interest Payment Date if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA (as defined herein) on such Quarterly Report Date is less than eighty percent (80%).

Interest not paid with respect to any Suspended Interest Period shall accrue at the applicable stated Subordinate Series 2013 Bond rate and shall be paid, together with interest thereon at the applicable stated Subordinate Series 2013 Bond rate (together, "Carry-over Interest") on the next succeeding Restoration Interest Date, provided Carry-over Interest shall be paid from funds in the 2013-1 Revenue Account after the transfers and payments set forth in clauses (i) through (xiii) of Section 5.5(A)(1) of the 2012 Indenture have been made, but before any funds can be released to the Authority pursuant to Section 5.5(A)(1)(xiv) of the 2012 Indenture, provided further that the Parity Percentage Requirement has been met and provided further that non-payment of Carry-over Interest due to insufficient funds in the Revenue Fund shall not be deemed an Event of Default under the 2012 Indenture. Interest on Carry-over Interest shall continue to accrue until the earlier of the Interest Payment Date on which the Parity Percentage Requirement is met and such Carry-over Interest can be paid or final maturity of the Subordinate Series 2013 Bonds. A Restoration Interest Date shall mean the Interest Payment Date next succeeding a Restoration Event. A Restoration Event shall mean any Interest Payment Date if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA (as defined herein) on such Quarterly Report Date is at or above eighty percent (80%).

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If, as of the Quarterly Report Date next preceding an Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA (as defined herein) on such Quarterly Report Date is at or above eighty percent (80%), interest on the Subordinate Series 2013 Bonds shall accrue and be paid on the next succeeding Interest Payment Date as required by Section 5.5(A)(1)(vi) of the 2012 Indenture.

For illustration purposes only, if the Parity Percentage as listed in the Servicing Report posted on May 15, 2014 for the Calendar Quarter ending March 31, 2014 is 78%, then no interest would be paid on December 1, 2014 for the period commencing June 1, 2014 through, but not including December 1, 2014, but such interest would accrue and be paid, together with interest thereon as Carry-over Interest for such Suspension Interest Period on June 1, 2015 (assuming sufficiency of funds and meeting the Parity Percentage Requirement). If the Parity Percentage as listed in the Servicing Report on November 15, 2014 for the Calendar Quarter ending September 30, 2014 is 82%, the interest would accrue for the period December 1, 2014 through but not including June 1, 2015 and would be paid on June 1, 2015.

Section 3.6. Option 3 Loan Limitations. Unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and provides twenty (20) days prior written notice to S&P, the Authority hereby agrees that it shall not originate Option 3 Loans from proceeds of the Series 2013-1 Bonds or otherwise permit a 2013-1 Fixed Rate Standard NJCLASS Loan originated from proceeds of the Series 2013-1 Bonds to become an Option 3 Loan (computed as of the date of origination of each Option 3 Loan or such later date as a 2013-1 NJCLASS Loan is to become an Option 3 Loan and without regard to any amount of deferred interest which may be added to principal), in an aggregate principal amount of all such Option 3 Loans which are Fixed Rate Standard NJCLASS Loans greater than \$35,000,000.

Section 3.7. Amount of Program Expenses. The Authority hereby agrees and covenants that the payment of Program Expenses for the NJCLASS Loan Program pursuant to the 2012 Indenture as of any date shall not exceed the amount of Program Expenses for the NJCLASS Loan Program set forth in the most recent Cash Flow Statement delivered prior to such date.

Section 3.8. Rating Agency Permitted Investments. As long as the Series 2013-1 Bonds are rated by Moody's, all requirements for a rating by Moody's or S&P in the definition of Investment Securities shall not be deemed satisfied with respect to an investment rated by Moody's unless Moody's has provided the required rating or waived such requirement. In addition, as long as the Series 2013-1 Bonds are rated by S&P, all requirements for a rating by Moody's or S&P in the definition of Investment Securities shall not be deemed satisfied with respect to an investment rated by S&P unless S&P has provided the required rating or waived such requirement. The Authority shall initially invest the proceeds of the Series 2013-1 Bonds in Wells Fargo Bank's Secured Institutional Money Market Account which currently constitutes Investment Securities. The Authority shall only invest the proceeds of the Series 2013-1 Bonds in Investment Securities, unless waived by each Rating Agency. As the New Jersey Cash Management Fund is not currently rated, the Authority shall not invest the proceeds of the Series 2013-1 Bonds in the New Jersey Cash Management Fund.

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Section 3.9. Events of Default. As long as any Series 2013-1 Bonds are Outstanding, the Events of Default under the 2012 Indenture shall include the occurrence of an Act of Bankruptcy.

Section 3.10. No Indemnification as Condition Precedent. Anything in the 2012 Indenture or herein to the contrary notwithstanding, the Trustee agrees that it may not require indemnification as a condition precedent to (i) making payments of the principal, Redemption Price of and interest on the Series 2013-1 Bonds as required herein or (ii) mailing any notices of redemption or purchase as required hereby, it being understood and agreed, however, that while the Trustee may not require indemnification prior to or as a condition of performing the acts referred to in clauses (i) or (ii) above, the Trustee shall continue to be entitled to indemnification, as otherwise provided herein or in the 2012 Indenture, for such acts.

Section 3.11 Loan Limitations.

(A) Fixed Rate Graduate/Professional NJCLASS Loans shall only be originated from the 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account. The Authority shall not make Fixed Rate Graduate/Professional NJCLASS Loans in an aggregate principal amount (computed as of the date of origination and without regard to any interest which may be added to principal for Option 3 Loans) exceeding \$6,000,000 without prior written notice to the Rating Agencies.

(B) Ten Year Option 1 Loans shall only be originated from the 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account. The Authority shall not make Ten Year Option 1 Loans in an aggregate principal amount (computed as of the date of origination) exceeding \$25,000,000 without prior written notice to the Rating Agencies.

(C) Consolidation Loans shall only be originated from the 2013-1 Consolidation Loan Account. The Authority shall not make Consolidation Loans in an aggregate principal amount (computed as of the date of origination and without regard to any interest which may be added to principal for Option 3 Loans) exceeding \$41,000,000 (including any amounts transferred from the 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account) without prior written notice to the Rating Agencies.

Section 3.12. Loan Servicers and Servicing Acknowledgements. (A) The Authority agrees that, without delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, the only permitted Servicer of 2013-1 NJCLASS Loans is the Authority.

(B) (i) The Trustee shall have the right to replace the Servicer upon the occurrence of the Event of Default set forth in 10.1(3) of the 2012 Indenture or an Act of Bankruptcy if the Authority fails to take action resulting in the withdrawal or dismissal of such Act of Bankruptcy within 60 days.

(ii) The Trustee may, and at the direction of the Owners of at least 51% in principal amount of Bonds then Outstanding shall, procure a third party successor Servicer and the Authority shall be required to enter into any such contracts with the successor Servicer as may be required in the event of a Servicer Event of Default (as defined in and as provided in the Acknowledgement of Servicing by and between the Authority and the Trustee with respect to the 2013-1 NJCLASS Loans (the "Acknowledgement"). Notwithstanding the foregoing, the

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removal of the Servicer or the procurement of a successor Servicer shall not be effective until the successor Servicer shall have agreed in writing to be bound by the terms of a Servicing Acknowledgement in the same manner as the Authority, in its capacity as Servicer is bound under the Acknowledgement; and provided further that if the Trustee is unable or unwilling to appoint a successor Servicer, the Trustee shall petition a court of competent jurisdiction to appoint a successor Servicer whose regular business includes the servicing of loans for post-secondary education.

(C) The Acknowledgement shall not be materially amended by the parties thereto without delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P.

(D) The Trustee shall provide notice to the Rating Agencies if the Servicer is replaced or if a third-party successor Servicer is contracted by the Authority in accordance with Section 3.13(B) above and the Acknowledgement.

(E) All costs in connection with any transfer of servicing in accordance with Section 3.13(B) above shall constitute Program Expenses.

ARTICLE IV

REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE AUTHORITY

Section 4.1 2013-1 NJCLASS Loan Requirements.

The Authority hereby represents, warrants and covenants that, unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P:

(A) With respect to each disbursement from the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 Consolidation Loan Account or 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to originate 2013-1 NJCLASS Loans, as of the related disbursement date:

(1) the Authority and such disbursement will comply with the requirements of applicable federal and State law,

(2) the disbursement will be a proper charge against the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 Consolidation Loan Account or 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account,

(3) all requirements of the 2012 indenture and this Supplemental Indenture in connection with origination of 2013-1 NJCLASS Loans will have been met,

(4) the Authority will be in compliance with the covenants set forth in the 2012 Indenture and in this Supplemental Indenture,

(5) no Event of Default will have occurred and be continuing,

(6) the Recycling Period will not have terminated, and

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(7) the promissory note or notes with respect to each such 2013-1 NJCLASS Loan originated will be delivered to the Trustee prior to the related disbursement; provided that such promissory note or notes may be executed by wet or electronic signature and delivered to the Trustee in accordance with the Authority's e-sign procedures.

(B) Each 2013-1 NJCLASS Loan will:

(1) be a Fixed Rate Standard NJCLASS Loan, including a Ten Year Option 1 Loan, Fixed Rate Graduate/Professional NJCLASS Loan or Consolidation Loan;

(2) comply with the covenants set forth in this Article IV and the credit criteria contained in Schedule C hereto; and

(3) be originated in the principal amount of such 2013-1 NJCLASS Loan plus unpaid accrued interest.

(C) No 2013-1 NJCLASS Loan will have a maturity date that is more than 15 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Option 1 Fixed Rate Standard NJCLASS Loans (excluding Ten Year Option 1 Loans) or Option 2 Fixed Rate Standard NJCLASS Loans, 20 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Option 3 Fixed Rate Standard NJCLASS Loans, 25 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Fixed Rate Graduate/Professional Loans, 10 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Ten Year Option 1 Loans or 30 years after the date of the first disbursement, with respect to Consolidation Loans.

(D) The Authority shall not Originate any 2013-1 NJCLASS Loans with a FICO score less than 670 (except for Fixed Rate Graduate/Professional Loans, which do not require FICO score as an underwriting criteria).

(E) The Administrative Fee shall equal 3% of the original principal amount of each 2013-1 NJCLASS Loan, except for Consolidation Loans. Once a 2013-1 NJCLASS Loan has been made, the Authority may not grant any waivers or alterations to the payment structure for such 2013-1 NJCLASS Loan, except the deferral and forbearance options described under the Program Documentation, unless the Authority has received a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. Of the Administration Fees received, 2% of each 2013-1 NJCLASS Loan, except for Consolidation Loans, shall be deposited in the 2013-1 Repayment Subaccount within the 2013-1 Fixed Rate Standard Student Loan Account and applied to originate Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans and 1% shall be retained by the Authority. The Administrative Fee for Consolidation Loans shall equal 1% of the original principal amount of each Consolidation Loan.

(F) The Authority shall not provide borrower benefit programs for the 2013-1 NJCLASS Loans; provided that loan forgiveness in order to reduce excess yield earnings shall not be deemed a borrower benefit program.

(G) No adverse selection process will be used in Originating the 2013-1 NJCLASS

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Loans.

(H) The Authority shall comply with the Origination limitations for Option 3 Loans set forth in Section 3.7 of this Supplemental Indenture.

(I) No 2013-1 NJCLASS Loans will be Originated to students attending a school with a Federal cohort default rate greater than 20%.

(J) The Authority shall not originate more than five percent (5%) of all Fixed Rate Standard NJCLASS Loans for students attending proprietary or trade school.

Section 4.2. Loan Rates. The Loan Rate for all 2013-1 NJCLASS Loans (and any 2012-1 NJCLASS Loans Originated from and after the issue date of the Series 2013-1 Bonds) shall be as follows:

Fixed Rate Standard NJCLASS Loans (exclusive of Ten Year Option 1 Loans):

- (i) for Option 1 Fixed Rate Standard NJCLASS Loans, 6.65% through the end of the fourth year of principal repayment and thereafter 7.40%,
- (ii) for Option 2 Fixed Rate Standard NJCLASS Loans, 6.65% through the end of the fourth year of principal repayment and thereafter 7.40%, and
- (iii) for Option 3 Fixed Rate Standard NJCLASS Loans, 8.05% through the end of the first year of principal repayment and thereafter 8.80%.

Fixed Rate Graduate/Professional NJCLASS Loans:

- (i) for Option 1 and Option 2 Fixed Rate Graduate/Professional NJCLASS Loans, 6.65% through the end of the fourth year of principal repayment and thereafter 7.40%, and
- (ii) for Option 3 Fixed Rate Graduate/Professional NJCLASS Loans, 8.05% through the end of the fourth year of principal repayment and thereafter 8.80%.

Ten Year Option 1 Loans:

- (i) for Ten Year Option 1 Loans, 5.49% through the end of the fourth year of principal repayment and thereafter 6.24%.

Consolidation Loans:

The interest rate on the Consolidation Loan will be a fixed rate based upon the weighted average interest rate of all the underlying NJCLASS loans being consolidated plus 25 basis points. The interest rate of the underlying NJCLASS loan is calculated using a blending of the applicable initial and step-up interest rates disclosed to the borrower. If the interest rate of the underlying NJCLASS loan currently reflects the step-up interest rate, the step-up interest rate will be used solely in the calculation. If a variable rate NJCLASS loan is being included in the NJCLASS consolidation, the applicable NJCLASS fixed interest rate for that the academic year the variable rate loan was disbursed will be used in the calculation of the weighted average interest rate. In the event that a 10-year loan is included in the Consolidation Loan, the rate used in the weighted average calculation will be the equivalent 20-year fixed rate program rate in effect at the time of disbursement of the 10-year loan. Interest on a Consolidation Loan will begin to accrue at the time of the loan disbursement.

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Section 4.3. Additional Bonds. (A) So long as any Series 2013-1 Bonds are Outstanding, the Authority shall not issue any Additional Bonds or Subordinate Obligations, unless:

(a) the Authority shall have delivered a Cash Flow Statement to the Rating Agencies prior to the issuance of such Additional Bonds or Subordinate Obligations, taking into account the issuance of all such Additional Bonds or Subordinate Obligations, and the assumptions and scenarios in such Cash Flow Statement shall be acceptable to the Rating Agencies;

(b) the Authority shall have delivered to the Trustee a Rating Agency Condition from each Rating Agency for the Series 2013-1 Bonds; and

(c) the Parity Percentage is at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations.

(B) So long as any Series 2013-1 Bonds are Outstanding, the Authority shall not execute and deliver any Supplemental Indenture for any purpose if such issuance or execution and delivery would, in and of itself, result in a decrease or withdrawal of any public rating on the Series 2013-1 Bonds.

Section 4.4. Report to Rating Agencies. (A) So long as any Series 2013-1 Bonds are Outstanding, the Authority will deliver to the Trustee and each Rating Agency, and shall file or cause the Trustee to file with the Municipal Securities Rulemaking Board (through the Electronic Municipal Market Access program or "EMMA") or such other national repository for the deposit of secondary market disclosure information permitted by Securities and Exchange Commission Rule 15(c)-2-12, a quarterly report (the "Servicing Report"), not later than each Quarterly Report Date, in each case calculated as of the last day of the related Calendar Quarter, which shall state the following:

(a) The number and Aggregate Pool Loan Balance of 2013-1 Student Loans outstanding as of the end of such Calendar Quarter;

(b) The number and dollar amount of 2013-1 Student Loans which are Option 2 Loans and 2013-1 Student Loans in forbearance and repayment status;

(c) The number and dollar amount of 2013-1 Student Loans which are delinquent 0-30, 31-60, 61-90, 91-120, 121-180 and 181 or more days and the cumulative number and dollar amount of 2013-1 NJCLASS Loans which have been 181 or more days delinquent;

(d) The cumulative number and dollar amount of 2013-1 Student Loans charged off since the Issue Date of the Series 2013-1 Bonds;

(e) The cumulative dollar amount recovered on defaulted 2013-1 Student Loans as of the end of such Calendar Quarter (broken out by principal, interest and fees recovered) and the gross and net cumulative amounts of defaults on 2013-1 Student Loans as of the end of such Calendar Quarter and as a percentage of the outstanding 2013-1 Student Loans;

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(f) The dollar amount of the Series 2013-1 Bonds issued, the cumulative changes in the amount Outstanding and descriptions of such changes, as well as the Bonds Outstanding as of the end of such Calendar Quarter;

(g) The beginning balance of the 2013-1 Debt Service Reserve Account, the cumulative withdrawals and deposits, and the balance of the 2013-1 Debt Service Reserve Account as of the end of such Calendar Quarter;

(h) As of the end of such Calendar Quarter, the cash balance in the Loan Reserve Fund, a listing of amounts currently due to and from the Loan Reserve Fund and descriptions of these amounts, as well as the resulting net assets of the Loan Reserve Fund;

(i) As of the end of such Calendar Quarter, the cumulative cash balance of the amounts on deposit in each Account and Subaccount for the Series 2013-1 Bonds, including changes in net assets, the principal amount of any Series 2013-1 Bonds redeemed and amounts reserved to pay principal of and interest on the next Principal Payment Date;

(j) Program Expenses, Bond Fees and Administrative Fees expensed during the Calendar Quarter;

(k) Any funds released from the Trust Estate to the Authority;

(l) The dollar amount of any rebate payment to the Federal government;

(m) So long as the Series 2013-1 Bonds are rated by Moody's and/or S&P, the Authority shall give Moody's and/or S&P, respectively, prompt written notice of any withdrawal from the 2013-1 Debt Service Reserve Account to pay principal of or interest on the Series 2013-1 Bonds, and of any deficiency amount certified by the Authority pursuant to Section 7.15 of the 2012 Indenture, and of any amount received from the State of New Jersey following such deficiency certification;

(n) Accrued Assets, Accrued Liabilities, Delinquent Loan Percentage, Loans in Repayment, Parity Percentage, Senior Parity, Parity Percentage Requirement and Repayment Ratio;

(o) Amount of funds requested from the State to restore the Debt Service Reserve Fund and the amounts of funds so paid; and

(p) Aggregate Loan Balance of all Student Loans purchased pursuant to Section 5.5(A)(1)(xiii) of the 2012 Indenture.

(B) During any applicable Origination Period and Recycling Period, the Authority will deliver to the Trustee and each Rating Agency a report, no later than the fifteenth Business Day of each month, which report shall include, as of the last Business Day of the preceding month, the number and principal balance of 2013-1 NJCLASS Loans Originated during the Origination Period and/or Recycling Period, as applicable, and detailing the following characteristics for such 2013-1 NJCLASS Loans:

-number and principal balance of 2013-1 NJCLASS Loans Originated by Option Type

-number and principal balance of 2013-1 NJCLASS Loans Originated by type of loan (i.e. Fixed Rate Standard NJCLASS Loan, Ten Year Option 1 Loan, Fixed Rate Graduate/Professional NJCLASS Loan, Consolidation Loan)

(C) The Authority will deliver to the Trustee and each Rating Agency a report within forty-five (45) days after the end of the final Origination Period which report shall include the number and balance of 2013-1 NJCLASS Loans Originated during the Origination Period detailing the following characteristics for such 2013-1 NJCLASS Loans:

-Percentage of 2013-1 NJCLASS Loans co-signed; and
-Original FICO Score (in increments of 10).

(D) So long as any Series 2013-1 Bonds are Outstanding, the Authority will furnish or cause to be furnished to each Rating Agency, annual audited financial statements of the NJCLASS/FFELP Loan Program prepared by an independent certified public accountant, within one hundred eighty (180) days of the completion of the NJCLASS/FFELP Loan Program's Fiscal Year.

(E) So long as any Series 2013-1 Bonds are Outstanding, the Authority will furnish or cause to be furnished to each Rating Agency, within a reasonable time after request therefor, a report containing information with respect to updated static pool default and recovery information on 2013-1 NJCLASS Loans.

Section 4.5. Loan Transfers. So long as the Series 2013-1 Bonds are Outstanding, the Authority shall not sell or transfer any Student Loan except (i) as authorized under the 2012 Indenture and (ii) for cash, except that the Authority may transfer Student Loans to another trust estate of the Authority in accordance with the requirements of Section 7.8 of the 2012 Indenture.

Section 4.6. Origination Period. All 2013-1 NJCLASS Loans shall be Originated within the time periods set forth under the definition for Origination Period. A Student Loan shall be deemed Originated upon execution by a borrower of the promissory note. In the event a Student Loan is cancelled by the borrower after the end of the Origination Period and disbursed funds returned to the Authority, such disbursed funds shall be transferred at the written direction of an Authorized Officer to the 2013-1 Revenue Account.

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ARTICLE V

MISCELLANEOUS

Section 5.1 Amendment to 2012 Indenture. The following section of the 2012 Indenture is hereby amended as follows:

Section 5.5(A)(1)(ix) of the 2012 Indenture is hereby amended and restated in its entirety and shall be and read as follows:

"(ix) Into a payment account to be used by the Trustee therefor, and only provided all Principal Installments on the Bonds of the same Series as the Subordinate Obligations have been paid and no Bonds of such Series remain Outstanding, without regard to whether Bonds of any other Series remain Outstanding; (a) on or before each Payment Date on which principal of Subordinate Obligations comes due, the amount of principal for such Series of Subordinate Obligations coming due on such date; (b) on or before each Payment Date on which a sinking fund payment for Subordinate Obligations comes due, the amount of sinking fund payments for such Series of Subordinate Obligations coming due on such date; and (c) on any such date, the amount required to reimburse the provider of any Credit Facility or Liquidity Facility for making any such payment, if any".

Section 5.2 Acknowledgement of Extension of 2012-1 Origination Period. On June 28, 2012, the Authority issued its Series 2012-1 Bonds pursuant to the 2012 Indenture and the First Supplemental Indenture. The Authority acknowledges receipt from each Rating Agency rating the Series 2012-1 Bonds prior to the date hereof, of a Rating Agency Condition (RAC) permitting the extension of the second Origination Period (as defined in the First Supplemental Indenture) from May 1, 2013 to September 1, 2013. In connection with obtaining the RAC, on or about April 30, 2013, in accordance with Section 5.2(C) and 5.3(A)(iii) of the 2012 Indenture, the Authority deposited available Authority funds in the amount of \$660,000 into the 2012-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to be used to originate additional Fixed Rate Graduate/Professional NJCLASS Loans (as defined in the First Supplemental Indenture). On April 30, 2013, the Authority provided notice of the extension to Series 2012-1 Bondholders.

Section 5.3 Acknowledgement of Changes to 2012-1 NJCLASS Loans Loan Rate. From and after the date of issuance of the Series 2013-1 Bonds, any funds remaining in the loan accounts established pursuant to the First Supplemental Indenture to originate 2012-1 NJCLASS Loans will be used to originate 2012-1 NJCLASS Loans at the Loan Rates set forth in Section 4.2 of this Supplemental Indenture. On or prior to the date hereof, the Authority delivered to the Trustee the Bond Counsel Opinion and Cash Flow Statement in accordance with the definition of Loan Rate as defined in the First Supplemental Indenture to allow a change in loan rate and each Rating Agency confirmed their respective rating on the Series 2012-1 Bonds taking into account the revised loan rates.

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If to the Authority: New Jersey Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, P.O. Box 545, Trenton, New Jersey 08625, Attention: Chief Financial Officer (facsimile no. (609) 584-4831), (email: gene_hutchins@hesaa.org).

If overnight delivery to the Authority: New Jersey Higher Education Student Assistance Authority, #4 Quakerbridge Plaza, Mercerville, New Jersey 08619, Attention: Chief Financial Officer.

If to the Trustee, Paying Agent, Registrar or Authenticating Agent: Wells Fargo Bank, National Association, MAC N9311-163, 625 Marquette Avenue, 16th Floor, Minneapolis, MN 55479 Attention: Corporate Trust Services (facsimile no. (612) 316-0309) (email: bonnie.rons@wellsfargo.com).

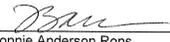
The Authority and the Fiduciaries may, by like notice to each other, designate any further or different addresses to which subsequent notices shall be sent.

IN WITNESS WHEREOF, an Authorized Officer of the Authority and an authorized officer of the Trustee have hereunto executed this Supplemental Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: 
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: 
Bonnie Anderson Rons
Vice President

[SIGNATURE PAGE FOR 2013-1 SECOND SUPPLEMENTAL INDENTURE]

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SCHEDULE A

TERMS OF SERIES 2013-1 BONDS

The Series 2013-1 Bonds will initially be dated and will bear interest from the Issue Date. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2013. The Series 2013-1 Bonds will bear interest at the interest rates per annum, and will mature on December 1 in of the years and in the principal amounts shown below:

\$180,000,000 Senior Series 2013-1A Bonds

Maturity	Par Amount	Coupon	Yield	Price	CUSIP
2014	\$3,000,000	3.00%	0.70%	103.305	646080PH8
2015	6,000,000	4.00	1.10	106.982	646080PJ4
2016	8,700,000	4.00	1.39	108.754	646080PK1
2017	9,800,000	5.00	1.75	113.846	646080PL9
2018	12,000,000	5.00	2.15	114.574	646080PM7
2019	13,100,000	5.00	2.53	114.607	646080PN5
2020	13,500,000	4.00	2.83	107.805	646080PP0
2021	13,000,000	5.00	3.09	114.103	646080PQ8
2022	11,000,000	5.00	3.32	113.526	646080PR6
2023	11,500,000	3.50	3.65	98.705	646080PS4
2024	12,200,000	3.50	3.73	97.871	646080PT2
2025	11,500,000	3.625	3.83	97.983	646080PU9
2026	10,000,000	3.75	3.93	98.132	646080PV7
2028	9,700,000	4.00	4.08	99.087	646080PX3
2029	5,000,000	4.00	4.12	98.574	646080PY1
2031	5,000,000	4.00	4.17	97.825	646080PZ8
2035	5,000,000	4.125	4.30	97.494	646080QA2

\$20,000,000, 3.25% Term Bonds Due December 1, 2027 – Yield 3.30% Price 99.427
CUSIP: 646080PW5

\$20,000,000 Subordinate Series 2013-1B Bonds

Due (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2043	\$20,000,000	4.75%	4.88%	97.947	646080QB0

The Series 2013-1 Bonds will be issued in fully registered form, without coupons, in Authorized Denominations

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Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE 2012 INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
SENIOR STUDENT LOAN REVENUE BOND, SERIES 2013-1A

No R-

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>
June __, 2013		%	
REGISTERED OWNER:	CEDE & CO		
PRINCIPAL AMOUNT:	Dollars		

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each June 1 and December 1, commencing December 1, 2013 (each an "Interest Payment Date"). Principal and redemption premium, if any, of this Bond are payable upon the presentation and surrender hereof at the designated corporate trust office of Wells Fargo Bank, National Association (together with its successors as Paying Agent, the "Paying Agent"), in Minneapolis, Minnesota. Interest on this Bond is payable to the Registered Owner of record as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the "Registrar"), by check or draft mailed to the Registered Owner at the registered address; provided that, at the written

request of the Registered Owner of at least \$1,000,000 principal amount of Bonds of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Bond shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Capitalized terms used in this Bond and not defined herein shall have the meanings given thereto in the 2012 Indenture.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its Senior Student Loan Revenue Bonds, Series 2013-1A (the "2013-1 Bonds") issued as fully registered Bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$_____ under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on April 24, 2013 (the "Bond Resolution") and equally and ratably secured under an Indenture of Trust (the "Indenture of Trust"), dated as of June 1, 2012, as amended and supplemented, including by a Second Supplemental Indenture (the "Second Supplemental Indenture"), dated as of June 1, 2013, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by Supplemental Indentures (such Indenture of Trust and any and all such Supplemental Indentures, including, without limitation, the Second Supplemental Indenture, being herein collectively called the "2012 Indenture") for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

The Authority has issued its 2013-1 Bonds (and, together with any Additional Bonds hereafter issued under the 2012 Indenture, referred to as the "Bonds"). The 2012 Indenture pledges for the payment of the Bonds, subject to the terms and conditions of the 2012 Indenture, the Student Loans (defined in the 2012 Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the 2012 Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the 2012 Indenture for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Bonds, the manner of enforcement of such security, the custody and application of the proceeds of the Bonds, the terms and conditions upon which the Bonds are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the Bonds. Copies of the Bond Resolution and the 2012 Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the 2012 Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the 2012 Indenture.

Pursuant to the 2012 Indenture, Additional Bonds equally secured, all except as expressly provided in Section 5.5(A)(1)(vi), Section 5.5A(1)(ix), Section 10.1 and Section 10.3 of the 2012 Indenture by the pledge and covenants made in the 2012 Indenture, with the 2013-1 Bonds may be issued from time to time in one or more Series for the purposes set forth therein.

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The 2012 Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The 2012 Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

The 2013-1 Bonds shall be subject to redemption as follows:

(A) Optional Redemption. The Series 2013-1 Bonds maturing prior to December 1, 2023 are not subject to optional redemption prior to maturity. The Series 2013-1 Bonds maturing on and after December 1, 2023 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2022 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) Mandatory Redemption Resulting From Non-Origination. The Series 2013-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2013-1 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2013-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2013-1 Bonds, to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2013-1 Bonds remaining in the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2013-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2013-1 Bonds shall be equal to the amount designated to be originated by the expiration of each Origination Period less the amount actually used to originate 2013-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph (b) shall be applied, first, to the redemption of Series 2013-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2014 through and including December 1, 2035, pro rata, and third, to the Subordinate Series 2013 Bonds. In the event that zero Originations are made by October 1, 2014, the Authority shall redeem all of the Subordinate Series 2013-1 Bonds in accordance with this Section and Section 3.1 of the Indenture. In the event that zero Originations are made by October 1, 2014, the Authority shall redeem all of the Subordinate Series 2013-1 Bonds in accordance with this Section and Section 3.1 hereof.

Senior Series 2013-1 Bonds Maturing on	CUSIP No.	3/1/2014	8/1/2014	11/1/2014
12/1/2014	646080PH8	101.716%	100.763%	100.190%
12/1/2015	646080PJ4	105.011%	103.826%	103.113%
12/1/2016	646080PK1	107.016%	105.970%	105.340%
12/1/2017	646080PL9	111.743%	110.476%	109.712%
12/1/2018	646080PM7	112.800%	111.729%	111.082%
12/1/2019	646080PN5	113.136%	112.247%	111.710%
12/1/2020	646080PP0	107.139%	106.737%	106.494%
12/1/2021	646080PQ8	113.069%	112.443%	112.065%
12/1/2022	646080PR6	112.661%	112.138%	111.822%

(C) Special Optional Redemption From Excess Revenue. The Series 2013-1 Bonds (excluding Series 2013-1 Bonds maturing on December 1, 2014 to and including December 1, 2022) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date, pursuant to Section 5.5(A)(1)(x) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph (C) shall be applied, first, to the redemption of Series 2013-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2023 through and including December 1, 2035, pro rata, and third, to the Subordinate Series 2013 Bonds (provided no Senior Series 2013-1 Bonds remain outstanding).

For purposes of Sections 2.8(a)(C) and (D), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2013-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2013-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2013-1 Bonds on the next succeeding December 1 is reserved to remain in the 2013-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

(D) Special Mandatory Redemption From Excess Revenue. The Series 2013-1 Bonds (excluding Series 2013-1 Bonds maturing on December 1, 2014 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) if the Parity Percentage is below 103%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph shall be applied, first, to the redemption of Series 2013-1 Bonds maturing on

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December 1, 2027, second, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2023 through and including December 1, 2035, pro rata, and third, to the Subordinate Series 2013 Bonds (provided no Senior Series 2013-1 Bonds remain outstanding).

Notice of redemption is to be given by mail not less than twenty (20) nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of each 2013-1 Bond to be redeemed at the address of the Registered Owner, as shown on the registration books of the Authority maintained by the Registrar. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any 2013-1 Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the 2012 Indenture, this 2013-1 Bond if so called for redemption, shall become due and payable at the stated Redemption Price and to the extent moneys are available therefor, interest shall cease to accrue on this 2013-1 Bond and this 2013-1 Bond shall no longer be entitled to any benefit or security under the 2012 Indenture. The 2013-1 Bonds to be redeemed in whole or in part shall be selected as provided in the 2012 Indenture.

Reference is hereby made to the Second Supplemental Indenture, a copy of which is on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this 2013-1 Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the 2013-1 Bonds; the Authority's student loan origination and acquisition program; the revenues and other money pledged to the payment of the principal and redemption premium, if any, of and interest on the 2013-1 Bonds; the nature and extent and manner of enforcement of the pledge; the conditions upon which the Second Supplemental Indenture may be amended or supplemented with or without the consent of the Registered Owners of the 2013-1 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 Authority 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 2013-1 Bond, and this 2013-1 Bond thereafter shall no longer be secured by the Second Supplemental Indenture or be deemed to be Outstanding, as defined in the Second Supplemental Indenture, thereunder; and for the other terms and provisions thereof.

Subject to the limitations provided in the 2012 Indenture and upon payment of the charges required by the 2012 Indenture, 2013-1 Bonds may be exchanged for a like aggregate principal amount of 2013-1 Bonds of the same Series and other Authorized Denominations.

This 2013-1 Bond is transferable by the Registered Owner hereof or his duly authorized attorney on the registration books of the Authority kept at the corporate trust office of the Registrar, upon surrender of this 2013-1 Bond accompanied by a duly executed instrument of transfer in form and with warranty of signature satisfactory to the Registrar, subject to such reasonable regulations as the Authority, the Trustee, the Registrar, or the Paying Agent may prescribe. Upon any such transfer, a new 2013-1 Bond or Bonds of the same Series and an authorized denomination or denominations of the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the 2012 Indenture. The Authority, the Registrar, the Trustee, and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether or not this 2013-1 Bond shall be overdue, for the purpose of receiving payment and for all other purposes, and neither

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IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this 2013-1 Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer of the Authority, all as of the Dated Date.

CERTIFICATE OF AUTHENTICATION

This bond is one of the 2013-1 Bonds described herein.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
Authenticating Agent

By: _____
Authorized Signatory

HIGHER EDUCATION STUDENT
ASSISTANCE AUTHORITY

(SEAL)

By: _____

Authentication Date: _____ 20__

Attest:

By: _____
[Secretary]
[Authorized Officer]

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SCHEDULE B-2

FORM OF SUBORDINATE SERIES 2013 OBLIGATION

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Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE 2012 INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
SUBORDINATE STUDENT LOAN REVENUE BOND, SERIES 2013-1B

No R-

Dated Date	Interest Rate	Maturity Date	CUSIP
June __, 2013		%	
REGISTERED OWNER:	CEDE & CO		
PRINCIPAL AMOUNT:	Dollars		

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each June 1 and December 1, commencing December 1, 2013 (each an "Interest Payment Date"). Principal and redemption premium, if any, of this Bond are payable upon the presentation and surrender hereof at the designated corporate trust office of Wells Fargo Bank, National Association (together with its successors as Paying Agent, the "Paying Agent"), in Minneapolis, Minnesota. Interest on this Obligation is payable to the Registered Owner of record (except during a Suspended Interest Period as defined in the Second Supplemental Indenture (as defined below) as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the

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"Registrar"), by check or draft mailed to the Registered Owner at the registered address, provided that at the written request of the Registered Owner of at least \$1,000,000 principal amount of Obligations of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Obligation shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Capitalized terms used in this Obligation and not defined herein shall have the meanings given thereto in the 2012 Indenture.

This Obligation is one of a duly authorized issue of Subordinate Obligations of the Authority designated as its Subordinate Student Loan Revenue Bonds, Series 2013-1B (the "2013 Subordinate Obligations") issued as fully registered Bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$_____ under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on April 24, 2013 (the "Bond Resolution") are secured under an Indenture of Trust (the "Indenture of Trust"), dated as of June 1, 2012, as amended and supplemented, including by a Second Supplemental Indenture (the "Second Supplemental Indenture"), dated as of June 1, 2013, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by Supplemental Indentures (such Indenture of Trust and any and all such Supplemental Indentures, including, without limitation, the Second Supplemental Indenture, being herein collectively called the "2012 Indenture") on a subordinate basis to Bonds issued under the Indenture of Trust as provided in Section 5.5(A)(1) of the Indenture of Trust for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

The Authority has issued its 2013 Subordinate Obligations. The 2012 Indenture pledges for the payment of the Subordinate Obligation, subject to the terms and conditions of the 2012 Indenture, the Student Loans (defined in the 2012 Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the 2012 Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the 2012 Indenture for the provisions, among other things, with respect to the priority of payment of the 2013 Subordinate Obligations, the nature and extent of the Trust Estate securing payment of the 2013 Subordinate Obligations, the manner of enforcement of such security, the custody and application of the proceeds of the 2013 Subordinate Obligations, the terms and conditions upon which the 2013 Subordinate Obligations are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the 2013 Subordinate Obligations. Copies of the Bond Resolution and the 2012 Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the 2012 Indenture may be discharged at or prior to the maturity or redemption of the 2013 Subordinate Obligations upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the 2012 Indenture.

Pursuant to the 2012 Indenture, the 2013 Subordinate Obligations are equally secured,

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all except as expressly provided in Section 5.5(A)(1)(vi), Section 5.5(A)(1)(ix), Section 10.1 and Section 10.3 of the 2012 Indenture by the pledge and covenants made in the 2012 Indenture, with the \$_____ aggregate principal amount of Senior Student Loan Revenue Bonds, Series 2013-1A (the "Senior 2013-1A Bonds") issued by the Authority simultaneously with the issuance of the 2013 Subordinate Obligations and with any Additional Bonds (as defined in the 2012 Indenture) which may be issued from time to time in one or more Series for the purposes set forth therein.

The 2012 Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The 2012 Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

The 2013 Subordinate Obligations shall be subject to redemption as follows:

(A) Optional Redemption. The Series 2013-1 Bonds maturing prior to December 1, 2023 are not subject to optional redemption prior to maturity. The Series 2013-1 Bonds maturing on and after December 1, 2023 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2022 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) Mandatory Redemption Resulting From Non-Origination. The Series 2013-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2013-1 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2013-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2013-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2013-1 Bonds remaining in the 2013-1 NJCLASS Fixed Rate Standard Student Loan Account, 2013-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2013-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2013-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2013-1 Bonds shall be equal to the amount designated to be originated by the expiration of each Origination Period less the amount actually used to originate 2013-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph (b) shall be applied, *first*, to the redemption of Series 2013-1 Bonds maturing on December 1, 2027, *second*, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2014 through and including December 1, 2035, *pro rata*, and *third*, to the Subordinate Series 2013 Bonds. In the event that zero Originations are made by October 1, 2014, the Authority shall redeem all of the Subordinate Series 2013-1 Bonds in accordance with this Section and Section 3.1 of the

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Indenture. In the event that zero Originations are made by October 1, 2014, the Authority shall redeem all of the Subordinate Series 2013-1 Bonds in accordance with this Section and Section 3.1 hereof.

Senior Series 2013-1 Bonds	Maturing on	CUSIP No.	3/1/2014	8/1/2014	11/1/2014
	12/1/2014	646080PH8	101.716%	100.763%	100.190%
	12/1/2015	646080PJ4	105.011%	103.826%	103.113%
	12/1/2016	646080PK1	107.016%	105.970%	105.340%
	12/1/2017	646080PL9	111.743%	110.476%	109.712%
	12/1/2018	646080PM7	112.800%	111.729%	111.082%
	12/1/2019	646080PN5	113.136%	112.247%	111.710%
	12/1/2020	646080PP0	107.139%	106.737%	106.494%
	12/1/2021	646080PQ8	113.069%	112.443%	112.065%
	12/1/2022	646080PR6	112.661%	112.138%	111.822%

(C) Special Optional Redemption From Excess Revenue. The Series 2013-1 Bonds (excluding Series 2013-1 Bonds maturing on December 1, 2014 to and including December 1, 2022) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date, pursuant to Section 5.5(A)(1)(x) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph (C) shall be applied, *first*, to the redemption of Series 2013-1 Bonds maturing on December 1, 2027, *second*, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2023 through and including December 1, 2035, *pro rata*, and *third*, to the Subordinate Series 2013 Bonds (provided no Senior Series 2013-1 Bonds remain outstanding).

For purposes of Sections 2.8(a)(C) and (D), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2013-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2013-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2013-1 Bonds on the next succeeding December 1 is reserved to remain in the 2013-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

(D) Special Mandatory Redemption From Excess Revenue. The Series 2013-1 Bonds (excluding Series 2013-1 Bonds maturing on December 1, 2014 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from

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Excess Revenues or (ii) if the Parity Percentage is below 103%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2013-1 Bonds pursuant to this paragraph shall be applied, first, to the redemption of Series 2013-1 Bonds maturing on December 1, 2027, second, to the redemption of the remaining Series 2013-1 Bonds maturing on December 1, 2023 through and including December 1, 2035, pro rata, and third, to the Subordinate Series 2013 Bonds (provided no Senior Series 2013-1 Bonds remain outstanding).

Notice of redemption is to be given by mail not less than twenty (20) nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of each 2013 Subordinate Obligation to be redeemed at the address of the Registered Owner, as shown on the registration books of the Authority maintained by the Registrar. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any 2013-1 Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the 2012 Indenture, this 2013 Subordinate Obligation if so called for redemption, shall become due and payable at the stated Redemption Price and to the extent moneys are available therefor, interest shall cease to accrue on this 2013 Subordinate Obligation and this 2013 Subordinate Obligation shall no longer be entitled to any benefit or security under the 2012 Indenture. The 2013 Subordinate Obligations to be redeemed in whole or in part shall be selected as provided in the 2012 Indenture.

Reference is hereby made to the Second Supplemental Indenture, a copy of which is on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this 2013 Subordinate Obligation by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the 2013 Subordinate Obligations; the Authority's student loan origination and acquisition program; the revenues and other money pledged to the payment of the principal and redemption premium, if any, of and interest on the 2013 Subordinate Obligations; the nature and extent and manner of enforcement of the pledge; the conditions upon which the Second Supplemental Indenture may be amended or supplemented with or without the consent of the Registered Owners of the 2013 Subordinate Obligations; 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 Authority 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 2013 Subordinate Obligation, and this 2013 Subordinate Obligation thereafter shall no longer be secured by the Second Supplemental Indenture or be deemed to be Outstanding, as defined in the Second Supplemental Indenture, thereunder, and for the other terms and provisions thereof.

Subject to the limitations provided in the 2012 Indenture and upon payment of the charges required by the 2012 Indenture, 2013 Subordinate Obligations may be exchanged for a like aggregate principal amount of 2013 Subordinate Obligations of the same Series and other Authorized Denominations.

This 2013 Subordinate Obligations is transferable by the Registered Owner hereof or his duly authorized attorney on the registration books of the Authority kept at the corporate trust office of the Registrar, upon surrender of this 2013 Subordinate Obligation accompanied by a duly executed instrument of transfer in form and with warranty of signature satisfactory to the Registrar, subject to such reasonable regulations as the Authority, the Trustee, the Registrar, or

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the Paying Agent may prescribe. Upon any such transfer, a new 2013 Subordinate Obligation and an authorized denomination or denominations of the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the 2012 Indenture. The Authority, the Registrar, the Trustee, and the Paying Agent may deem and treat the person in whose name this 2013 Subordinate Obligations is registered as the absolute owner hereof, whether or not this 2013 Subordinate Obligation shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Authority, the Registrar, the Trustee, nor the Paying Agent shall be affected by any notice to the contrary.

The Act provides that neither the members of the Authority nor any person executing bonds of the Authority nor any officer or employee of the Authority shall be liable personally on said bonds by reason of the issuance thereof. This 2013 Subordinate Obligation is not and shall not be in any way a debt or liability of the State of New Jersey or of any political subdivision thereof and does not and shall not create or constitute any indebtedness, liability, or obligation of said State, or of any political subdivision thereof. This 2013 Subordinate Obligation does not now and shall never constitute a charge against the general credit of the Authority.

The owner of this 2013 Subordinate Obligation shall have no right to enforce the provisions of the 2012 Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in the 2012 Indenture. If an event of default under the 2012 Indenture occurs, the principal of all 2013 Subordinate Obligations then Outstanding issued under the 2012 Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the 2012 Indenture.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution or statutes of the State of New Jersey or the 2012 Indenture to exist, to have happened, or to have been performed precedent to or in the issuance of this 2013 Subordinate Obligation exist, have happened, and have been performed, and that the issuance of this 2013 Subordinate Obligation is within every debt and other limit prescribed by said Constitution, statutes or 2012 Indenture.

This 2013 Subordinate Obligation shall neither be entitled to any security, right, or benefit under the Bond Resolution and the 2012 Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

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IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this 2013 Subordinate Obligation to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer of the Authority, all as of the Dated Date.

CERTIFICATE OF AUTHENTICATION

This bond is one of the 2013 Subordinate Obligations described herein.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

WELLS FARGO BANK, NATIONAL ASSOCIATION, Authenticating Agent

By: _____ Authorized Signatory

(SEAL)

By: _____

Authentication Date: _____, 20__

Attest:

By: _____ [Secretary] [Authorized Officer]

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ASSIGNMENT

FOR VALUE RECEIVED, _____ (the "Transferor"), the undersigned, hereby sells, assigns and transfers unto

	(the "Transferee")
Name	
Address	

Social Security or Federal Employer Identification No. _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date:	
Signature Guaranteed:	NOTICE: No transfer will be made in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and the date of the trust and the name of the trustee should be applied
NOTICE: signature(s) must be guaranteed by a member of the New York Stock Exchange or a bank or a trust company	

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. (OR TO SUCH OTHER ENTITY AS IS REQUIRED 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.

Authentication Date: _____

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- 2) The cosigner/joint cosigner must not owe a grant refund and must not be in default or have had any student loan discharged in default.

SCHEDULE C

STUDENT ELIGIBILITY AND CREDIT CRITERIA

I. ELIGIBILITY REQUIREMENTS FOR NJCLASS LOANS

The student, borrower and cosigner (if necessary) must meet the NJCLASS Loan Program eligibility criteria and one of the borrower(s) and/or cosigner(s) must demonstrate creditworthiness as defined below. The Authority's current minimum income requirement is \$40,000.

STUDENT

- 1) The Student must be a citizen or permanent resident of the United States.
- 2) New Jersey residents must be enrolled or accepted for enrollment at a college or university or non-traditional/proprietary institution eligible for Title IV, Higher Education Act of 1965 assistance, approved or licensed by the New Jersey Commission on Higher Education or its equivalent in another state and accredited by a nationally recognized accrediting association and having a federal cohort default rate of 20 percent or less. Out-of-state students, who attend an approved New Jersey school, are eligible as well. Approved schools also include certain proprietary institutions.
- 3) The student must be making satisfactory academic progress towards their degree or certificate.
- 4) The student must file all financial aid information required by the school to determine the student's eligibility for a Federal Stafford Loan before applying for an NJCLASS Loan.
- 5) The student, if the student is the borrower, must not owe a grant refund and must not be in default or have had any student loan discharged in default.

BORROWER/CO-BORROWER

- 1) The borrower/co-borrower must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.
- 2) The borrower/co-borrower must not owe a grant refund and must not be in default or have had any student loan discharged in default.

COSIGNER/JOINT COSIGNER

- 1) The cosigner/joint cosigner must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.

The student can be a borrower. If the borrower(s) do not meet the minimum income requirement, they will need a cosigner. Cosigner(s) must meet the income requirement.

II. CREDIT TEST FOR BORROWERS/CO-BORROWERS AND COSIGNERS/JOINT COSIGNERS FOR NJCLASS LOANS

- A. The Authority will retrieve a credit score and detailed consumer report only on those borrowers/cosigners who meet the minimum income requirement.
- B. Borrower(s) or cosigner(s) with a FICO credit score of 700 or greater, will be pre-approved.
- C. Borrower(s) or cosigner(s) must have a minimum FICO credit score of at least 670.
- D. If the credit score of a borrower or cosigner falls into the range (670 -699), then those borrower(s) or cosigner(s) must satisfy the credit history review outlined below to qualify.

If any of the following exist, it may result in a denial of a NJCLASS Loan. However, the applicant may still be eligible for a NJCLASS Loan if the applicant is able to secure a creditworthy cosigner.

- 1) 4 accounts 30 days delinquent within last 6 months
- 2) 1 account 60 days delinquent in the last 3 months
- 3) 2 accounts 60 days delinquent in the last 6 months
- 4) 4 or more accounts rated 60 days delinquent in the last 12 months
- 5) 1 or more account(s) 90 days or greater delinquent in the last 12 months
- 6) 1 or more unpaid collection, charged-off, or judgment accounts (non-medical) greater than \$100.00
- 7) 1 or more foreclosure(s) in the last 3 years
- 8) 1 or more repossession(s) in the last 3 years
- 9) Bankruptcy filed or discharged in the past 3 years
- 10) 1 or more unpaid tax lien(s)
- 11) 1 or more student loan(s) in default
- 12) 1 or more delinquent NJCLASS loan(s)

The Authority reserves the right to make the final credit assessment.

III. CREDIT CRITERIA FOR BORROWERS AND COSIGNERS FOR FIXED RATE GRADUATE/PROFESSIONAL NJCLASS LOANS

Borrowers under the Fixed Rate Graduate/Professional NJCLASS Loan Program must have no negative credit history under the credit history review criteria set forth in Paragraph II above.

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Borrowers who do not meet the credit criteria can be considered under the NJCLASS Fixed Rate Program with an eligible cosigner.

Unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, the following table shows the limits of certain amounts in the Cash Flow Statement with respect to the 2013-1 NJCLASS Loans:

Item	Amount
Program Expenses:	
Trustee Fee	0.7 bps
Administrative Fee	0.50% per annum of each loan balance outstanding
Servicing Fee	\$2.68 per loan per month while the student is in school and \$3.75 per loan per month while in repayment (increased annually by an amount not to exceed 3%)
Rating Agency Surveillance Fee	\$30,000 per annum for 2012-1 and \$32,500 per annum for 2013-1

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THIRD SUPPLEMENTAL INDENTURE

By and Between

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Relating To

[\$220,000,000] STUDENT LOAN REVENUE BONDS, SERIES 2014-1

Consisting of

[\$182,000,000] Senior Student Loan Revenue Bonds, Series 2014-1A-1

And

\$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2
(LIBOR Floating Rate Bonds)

And

[\$13,000,000] Subordinate Student Loan Revenue Bonds, Series 2014-1B

Dated as of June 1, 2014

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THIRD SUPPLEMENTAL INDENTURE

This Third Supplemental Indenture, dated as of June 1, 2014, by and between the Higher Education Student Assistance Authority (successor to the Higher Education Assistance Authority pursuant to N.J.S.A. 18A:71A-1 et seq., effective April 26, 1999) (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee").

WHEREAS, the Authority and the Trustee have entered into an Indenture of Trust dated as of June 1, 2012 (the "Original 2012 Indenture") by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture dated as of June 1, 2012 (the "First Supplemental Indenture") by and between the Authority and the Trustee, as further amended and supplemented by the Second Supplemental Indenture dated as of June 1, 2013 (the "Second Supplemental Indenture" and together with the Original 2012 Indenture, the First Supplemental Indenture, and the hereinafter defined Third Supplemental Indenture, the "2012 Indenture") by and between the Authority and the Trustee; and

WHEREAS, the Authority is established and created under and pursuant to the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, effective April 26, 1999, as amended and supplemented, and any successor legislation (the "Act"); and

WHEREAS, the execution and delivery of the 2012 Indenture (including this Supplemental Indenture) and the issuance of the Series 2014-1 Bonds (as defined herein) hereunder have been in all respects duly and validly authorized by resolution duly adopted by the Authority.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH THAT:

ARTICLE I

SHORT TITLE, DEFINITIONS, AND AUTHORITY

Section 1.1. Short Title. This Supplemental Indenture shall be known as and may be designated by the short title "Third Supplemental Indenture" (this "Supplemental Indenture" or this "Third Supplemental Indenture").

Section 1.2. Definitions. All words and phrases defined in Article I of the 2012 Indenture shall have the same meanings in this Third Supplemental Indenture, except as otherwise appears in this Section 1.2. In addition, the following terms shall have the following meanings, unless the context otherwise requires:

Act of Bankruptcy means the filing of a petition in bankruptcy by (with respect to itself) or against the Authority under the United States Bankruptcy Code or commencement of similar proceedings by (with respect to itself) or against the Authority under applicable state bankruptcy or insolvency laws.

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Acknowledgement shall have the meaning given to such term in Section 3.12(B) hereof.

Administrative Fee means any application fee, origination fee, repayment fee or other fee due to the Authority for a 2014-1 NJCLASS Loan.

Aggregate Loan Balance means, as of the date of determination, the aggregate outstanding principal balance of a 2014-1 NJCLASS Loan, excluding any deferred interest which may be added to the principal of such 2014-1 NJCLASS Loan.

Aggregate Pool Loan Balance means, as of the date of determination, the aggregate of the Aggregate Loan Balances of all 2014-1 NJCLASS Loans.

Authorized Denominations means with respect to the (i) the Series 2014-1A-1 Bonds, \$5,000 or any integral multiple in excess thereof, (ii) the Series 2014-1A-2 Bonds, \$100,000 or any integral multiple of \$5,000 in excess thereof, and (iii) the Series 2014-1B Bonds, \$5,000 or any integral multiple in excess thereof.

Business Day shall mean, for purposes of this Third Supplemental Indenture (a) for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and (b) for all other purposes, as set forth in the 2012 Indenture.

Calendar Quarter means each three-month period ending on March 31, June 30, September 30 or December 31, as the case may require.

Consolidation Loan means a loan that consolidates into a single loan at the time it is made the unpaid principal (including any accrued interest) of two or more outstanding Student Loans totaling at least \$30,000.

Direct Purchaser means Banc of America Preferred Funding Corporation, purchaser of the Series 2014-1A-2 Bonds.

DTC means The Depository Trust Company, New York, New York, which shall act as securities depository for the Series 2014-1 Bonds and any successors or assigns.

Fixed Rate Bond Purchase Agreement means the Fixed Rate Bond Purchase Agreement, dated May __, 2014 between Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Underwriter, and the Authority for the purchase and sale of the Series 2014-1A-1 Bonds and the Series 2014-1B Bonds.

First Supplemental Indenture means the First Supplemental Indenture dated as of June 1, 2012 by and between the Authority and the Trustee authorizing the issuance of the Series 2012-1 Bonds.

Fixed Rate Graduate/Professional NJCLASS Loan means an Eligible Student Loan made under the NJCLASS Graduate/Professional Loan Program with a fixed rate of interest for a loan term not to exceed 25 years and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

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and of itself result in a withdrawal, reduction or termination of any rating on the Series 2014-1 Bonds.

NJCLASS Consolidation Loan Program means the Authority's NJCLASS Consolidation Loan Program provided pursuant to the Act and the regulations promulgated thereunder.

Option 1 Loan means a Student Loan, the principal of and interest on which is payable monthly immediately upon disbursement.

Option 2 Loan means a Student Loan, the interest on which is due and payable monthly and the principal of which is deferred by the borrower during the period of time the borrower attends school.

Option 3 Loan means a Student Loan, the principal of and interest on which is deferred by the borrower during the period of time the borrower attends school.

Origination Period means (i) the period commencing on the Issue Date and ending on February 1, 2015, with respect to the origination of \$70 million of all 2014-1 Student Loans by the Authority except the Variable Rate Ten Year Option 1 Loans, (ii) the period commencing February 2, 2015 and ending on July 1, 2015 with respect to the cumulative origination of \$130 million in 2014-1 Student Loans by the Authority except the Variable Rate Ten Year Option 1 Loans; (iii) the period commencing on the Issue Date and ending on February 1, 2015, with respect to the origination of \$15 million of all Variable Rate Ten Year Option 1 Loans; (iv) the period commencing February 2, 2015 and ending on July 1, 2015 with respect to the cumulative origination of \$20 million of all Variable Rate Ten Year Option 1 Loans; and (v) the period commencing July 2, 2015 and ending on October 1, 2015 with respect to the cumulative origination of the remaining amounts originally deposited into the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 Consolidation Loan Account and 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account; provided that any of the periods described in clauses (i), (ii), (iii), (iv) or (v) may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from each Rating Agency and notice of such extension is provided to Bondholders promptly upon receipt of the Rating Agency Condition.

Parity Percentage means the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities. For purposes of the definition of Parity Percentage, "Accrued Liabilities" means, with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds and Subordinate Obligations, plus all accrued but unpaid Program Expenses.

Parity Percentage Requirement for purposes of Section 5.5(A)(1)(xiv) of the 2012 Indenture and with respect to the Series 2014-1 Bonds means, when, as of any particular date of calculation, after reserving the Debt Service requirements to be made on the next succeeding Payment Date, the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities is at least 108% (provided Accrued Assets include not less than two million dollars (\$2,000,000) of cash), or such other percentage as may be determined by the Authority if there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, provided that in no event shall any release be made if the Parity Percentage would be less than 105% and provided further that there shall be

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Fixed Rate Standard NJCLASS Loan means an Eligible Student Loan made under the NJCLASS Loan Program with a fixed rate of interest for a loan term not to exceed 15 years with respect to Option 1 and Option 2 Loans (excluding Ten Year Option 1 Loans) and 20 years with respect to Option 3 Loans and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Fixed Rate Ten Year Option 1 Loan means an Eligible Student Loan made under the NJCLASS Loan Program with a fixed rate of interest for a loan term not to exceed 10 years with respect to Option 1 Loans and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

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

Interest Accrual Period shall mean, initially, the period commencing on the Issue Date and ending on September 1, 2014 and thereafter, with respect to each Quarterly Payment Date, the period beginning on and including the immediately preceding Quarterly Payment Date and ending on the day immediately preceding such current Quarterly Payment Date.

Investor Letter shall mean the form of letter set forth in Schedule D attached hereto.

Issue Date means the date of delivery upon original issuance of the Series 2014-1 Bonds, which is June 19, 2014.

LIBOR shall mean Two-Month LIBOR or Three-Month LIBOR, as applicable.

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

Loan Rate means, for 2014-1 NJCLASS Loans, the nominal interest rate charged by the Authority for the Eligible Student Loan. The Loan Rate for Eligible Student Loans made with proceeds of the Series 2014-1 Bonds is set forth in or determined in accordance with Section 5.2 of this Third Supplemental Indenture, and such Eligible Student Loans shall not be made at other than such Loan Rate unless approved by an Authorized Officer and there shall have been delivered to the Trustee (i) a Bond Counsel's Opinion to the effect that the revised Loan Rate is authorized or permitted by the Act, the 2012 Indenture (including this Third Supplemental Indenture) and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2014-1 Bonds, (ii) a Cash Flow Statement taking into account the revised Loan Rate and (iii) a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P; provided that, if Additional Bonds or Subordinate Obligations are issued under the 2012 Indenture prior to the end of the Origination Period to fund Eligible Loans for academic year 2014/2015 or 2015/2016, then, at the option of the Authority, 2014-1 NJCLASS Loans to be Originated with remaining proceeds of the Series 2014-1 Bonds from and after the issue date of such Additional Bonds and/or Subordinate Obligations shall be Originated at the same Loan Rates as those established for the Additional Bonds and/or Subordinate Obligations, from and after the issue date of such Additional Bonds and/or Subordinate Obligations through the remainder of the Origination Period, if there has been delivered to the Trustee evidence in the form of a letter or Rating Agency Condition from each Rating Agency that the change in the Loan Rate will not in

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no release of funds in the Revenue Fund under Section 5.5(A)(1)(xiv) of the 2012 Indenture on and after December 1, 2023, unless there shall have been delivered to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. Upon receipt of such Rating Agency Condition, the revised Parity Percentage Requirement shall apply to all Series of Bonds issued under the 2012 Indenture. For purposes of the definition of Parity Percentage Requirement, "Accrued Liabilities" means, with respect to any date, the sum of the principal of and unpaid interest on all Outstanding Bonds and Subordinate Obligations, plus all accrued but unpaid Program Expenses.

Person or "person" means any natural person and any firm, partnership, joint venture, joint-stock company, trust, association, unincorporated organization or corporation, or other entity, or public body government or political subdivision, including any state or federal agency.

Quarterly Payment Date shall mean the first (1st) day of March, June, September, and December, or if such day is not a Business Day, the immediately succeeding Business Day, commencing on September 2, 2014.

Quarterly Report Date means, with respect to the Calendar Quarter ending on (i) March 31, on or before the following May 15, (ii) June 30, on or before the following August 15, (iii) September 30, on or before the following November 15 and (iv) December 31, on or before the following February 15, as applicable.

Rating Agency shall mean Moody's and S&P.

Record Date means (i) with respect to the Series 2014-1A-1 Bonds and the Series 2014-1B Bonds, the date set forth in the Original Indenture, and (ii) with respect to the Series 2014-1A-2 Bonds the Business Day immediately preceding each Quarterly Payment Date and each other Payment Date.

Recycling Period means the period commencing on the Issue Date and ending on October 1, 2015 with respect to the use of Recoveries of Principal to Originate new Fixed Rate Standard NJCLASS Loans Option 1 or 2, with respect to fixed rate recycling or Variable Rate Ten Year Option 1 Loans with respect to variable rate loan recycling; provided that the Recycling Period shall end on such earlier date, if any, on which an Event of Default shall occur and be continuing and the Recycling Period may be extended if there shall have been delivered to the Trustee a Rating Agency Condition from each Rating Agency and notice of such extension is provided to Bondholders promptly upon receipt of the Rating Agency Condition.

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

Second Supplemental Indenture means the Second Supplemental Indenture dated as of June 1, 2013 by and between the Authority and the Trustee authorizing the issuance of the Series 2013-1 Bonds.

Senior Parity means the ratio, expressed as a percentage, of (a) Accrued Assets over (b) Accrued Liabilities. For purposes of the definition of Senior Parity, "Accrued Liabilities" means with respect to any date, the sum of the principal of and unpaid interest on all

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Outstanding Bonds (excluding all Outstanding Subordinate Obligations), plus all accrued but unpaid Program Expenses.

Senior Series 2014 Bonds means the Series 2014-1A-1 Bonds maturing in the years 2015 through and including 2036 and the Series 2014-1A-2 Bonds maturing in 2023 which constitute Bonds under the 2012 Indenture.

Series 2012-1 Bonds means the \$259,300,000 Student Loan Revenue Bonds, Series 2012-1 of the Authority, consisting of \$248,300,000 Senior Student Loan Revenue Bonds, Series 2012-1A and \$11,000,000 Subordinate Student Loan Revenue Bonds, Series 2012-1B and dated June 28, 2012.

Series 2013-1 Bonds means the \$200,000,000 Student Loan Revenue Bonds, Series 2013-1 of the Authority, consisting of \$180,000,000 Senior Student Loan Revenue Bonds, Series 2013-1A and \$20,000,000 Subordinate Student Loan Revenue Bonds, Series 2013-1B and dated June 20, 2013.

Series 2014-1 Bond Resolution means the resolution of the Authority adopted on April 3, 2014 authorizing the issuance and delivery of the Series 2014-1 Bonds.

Series 2014-1 Bonds means, collectively, the two Series of Senior Series 2014 Bonds and Subordinate Series 2014 Bonds authorized by Section 2.1 of this Supplemental Indenture and entitled "Student Loan Revenue Bonds, Series 2014-1."

Series 2014-1A-2 Bond Rate shall mean, for any Interest Accrual Period, other than the first Interest Accrual Period, the applicable Three-Month LIBOR plus 1.50% (but in no event greater than 8.00%), as calculated by the Trustee. For the first Interest Accrual Period, the Series 2014-1A-2 Bond Rate shall be calculated by reference to the following formula:

$x + [(a/b) * (y-x)]$ plus 1.50%, subject to a 8.00% maximum rate, as determined by the Trustee.

where: x = Two-Month LIBOR;

y = Three-Month LIBOR, in each case, as of the second Business Day before the start of the initial Interest Accrual Period;

a = the actual number of days from the maturity date of Two-Month LIBOR to the first Quarterly Payment Date; and

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

Series 2014-1A-2 Maturity Date shall mean December 1, 2023.

Servicing Report shall have the meaning given to such term in Section 5.4(A) of this Supplemental Indenture.

Subordinate Series 2014 Bonds means the Series 2014-1B Bonds maturing in the year 2044, which constitute Subordinate Obligations under the 2012 Indenture.

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2014-1 Excess Yield Account means the account of the Excess Yield Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 Fixed Rate Repayment Subaccount means the subaccount of the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 NJCLASS Fixed Rate Standard Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 NJCLASS Loan means a 2014-1 Student Loan made with expenditures from the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 Consolidation Loan Account or 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account

2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 NJCLASS Variable Rate Standard Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 Option 3 Loan Subaccount means the subaccount of the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 Rebate Account means the account of the Rebate Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 Reserve Requirement means the Debt Service Reserve Fund Requirement applicable to the Series 2014-1 Bonds as specified in Section 3.4 of this Third Supplemental Indenture.

2014-1 Revenue Account means the account of the Revenue Fund established pursuant to Section 3.1 of this Third Supplemental Indenture.

2014-1 Student Loan means an Eligible Student Loan which is a Fixed Rate Standard NJCLASS Loan, including a Fixed Rate Ten Year Option 1 Loan, Variable Rate Ten Year Option 1 Loan, Fixed Rate Graduate/Professional Loan or Consolidation Loan.

2014-1 Variable Rate Repayment Subaccount means the subaccount of the 2014-1 NJCLASS Variable Rate Standard Student Loan Account established pursuant to Section 3.1 of this Supplemental Indenture.

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Ten Year Option 1 Loan means collectively the Fixed Rate Ten Year Option 1 Loan and the Variable Rate Ten Year Option 1 Loan.

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

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

Trustee means Wells Fargo Bank, National Association, or its successors or assigns.

2012 Indenture shall have the meaning given to such term in the recitals to this Third Supplemental Indenture.

2012-1 NJCLASS Loan shall have the meaning given to such term in the First Supplemental Indenture.

2013-1 NJCLASS Loan shall have the meaning given to such term in the Second Supplemental Indenture.

2014-1 Capitalized Interest Account means the account of the Capitalized Interest Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 Consolidation Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2014-1 Debt Service Reserve Account means the account of the Debt Service Reserve Fund established pursuant to Section 3.1 of this Supplemental Indenture.

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2014-1 Variable Rate Revenue Subaccount means the subaccount of the 2014 Revenue Account established pursuant to Section 3.1 of this Third Supplemental Indenture.

Underwriter shall mean Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as representative on behalf of itself and the other underwriters listed on the front cover page of the Official Statement, as purchaser of the Series 2014-1A-1 Bonds and Series 2014-1B Bonds pursuant to the Fixed Rate Bond Purchase Agreement.

United States Bankruptcy Code means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

Variable Rate Bond Purchase Agreement means the Variable Rate Bond Purchase Agreement, dated April 28, 2014, between Banc of America Preferred Funding Corporation, as Direct Purchaser, and the Authority for the purchase and sale of the Series 2014-1A-2 Bonds.

Variable Rate Ten Year Option 1 Loan means an Eligible Student Loan made under the NJCLASS Loan Program with a variable rate of interest for a loan term not to exceed 10 years with respect to Option 1 Loans at a rate of 3-Month LIBOR plus 4.25%, but subject to a 9.50% maximum rate, and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Any reference in this Supplemental Indenture to making, originating, purchasing or acquiring (or similar words) 2014-1 Student Loans shall mean and include all such terms and words.

Section 1.3. **Authority.** This Supplemental Indenture is executed pursuant to the provisions of the Act, the 2012 Indenture, and the Series 2014-1 Bond Resolution. Nothing in this Third Supplemental Indenture, expressed or implied, is intended to or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Paying Agent, the Registrar, any other Fiduciary and the owners of the Series 2014-1 Bonds, any right, remedy or claim under or by reason of this Third Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Third Supplemental Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Paying Agent, the Registrar, any other Fiduciary and the owners of the Series 2014-1 Bonds.

Section 1.4. **Time.** All references to time in this Supplemental Indenture shall refer to New York City time unless otherwise provided herein.

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ARTICLE II
AUTHORIZATION, TERMS, AND
ISSUANCE OF SERIES 2014-1 BONDS

Section 2.1. Principal Amount, Designation, and Series. (a) Pursuant to the provisions of the 2012 Indenture and in particular Sections 2.5 and 8.1 thereof, the Senior Series 2014 Bonds are hereby authorized in the aggregate principal amount of \$[207,000,000], consisting of \$[182,000,000] Series 2014-1A-1 Bonds and \$25,000,000 Series 2014-1A-2 Bonds and the Subordinate Series 2014 Bonds are hereby authorized in the aggregate principal amount of \$[13,000,000], for a total authorization of Series 2014-1 Bonds in the aggregate principal amount of \$[220,000,000]. The Senior Series 2014 Bonds shall be distinguished from the Bonds of all other Series by the title "Senior Student Loan Revenue Bonds, Series 2014-1A-1" and "Senior Student Loan Revenue Bonds, Series 2014-1A-2." The Subordinate Series 2014 Bonds shall be distinguished from the Bonds or Subordinate Obligations of all other Series by the title "Subordinate Student Loan Revenue Obligations, Series 2014-1B."

(b) The Senior Series 2014 Bonds shall be issued as, and shall constitute, Bonds under the 2012 Indenture and shall be payable as Bonds as provided therein. The Subordinate Series 2014 Bonds shall be issued as, and shall constitute Subordinate Obligations under the 2012 Indenture and shall be payable as Subordinate Obligations as provided therein and herein. The Subordinate Series 2014 Bonds shall bear the terms and provisions of Bonds under Article III of the 2012 Indenture and shall otherwise have the terms and conditions for the Series 2014-1 Bonds as set forth herein, except as specifically provided in Section 3.5 hereof.

(c) The Senior Series 2014 Bonds and Subordinate Series 2014 Bonds are part of the same Series, including for purposes of Section 5.5(A)(1)(ix) of the 2012 Indenture.

Section 2.2. Purposes. (a) The Series 2014-1 Bonds are issued for the purpose of: (i) making deposits into the Student Loan Fund established pursuant to the 2012 Indenture in the amounts and in the Accounts set forth in Article III hereof to be applied as set forth therein and herein, including, without limitation, to Originate 2014-1 NJCLASS Loans, and (ii) making deposits into special trust accounts established pursuant to the 2012 Indenture as required by and in the amounts specified in Article III hereof. The Senior Series 2014 Bonds and the Subordinate Series 2014 Bonds shall be issued as Tax-Exempt Obligations. The Series 2014-1A-1 Bonds and the Series 2014-1B Bonds shall be issued as fixed rate Tax Exempt Obligations and the Series 2014-1A-2 Bonds shall be issued as variable rate Tax-Exempt Obligations.

(b) The 2014-1 NJCLASS Loans shall satisfy the criteria set forth in Schedule C attached hereto unless the Authority receives a Rating Agency Condition from Moody's waiving or permitting a change in such criteria and twenty (20) days prior written notice to S&P.

Section 2.3. Date, Maturities, and Interest Rate. The Series 2014-1 Bonds shall be payable at the places and in the manner set forth in the 2012 Indenture, this Third Supplemental Indenture and Schedule B attached hereto. The Series 2014-1 Bonds shall consist of serial bonds and term bonds, which shall be dated the Issue Date, shall bear interest, shall mature, shall be payable and shall be subject to redemption as described in Schedule A attached hereto and in Section 2.8 hereof.

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The Authority and the Trustee will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting.

Whenever, during the term of the Series 2014-1 Bonds, the beneficial ownership thereof is determined by a book-entry at DTC, the requirements in the 2012 Indenture for holding, delivering or transferring Series 2014-1 Bonds shall be deemed modified to require the appropriate person to meet the requirements of DTC as to registering or transferring the book-entry to produce the same effect.

The Authority hereby authorizes and directs the execution and delivery by an Authorized Officer of the Authority of a Letter of Representation or Letter of Representations, if required, with DTC and the Trustee in the standard form to effectuate a book-entry-only system with respect to the Series 2014-1 Bonds.

If, at any time, DTC ceases to hold such Series 2014-1 Bonds, all references to DTC with respect to such Series 2014-1 Bonds shall be of no further force or effect except that, if the Authority shall appoint a successor securities depository company, such references shall be deemed to refer to such successor securities depository company.

Section 2.8. Redemption of Series 2014-1 Bonds. (a) The Series 2014-1 Bonds shall be subject to redemption as follows:

(A) Optional Redemption. The Series 2014-1 Bonds maturing prior to December 1, 2024 are not subject to optional redemption prior to maturity. The Series 2014-1 Bonds maturing on and after December 1, 2024 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2023 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) Mandatory Redemption Resulting From Non-Origination. The Series 2014-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2014 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2014-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2014-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2014-1 Bonds remaining in the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2014-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2014-1 Bonds shall be equal to the amount designated to be Originated by the expiration of each Origination Period less the amount actually used to Originate 2014-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph (b) shall be applied, first, to the extent the redemption is triggered by non-origination of Variable Rate Ten Year Option 1 Loans as described in the definition of Origination Period, to the redemption of Series 2014-1A-2 Bonds in an amount approximately equal to the difference between the amounts of Variable

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Section 2.4. Form, Denomination, Numbers, and Letters. The Series 2014-1 Bonds shall be issued in the form of fully registered bonds without coupons, and the Series 2014-1 Bonds (and the Authenticating Agent's Certificate of Authentication) shall be issued in substantially the forms set forth in Schedule B attached hereto. The Series 2014-1 Bonds shall be issued in the Authorized Denominations and shall be numbered separately from 1 upward and may be preceded by a letter or letters so as to distinguish such Series of Series 2014-1 Bonds.

Section 2.5. Appointment of Paying Agent and Dissemination Agent. Wells Fargo Bank, National Association is hereby appointed the Paying Agent with respect to the Series 2014-1 Bonds and the dissemination agent for the Series 2014-1A-1 Bonds and the Subordinate Series 2014 Bonds pursuant to the Continuing Disclosure Agreement dated the Issue Date, between the Authority and the Trustee, acting as dissemination agent. For so long as Wells Fargo Bank, National Association is acting as Trustee it shall also act as Paying Agent.

Section 2.6. Appointment of Registrar and Authenticating Agent. (a) Wells Fargo Bank, National Association is hereby appointed Registrar with respect to the Series 2014-1 Bonds. For so long as Wells Fargo Bank, National Association is acting as Trustee it shall also act as Registrar and Authenticating Agent.

(b) The Authority hereby determines that the appointment of an Authenticating Agent is necessary to the issuance of the Series 2014-1 Bonds and hereby appoints Wells Fargo Bank, National Association, as Authenticating Agent with respect to the Series 2014-1 Bonds.

Section 2.7. Book Entry; Letter of Representation. The Series 2014-1 Bonds shall be issued in book-entry-only form and shall be issued initially in the name of Cede & Co., as nominee for DTC, as registered owner of such Series 2014-1 Bonds, and held in the custody of DTC. The actual purchasers of the Series 2014-1 Bonds (the "Beneficial Owners") will not receive physical delivery of Series 2014-1 Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each Series 2014-1 Bond acquired. For so long as DTC shall continue to serve as securities depository for such Series 2014-1 Bonds, all transfers of beneficial ownership interests will be made by book-entry-only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Series 2014-1 Bonds is to receive, hold or deliver any Series 2014-1 Bond certificate.

For every transfer and exchange of Series 2014-1 Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner's allocable share of any tax, fee or other governmental charge that may be imposed in relation thereto. Certificates for Series 2014-1 Bonds are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) DTC determines to discontinue providing its service with respect to Series 2014-1 Bonds, in which case such a determination may be made at any time by the giving of notice to the Authority and the Trustee discharging its responsibilities with respect thereto under applicable law; and

(b) The Authority determines that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners, the Authority or the State.

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Rate Ten Year Option 1 Loans required to be Originated pursuant to the definition of Origination Period less the amount of Variable Rate Ten Year Option 1 Loans actually Originated as set forth in the origination report provided per Section 5.4(B) of this Third Supplemental Indenture, second, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], third, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1 in the years [2015] through [2022], inclusive, [2024] through [2029], inclusive, [2032], and [2036], pro rata, and fourth, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

Senior Series 2014 Bonds Maturing on	CUSIP No.	3/1/2015	8/1/2015	11/1/2015
12/1/2015				
12/1/2016				
12/1/2017				
12/1/2018				
12/1/2019				
12/1/2020				
12/1/2021				
12/1/2022				

(C) Special Optional Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, in each of the years 2015 through 2022, inclusive) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date after October 1, 2015 (the end of the Recycling Period), pursuant to Section 5.5(A)(1)(xii) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph (C) shall be applied, first, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period on the Servicing Report (subject to Authorized Denominations), second, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], third, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, pro rata, and fourth, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

For purposes of Sections 2.8(a)(C) and (D), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2014-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2014-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2014-1 Bonds on the next succeeding December 1 is reserved to remain in the 2014-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

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**ESTABLISHMENT OF ADDITIONAL ACCOUNTS, APPLICATION OF
PROCEEDS OF THE SALE OF SERIES 2014-1 BONDS;
AND USE AND DISBURSEMENTS OF ACCOUNTS**

(D) Special Mandatory Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, 2015 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) on any date, if the Parity Percentage is below 105%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph shall be applied, *first*, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period in the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

(E) Partial Redemption. Any partial redemption of the Series 2014-1 Bonds shall be in the largest integral multiples of the minimum Authorized Denomination derived from the amounts to be applied to such redemption; provided, however, the remaining Series 2014-1 Bonds left Outstanding must be in Authorized Denominations.

(b) (A) The Authority may elect to apply moneys available in the Revenue Fund for the redemption of the Series 2014-1 Bonds pursuant to Section 2.8(a)(A), (C) or (D) hereof.

(B) The Authority may elect to apply moneys available in the Revenue Fund to the payment or redemption of other Series of Bonds or to some other purpose if:

(i) notice of redemption of the Bonds from such moneys shall not have been given; and

(ii) the Authority shall deliver to the Trustee at least twenty (20) Business Days prior to such election, a Cash Flow Statement taking into account the application of such moneys to the payment or redemption of other Bonds or to some other purpose, and the Authority shall deliver to the Trustee at least ten (10) days prior to such election, a Bond Counsel's Opinion to the effect that the application of such moneys in accordance with the Authority's election will not adversely affect the exclusion from gross income for federal income tax purposes of interest on such Bonds.

Section 3.1. Establishment of Accounts. In addition to the Accounts previously established under the 2012 Indenture, the Trustee is directed to establish the following additional Accounts: the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account (and within the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, the 2014-1 Option 3 Loan Subaccount and the 2014-1 Fixed Rate Repayment Subaccount); the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account; the 2014-1 NJCLASS Variable Rate Standard Student Loan Account (and within the 2014-1 NJCLASS Variable Rate Standard Student Loan Account, a 2014-1 Variable Rate Repayment Subaccount); the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account; the 2014-1 Consolidation Loan Account; the 2014-1 Capitalized Interest Account; the 2014-1 Revenue Account (and within the 2014-1 Revenue Account, a 2014-1 Variable Rate Revenue Subaccount); the 2014-1 Rebate Account; the 2014-1 Excess Yield Account; and the 2014-1 Debt Service Reserve Account. In accordance with the Act, the 2014-1 Debt Service Reserve Account is hereby designated as part of the New Jersey Higher Education Student Assistance Capital Reserve Fund for purposes of the Series 2014-1 Bonds. The Authority may, from time to time, direct the Trustee in writing to establish additional Accounts or Subaccounts in accordance with the 2012 Indenture or to close any Account or Subaccount during any period that no money is deposited in such Account or Subaccount. The 2014-1 Fixed Rate Repayment Subaccount and the 2014-1 Variable Rate Repayment Subaccount shall each be closed following the expiration of the respective Recycling Period. Except as otherwise provided in this Third Supplemental Indenture, the moneys and securities relating to the Series 2014-1 Bonds (including Revenues and Recoveries of Principal arising from the 2014-1 Student Loans) deposited in the Accounts created hereby shall not be commingled with any moneys or securities relating to any other Series of Bonds heretofore or hereafter issued under the 2012 Indenture, if any, and deposited in the respective Accounts to which they relate, and moneys and securities required to be transferred between Accounts pursuant to Article V of the 2012 Indenture in respect of the Series 2014-1 Bonds shall only be transferred between the respective Accounts to which they relate, except to the extent that: (i) if the amounts deposited in the Accounts (excluding amounts deposited in the Accounts for the Series 2014-1 Bonds) are insufficient for required transfers or payments with respect to then Outstanding Bonds other than the Series 2014-1 Bonds or other amounts transferable or payable therefrom; or (ii) if the amounts deposited in the Accounts for the Series 2014-1 Bonds are insufficient for required transfers or payments with respect to the Series 2014-1 Bonds or other amounts transferable or payable therefrom, amounts on deposit in the Accounts shall be deemed commingled for purposes of making required transfers and payments in accordance with Article V of the 2012 Indenture.

Section 3.2. Application of Series 2014-1 Bond Proceeds and Use of 2014-1 Accounts. (A) \$_____ (equal to the aggregate principal amount of Series 2014-1 Bonds, plus net original issue premium paid to the Authority in the amount of \$_____, plus other available funds of the Authority in the amount of \$_____) shall be deposited with the Trustee for transfer to the following Accounts (the Authority shall pay the Underwriter's fee of \$_____ from otherwise available funds of the Authority from proceeds of the Series 2014-1 Bonds) and shall retain \$_____ of such fee to be released to Merrill Lynch, Pierce, Fenner & Smith Incorporated, upon satisfactory completion of the conditions in Section 8(d) of the Purchase Contract):

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- (a) To the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, the amount of \$_____ consisting of \$_____ from proceeds of the Series 2014-1 Bonds and \$_____ from other available funds of the Authority to Originate Option 1 and Option 2 Fixed Rate Standard NJCLASS Loans, excluding Ten Year Option 1 Loans; and
- (b) To the 2014-1 Option 3 Loan Subaccount, the amount of \$35,000,000 to be used to Originate Option 3 Loans; and
- (c) To the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, the amount of \$25,000,000 to Originate Ten Year Option 1 Loans; and
- (d) To the 2014-1 NJCLASS Variable Rate Standard Student Loan Account, the amount of \$25,000,000 to Originate Ten Year Option 1 Loans; and
- (e) To the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, the amount of \$6,000,000 to Originate Fixed Rate Graduate/Professional NJCLASS Loans; and
- (f) To the 2014-1 Consolidation Loan Account, the amount of \$35,000,000 to Originate Consolidation Loans; and
- (g) To the 2014-1 Capitalized Interest Account, the amount of \$12,000,000 which shall be applied to the payment of interest on the Series 2014-1 Bonds as provided in Section 3.2(F) below; and
- (h) To the 2014-1 Debt Service Reserve Account, the amount of \$[4,400,000] in satisfaction of the 2014-1 Reserve Requirement.

(B) During the Origination Period, the Authority may direct the Trustee in writing to transfer funds, subject to the origination limitations set forth in Section 3.11 hereof:

- (a) on deposit in the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to the 2014-1 Consolidation Loan Account or the 2014-1 NJCLASS Fixed Rate Student Loan Account to Originate Consolidation Loans (up to a maximum of \$41 million) or Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans, respectively;
- (b) an amount not exceeding \$5 million on deposit in the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account to the 2014-1 NJCLASS Fixed Rate Student Loan Account to Originate Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans;
- (c) on deposit in the 2014-1 Consolidation Loan Account to the 2014-1 NJCLASS Fixed Rate Student Loan Account to Originate Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans; and
- (d) such other account as the Authority may direct the Trustee in writing; provided the Authority deliver to the Trustee a letter from each Rating Agency that the transfer of funds would not, in and of itself, result in a decrease or withdrawal of any public rating on the Series 2014-1 Bonds.

Moneys transferred from the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 Consolidation Loan Account and 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to Originate 2014-1 NJCLASS Loans shall be transferred, to the extent available, from the Account corresponding to the type of 2014-1 NJCLASS Loan being Originated.

(C) All Recoveries of Principal with respect to 2014-1 Student Loans shall be deposited by the Trustee upon the written direction of the Authority (a) during the Recycling Period, (i) with respect to fixed rate Student Loans to the 2014-1 Fixed Rate Repayment Subaccount within the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account to Originate new Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans or (ii) with respect to variable rate loans, to the 2014-1 Variable Rate Repayment Subaccount within the 2014-1 NJCLASS Variable Rate Standard Student Loan Account, and (b) following the Recycling Period, with respect to fixed rate loans to the 2014-1 Revenue Account or with respect to variable rate loans to the 2014-1 Variable Rate Revenue Subaccount. All Revenues from 2014-1 Student Loans shall be deposited in the 2014-1 Revenue Account. The Authority shall identify in writing to the Trustee Recoveries of Principal and Revenues as they are received by the Authority and into which Accounts the Recoveries of Principal and Revenues should be deposited. At conclusion or other termination of the Recycling Period, any funds remaining in the 2014-1 Fixed Rate Repayment Subaccount within the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account or the 2014-1 Variable Rate Repayment Subaccount within the 2014-1 NJCLASS Variable Rate Standard Student Loan Account will be transferred to the 2014-1 Revenue Account and both the 2014-1 Fixed Rate Repayment Subaccount and 2014-1 Variable Rate Repayment Subaccount will each be closed.

(D) Student Loan Fund. (a) \$_____ from proceeds of the Series 2014-1 Bonds and \$_____ from the other available funds of the Authority set forth in Section 3.2 shall be deposited in the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account to Originate Fixed Rate Standard NJCLASS Loans (including \$35,000,000 to be held in the 2014-1 Option 3 Loan Subaccount and used to Originate Option 3 Loans); (b) \$25,000,000 from proceeds of the Series 2014-1 Bonds shall be deposited in the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account to Originate Fixed Rate Ten Year Option 1 Loans; (c) \$25,000,000 from proceeds of the Series 2014-1 Bonds shall be deposited in the 2014-1 NJCLASS Ten Year Variable Rate Student Loan Account to Originate Ten Year Variable Rate Option 1 Loans; (d) \$6,000,000 from proceeds of the Series 2014-1 Bonds shall be deposited in the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to be used to Originate Fixed Rate Graduate/Professional NJCLASS Loans; and (e) \$35,000,000 from proceeds of the Series 2014-1 Bonds shall be deposited in the 2014-1 Consolidation Loan Account to be used to Originate Consolidation Loans.

(E) 2014-1 Capitalized Interest Account. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the 2014-1 Capitalized Interest Account, to the extent funds are on deposit in such Account, to the 2014-1 Revenue Account an amount necessary so that the amount in the 2014-1 Revenue Account is sufficient to pay the interest due on the Series 2014-1 Bonds on such Interest Payment Date. On each Release Date in Schedule 1 set forth below, the Trustee may, at the written direction of the Authority, reduce the amount on deposit in the 2014-1 Capitalized Interest Account in accordance with Schedule 1 set forth below. Any amounts on deposit in the 2014-1 Capitalized Interest Account in excess of the amounts set forth in Schedule 1 below, shall be transferred from the 2014-1 Capitalized Interest Account to the 2014-1 Revenue Account.

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Schedule 1:

<u>Release Date</u>	<u>Maximum Amount on Deposit in Account</u>
Initial deposit (Issue Date):	\$12,000,000
12/1/2015	6,000,000
12/1/2016	2,000,000
12/1/2017	0

(F) 2014-1 Revenue Account. (a) On each Payment Date, the Authority shall pay the amount of interest, Principal Installments or Sinking Fund Payments, as applicable, for the Senior Series 2014 Bonds coming due on such date, and to the extent funds are sufficient therefor and subject to Section 3.5 of this Supplemental Indenture, the Authority shall pay the amount of interest, principal or of sinking fund payments, as applicable, for the Subordinate Series 2014 Bonds, in the order of priority established by Section 5.5(A)(1) of the 2012 Indenture.

(b) On each Payment Date prior to the termination of the Recycling Period, any funds remaining in the 2014-1 Revenue Account, after payment of the Principal Installment or interest due and payable on the Senior Series 2014 Bonds on such Payment Date and, to the extent funds are sufficient therefor, and subject to Section 3.5 of this Supplemental Indenture, after payment of the principal or interest on the Subordinate Series 2014 Bonds and provided all transfers required by Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, may be transferred to the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account at the written direction of the Authority.

(G) 2014-1 Debt Service Reserve Account. The 2014-1 Debt Service Reserve Account shall be funded with proceeds of the Series 2014-1 Bonds in an amount equal to the 2014-1 Reserve Requirement calculated upon issuance of the Series 2014-1 Bonds.

Section 3.3. Instructions to Trustee Concerning Certain Program Expenses and Certain Costs of Issuance. (A) The Trustee is hereby instructed to pay, from the moneys deposited to the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 Consolidation Loan Account, 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, 2014-1 Revenue Account, or the 2014-1 Capitalized Interest Account, the Program Expenses, as may be indicated in a Certificate of an Authorized Officer of the Authority delivered to the Trustee on the Issue Date, and from time to time thereafter in conformance with Sections 5.4 and 5.5 of the 2012 Indenture and this Supplemental Indenture.

(B) The Underwriter's fee, and the costs and expenses incurred in connection with the authorization, issuance and delivery of the Series 2014-1 Bonds shall be paid for by the Authority from other available funds of the Authority or, at the direction of the Authority from a portion of the proceeds of the 2014-1 Bonds.

Section 3.4. 2014-1 Reserve Requirement. Upon issuance of the Series 2014-1 Bonds, the 2014-1 Reserve Requirement shall be the amount of \$[4,400,000] (equal to two percent (2%) of the original principal amount of Series 2014-1 Bonds) and shall be funded with proceeds of the Series 2014-1 Bonds. Thereafter, as of any date of calculation, the 2014-1

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Reserve Requirement shall equal the greater of (i) two percent (2%) of the principal amount of Outstanding Series 2014-1 Bonds on such date and (ii) \$1,000,000.

Section 3.5. Subordinate Series 2014 Bonds. Anything in the 2012 Indenture to the contrary notwithstanding, no interest on the Subordinate Series 2014 Bonds otherwise due with respect to a Suspended Interest Period shall be paid to Subordinate Series 2014 Bondholders until the applicable Restoration Interest Date (subject to the sufficiency of funds and Parity Percentage Requirement as described below). Suspended Interest Period means the period commencing on any Suspension Interest Date on or after June 1, 2015, to, but not including the next succeeding Interest Payment Date. A Suspension Interest Date shall mean any Interest Payment Date if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA (as defined herein) on such Quarterly Report Date is less than eighty percent (80%).

Interest not paid with respect to any Suspended Interest Period shall accrue at the applicable stated Subordinate Series 2014 Bond rate and shall be paid, together with interest thereon at the applicable stated Subordinate Series 2014 Bond rate (together, "Carry-over Interest") on the next succeeding Restoration Interest Date; provided Carry-over Interest shall be paid from funds in the 2014-1 Revenue Account after the transfers and payments set forth in clauses (i) through (xiii) of Section 5.5(A)(1) of the 2012 Indenture have been made, but before any funds can be released to the Authority pursuant to Section 5.5(A)(1)(xiv) of the 2012 Indenture, provided further that the Parity Percentage Requirement has been met and provided further that non-payment of Carry-over Interest due to insufficient funds in the Revenue Fund shall not be deemed an Event of Default under the 2012 Indenture. Interest on Carry-over Interest shall continue to accrue until the earlier of the Interest Payment Date on which the Parity Percentage Requirement is met and such Carry-over Interest can be paid or final maturity of the Subordinate Series 2014 Bonds. A Restoration Interest Date shall mean the Interest Payment Date next succeeding a Restoration Event. A Restoration Event shall mean any Interest Payment Date if, as of the Quarterly Report Date next preceding such Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA (as defined herein) on such Quarterly Report Date is at or above eighty percent (80%).

If, as of the Quarterly Report Date next preceding an Interest Payment Date (e.g. May 15 for the Calendar Quarter ending March 31 or November 15 for the Calendar Quarter ending September 30), the Parity Percentage as listed in the Servicing Report (as defined in Section 4.4) posted on EMMA (as defined herein) on such Quarterly Report Date is at or above eighty percent (80%), interest on the Subordinate Series 2014 Bonds shall accrue and be paid on the next succeeding Interest Payment Date as required by Section 5.5(A)(1)(vi) of the 2012 Indenture.

For illustration purposes only, if the Parity Percentage as listed in the Servicing Report posted on May 15, 2015 for the Calendar Quarter ending March 31, 2015 is 78%, then no interest would be paid on December 1, 2015 for the period commencing June 1, 2015 through, but not including December 1, 2015, but such interest would accrue and be paid, together with interest thereon as Carry-over Interest for such Suspension Interest Period on June 1, 2016 (assuming sufficiency of funds and meeting the Parity Percentage Requirement). If the Parity Percentage as listed in the Servicing Report on November 15, 2015 for the

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Calendar Quarter ending September 30, 2015 is 82%, the interest would accrue for the period December 1, 2015 through but not including June 1, 2016 and would be paid on June 1, 2016.

Section 3.6. Option 3 Loan Limitations. Unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and provides twenty (20) days prior written notice to S&P, the Authority hereby agrees that it shall not Originate Option 3 Loans from proceeds of the Series 2014-1 Bonds or otherwise permit a 2014-1 Fixed Rate Standard NJCLASS Loan Originated from proceeds of the Series 2014-1 Bonds to become an Option 3 Loan (computed as of the date of origination of each Option 3 Loan or such later date as a 2014-1 NJCLASS Loan is to become an Option 3 Loan and without regard to any amount of deferred interest which may be added to principal), in an aggregate principal amount of all such Option 3 Loans which are Fixed Rate Standard NJCLASS Loans greater than \$35,000,000.

Section 3.7. Amount of Program Expenses. The Authority hereby agrees and covenants that the payment of Program Expenses for the NJCLASS Loan Program pursuant to the 2012 Indenture as of any date shall not exceed the amount of Program Expenses for the NJCLASS Loan Program set forth in the most recent Cash Flow Statement delivered prior to such date.

Section 3.8. Rating Agency Permitted Investments. As long as the Series 2014-1 Bonds are rated by Moody's, all requirements for a rating by Moody's or S&P in the definition of Investment Securities shall not be deemed satisfied with respect to an investment rated by Moody's unless Moody's has provided the required rating or waived such requirement. In addition, as long as the Series 2014-1 Bonds are rated by S&P, all requirements for a rating by Moody's or S&P in the definition of Investment Securities shall not be deemed satisfied with respect to an investment rated by S&P unless S&P has provided the required rating or waived such requirement. The Authority shall initially invest the proceeds of the Series 2014-1 Bonds in Wells Fargo Bank's Secured Institutional Money Market Account which currently constitutes Investment Securities. The Authority shall only invest the proceeds of the Series 2014-1 Bonds in Investment Securities, unless waived by each Rating Agency. As the New Jersey Cash Management Fund is not currently rated, the Authority shall not invest the proceeds of the Series 2014-1 Bonds in the New Jersey Cash Management Fund. Each of the Investment Securities may be purchased by the Trustee or through an affiliate of the Trustee. Absent written direction from the Authority (which may be in the form of standing instructions), funds will remain uninvested.

Section 3.9. Events of Default. As long as any Series 2014-1 Bonds are Outstanding, the Events of Default under the 2012 Indenture shall include the occurrence of an Act of Bankruptcy.

Section 3.10. No Indemnification as Condition Precedent. Anything in the 2012 Indenture or herein to the contrary notwithstanding, the Trustee agrees that it may not require indemnification as a condition precedent to (i) making payments of the principal, Redemption Price of and interest on the Series 2014-1 Bonds as required herein or (ii) mailing any notices of redemption or purchase as required hereby, it being understood and agreed, however, that while the Trustee may not require indemnification prior to or as a condition of performing the acts referred to in clauses (i) or (ii) above, the Trustee shall continue to be entitled to indemnification, as otherwise provided herein or in the 2012 Indenture, for such acts.

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Section 3.11 Loan Limitations.

(A) Fixed Rate Graduate/Professional NJCLASS Loans shall only be Originated from the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account. The Authority shall not make Fixed Rate Graduate/Professional NJCLASS Loans in an aggregate principal amount (computed as of the date of origination and without regard to any interest which may be added to principal for Option 3 Loans) exceeding \$6,000,000 without prior written notice to the Rating Agencies.

(B) Fixed Rate Ten Year Option 1 Loans shall only be Originated from the 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account. The Authority shall not make Ten Year Option 1 Loans in an aggregate principal amount (computed as of the date of origination) exceeding \$25,000,000 without prior written notice to the Rating Agencies.

(C) Variable Rate Ten Year Option 1 Loans shall only be Originated from the 2014-1 NJCLASS Variable Rate Standard Student Loan Account. The Authority shall not make Variable Rate Ten Year Option 1 Loans in an aggregate principal amount exceeding \$25,000,000, including additional Variable Rate Ten Year Option 1 Loans made from Recoveries of Principal during the Recycling Period, without prior written notice to the Rating Agencies such that in the aggregate at no time shall there be more than \$25,000,000 Variable Rate Ten Year Option 1 Loans outstanding.

(D) Consolidation Loans shall only be Originated from the 2014-1 Consolidation Loan Account. The Authority shall not make Consolidation Loans in an aggregate principal amount exceeding \$35,000,000 (excluding any amounts transferred from the 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account).

Section 3.12. Loan Servicers and Servicing Acknowledgements.

(A) The Authority agrees that, without delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, the only permitted Servicer of 2014-1 NJCLASS Loans is the Authority.

(B) (i) The Trustee shall have the right to replace the Servicer upon the occurrence of the Event of Default set forth in 10.1(3) of the 2012 Indenture or an Act of Bankruptcy if the Authority fails to take action resulting in the withdrawal or dismissal of such Act of Bankruptcy within 60 days.

(ii) The Trustee may, and at the direction of the Owners of at least 51% in principal amount of Bonds then Outstanding shall, procure a third party successor Servicer and the Authority shall be required to enter into any such contracts with the successor Servicer as may be required in the event of a Servicer Event of Default (as defined in and as provided in the Acknowledgement of Servicing by and between the Authority and the Trustee with respect to the 2014-1 NJCLASS Loans (the "Acknowledgement"). Notwithstanding the foregoing, the removal of the Servicer or the procurement of a successor Servicer shall not be effective until the successor Servicer shall have agreed in writing to be bound by the terms of a Servicing Acknowledgement in the same manner as the Authority, in its capacity as Servicer is bound under the Acknowledgement; and provided further that if the Trustee is unable or unwilling to appoint a successor Servicer, the Trustee shall petition a court of competent jurisdiction to appoint a successor Servicer whose regular business includes the servicing of loans for post-secondary education.

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(C) The Acknowledgement shall not be materially amended by the parties thereto without delivery to the Trustee of a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P.

(D) The Trustee shall provide notice to the Rating Agencies if the Servicer is replaced or if a third-party successor Servicer is contracted by the Authority in accordance with Section 3.13(B) above and the Acknowledgement.

(E) All costs in connection with any transfer of servicing in accordance with Section 3.13(B) above shall constitute Program Expenses.

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Section 4.2. Transfer Restrictions.

The Direct Purchaser may at any time and from time to time in its sole discretion and control sell some or all of the Series 2014-1A-2 Bonds to not more than 35 purchasers each of whom meet the definition of an Accredited Investor and/or a "Qualified Institutional Buyer" as set forth in Rule 144A of the Securities Act (a "Qualified Institutional Buyer") or is a trust or other custodial arrangement established by the Direct Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to Qualified Institutional Buyers and Accredited Investors (any such trust or custodial arrangement, Accredited Investor and Qualified Institutional Buyer are each referred to herein as a "Qualified Bond Purchaser") and each of whom is not purchasing for more than one account or with a view to distributing the Series 2014-1A-2 Bonds. The Direct Purchaser shall comply with all applicable federal and state securities laws in connection with any subsequent distribution or sale of the Series 2014-1A-2 Bonds. The Direct Purchaser shall covenant that it will not sell the Series 2014-1A-2 Bonds to any person or entity that is not a Qualified Bond Purchaser; and will exercise reasonable diligence in determining that any purchaser of the Series 2014-1A-2 Bonds is a Qualified Bond Purchaser. The Direct Purchaser shall acknowledge that the Series 2014-1A-2 Bonds have not been and will not be registered under the Securities Act. The Direct Purchaser shall acknowledge that the Authority shall have no liability if the Direct Purchaser shall subsequently sell the Series 2014-1A-2 Bonds to a person or entity that is not a Qualified Bond Purchaser. The aforesaid covenants and acknowledgements shall be made as of the date of the Variable Rate Bond Purchase Agreement and the Issue Date all as set forth in the form of Investor Letter attached hereto as Schedule D.

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ARTICLE IV

SERIES 2014-1A-2 BOND PAYMENT PROVISIONS; TRANSFER RESTRICTIONS

Section 4.1. Payment of Principal and Interest of Series 2014-1A-2 Bonds.

- (A) The Series 2014-1A-2 Bond shall accrue interest as provided in the form of Series 2014-1A-2 Bond, set forth in Schedule B-2. Such interest shall be payable on each Quarterly Payment Date. Any installment of interest or principal, if any, payable on any Series 2014-1A-2 Bond which is punctually paid or duly provided for by the Authority on the applicable Quarterly Payment Date shall be paid to the Person in whose name such Series 2014-1A-2 Bond is registered on the Record Date by check mailed first-class, postage prepaid to such Person's address as it appears on the records of the Trustee on such Record Date, except that, unless definitive Series 2014-1A-2 Bonds have been issued, with respect to Series 2014-1A-2 Bonds registered on the Record Date in the name of the nominee of Cede & Co., payment shall be made by wire transfer in immediately available funds to the account designated by such nominee and except for the final installment of principal payable with respect to such Series 2014-1A-2 Bond on a Quarterly Payment Date or on the Series 2014-1A-2 Bond Final Maturity Date for such Series 2014-1A-2 Bond which shall be payable as provided below. The amount of interest distributable to Bondholders of the Series 2014-1A-2 Bonds will be calculated by applying the applicable interest rate for the Interest Accrual Period to the principal amount, multiplying that product by the actual number of days in the Interest Accrual Period divided by 360, and rounding the resulting figure to the second decimal point.
- (B) The principal of each Series 2014-1A-2 Bond shall be payable on the Series 2014-1A-2 Maturity Date. Notwithstanding the foregoing, the entire unpaid principal amount of each Series 2014-1A-2 Bond shall be due and payable, if not previously paid pursuant to Section 2.8 of this Third Supplemental Indenture, on the Series 2014-1A-2 Maturity Date and on the date on which an Event of Default shall have occurred and be continuing if the Trustee or the Registered Owners of the Series 2014-1A-2 Bonds representing not less than a majority of the Outstanding Amount of the Series 2014-1A-2 Bonds have declared the Series 2014-1A-2 Bonds to be immediately due and payable in the manner provided in the 2012 Indenture.
- (C) On each LIBOR Determination Date, the Trustee shall make available to the holders of the Series 2014-1A-2 Bonds, via the Trustee's internet website, the Series 2014-1A-2 Bond Rate for each Interest Accrual Period. The Trustee's internet website shall be initially located at "www.CTSLink.com" or at such other address as shall be specified by the Trustee from time to time in writing to the Bondholders. In connection with providing access to the Trustee's internet website, the Trustee may require registration and the acceptance of a disclaimer. The Trustee shall not be liable for the dissemination of information in accordance with this Indenture.

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ARTICLE V

REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE AUTHORITY

Section 5.1. 2014-1 NJCLASS Loan Requirements.

The Authority hereby represents, warrants and covenants that, unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P:

(A) With respect to each disbursement from the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 Consolidation Loan Account or 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account to Originate 2014-1 NJCLASS Loans, as of the related disbursement date:

- (1) the Authority and such disbursement will comply with the requirements of applicable federal and State law,
- (2) the disbursement will be a proper charge against the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 Consolidation Loan Account or 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account,
- (3) all requirements of the 2012 Indenture and this Third Supplemental Indenture in connection with origination of 2014-1 NJCLASS Loans will have been met,
- (4) the Authority will be in compliance with the covenants set forth in the 2012 Indenture and in this Supplemental Indenture,
- (5) no Event of Default will have occurred and be continuing,
- (6) the Recycling Period will not have terminated, and
- (7) the promissory note or notes with respect to each such 2014-1 NJCLASS Loan Originated will be delivered to the Trustee prior to the related disbursement; provided that such promissory note or notes may be executed by wet or electronic signature and, in the case of electronic signatures, copies of such electronic promissory notes will be delivered to the Trustee in accordance with the Authority's e-sign procedures.

(B) Each 2014-1 NJCLASS Loan will:

- (1) be a Fixed Rate Standard NJCLASS Loan, including a Fixed Rate Ten Year Option 1 Loan, Variable Rate Ten Year Option 1 Loan, Fixed Rate Graduate/Professional NJCLASS Loan or Consolidation Loan;

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(2) comply with the covenants set forth in this Article IV and the credit criteria contained in Schedule C hereto; and

(3) be Originated in the principal amount of such 2014-1 NJCLASS Loan plus unpaid accrued interest.

(C) No 2014-1 NJCLASS Loan will have a maturity date that is more than 15 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Option 1 Fixed Rate Standard NJCLASS Loans (excluding Ten Year Option 1 Loans) or Option 2 Fixed Rate Standard NJCLASS Loans, 20 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Option 3 Fixed Rate Standard NJCLASS Loans, 25 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Fixed Rate Graduate/Professional Loans, 10 years after the date of the first disbursement, inclusive of any authorized period of forbearance or deferment, with respect to Ten Year Option 1 Loans or 30 years after the date of the first disbursement, with respect to Consolidation Loans.

(D) The Authority shall not Originate any 2014-1 NJCLASS Loans with a FICO score less than 670 (except for Fixed Rate Graduate/Professional Loans, which do not require FICO score as an underwriting criteria).

(E) The Administrative Fee shall equal 3% of the original principal amount of each 2014-1 NJCLASS Loan, except for Consolidation Loans. Once a 2014-1 NJCLASS Loan has been made, the Authority may not grant any waivers or alterations to the payment structure for such 2014-1 NJCLASS Loan, except the deferral and forbearance options described under the Program Documentation, unless the Authority has received a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P. Of the Administration Fees received, 2% of each 2014-1 NJCLASS Loan, except for Consolidation Loans, shall be deposited in the 2014-1 Fixed Rate Repayment Subaccount within the 2014-1 Fixed Rate Standard Student Loan Account and applied to Originate Option 1 or Option 2 Fixed Rate Standard NJCLASS Loans and 1% shall be retained by the Authority. The Administrative Fee for Consolidation Loans shall equal 1% of the original principal amount of each Consolidation Loan.

(F) The Authority shall not provide borrower benefit programs for the 2014-1 NJCLASS Loans; provided that loan forgiveness in order to reduce excess yield earnings shall not be deemed a borrower benefit program.

(G) No adverse selection process will be used in originating the 2014-1 NJCLASS Loans.

(H) The Authority shall comply with the Origination limitations for Option 3 Loans set forth in Section 3.7 of this Third Supplemental Indenture.

(I) No 2014-1 NJCLASS Loans will be Originated to students attending a school with a Federal cohort default rate greater than 20% or such other percentage as set forth from time to time in the regulations established by the Authority.

(J) The Authority shall not Originate more than five percent (5%) of all Fixed Rate Standard NJCLASS Loans for students attending proprietary or trade school.

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Section 5.2. Loan Rates. The Loan Rate for all 2014-1 NJCLASS Loans (and any 2013-1 NJCLASS Loans Originated during the Recycling Period set forth in the Second Supplemental Indenture) shall be as follows:

Fixed Rate Standard NJCLASS Loans (exclusive of Ten Year Option 1 Loans):

- (i) for Option 1 Fixed Rate Standard NJCLASS Loans, _____% through the end of the fourth year of principal repayment and thereafter _____%,
- (ii) for Option 2 Fixed Rate Standard NJCLASS Loans, _____% through the end of the fourth year of principal repayment and thereafter _____%, and
- (iii) for Option 3 Fixed Rate Standard NJCLASS Loans, _____% through the end of the first year of principal repayment and thereafter _____%.

Variable Rate Ten Year Option 1 Loans:

An initial rate of 3-Month LIBOR + 4.25%, but subject to a 9.50% maximum rate. The Three-Month LIBOR index will be determined four times a year, and will be set two Business Days prior to the 1st Business Day of each March, June, September and December, with borrower interest rates adjusted approximately 60 days later on the 1st calendar day of May, August, November and February, respectively

Fixed Rate Graduate/Professional NJCLASS Loans:

- (i) for Option 1 and Option 2 Fixed Rate Graduate/Professional NJCLASS Loans, _____% through the end of the fourth year of principal repayment and thereafter _____%, and
- (ii) for Option 3 Fixed Rate Graduate/Professional NJCLASS Loans, _____% through the end of the fourth year of principal repayment and thereafter _____%.

Ten Year Option 1 Loans:

- (i) for Ten Year Option 1 Loans, _____% through the end of the fourth year of principal repayment and thereafter _____%.

Consolidation Loans:

The interest rate on the Consolidation Loan will be a fixed rate based upon the weighted average interest rate of all the underlying NJCLASS loans being consolidated plus 25 basis points. The interest rate of the underlying NJCLASS loan is calculated using a blending of the applicable initial and step-up interest rates disclosed to the borrower. If the interest rate of the underlying NJCLASS loan currently reflects the step-up interest rate, the step-up interest rate will be used solely in the calculation. If a variable rate NJCLASS loan is being included in the NJCLASS consolidation, the applicable NJCLASS fixed interest rate for that the academic year the variable rate loan was disbursed will be used in the calculation of the weighted average interest rate. In the event that a 10-year loan is included in the Consolidation Loan, the rate used in the weighted average calculation will be the equivalent 20-year fixed rate program rate in effect at the time of disbursement of the 10-year loan. Interest on a Consolidation Loan will begin to accrue at the time of the loan disbursement.

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Section 5.3. Additional Bonds. (A) So long as any Series 2014-1 Bonds are Outstanding, the Authority shall not issue any Additional Bonds or Subordinate Obligations, unless:

(a) the Authority shall have delivered a Cash Flow Statement to the Rating Agencies prior to the issuance of such Additional Bonds or Subordinate Obligations, taking into account the issuance of all such Additional Bonds or Subordinate Obligations, and the assumptions and scenarios in such Cash Flow Statement shall be acceptable to the Rating Agencies;

(b) the Authority shall have delivered to the Trustee a Rating Agency Condition from each Rating Agency for the Series 2014-1 Bonds; and

(c) the Parity Percentage is at least 103% upon the issuance of such Additional Bonds or Subordinate Obligations.

(B) So long as any Series 2014-1 Bonds are Outstanding, the Authority shall not execute and deliver any Supplemental Indenture for any purpose if such issuance or execution and delivery would, in and of itself, result in a decrease or withdrawal of any public rating on the Series 2014-1 Bonds.

Section 5.4. Report to Rating Agencies. (A) So long as any Series 2014-1 Bonds are Outstanding, the Authority will deliver to the Trustee and each Rating Agency, and shall file or cause the Trustee to file with the Municipal Securities Rulemaking Board (through the Electronic Municipal Market Access program or "EMMA") or such other national repository for the deposit of secondary market disclosure information permitted by Securities and Exchange Commission Rule 15(c)2-12, a quarterly report (the "Servicing Report"), not later than each Quarterly Report Date, in each case calculated as of the last day of the related Calendar Quarter, which shall state the following:

(a) The number and Aggregate Pool Loan Balance of each Series of 2014-1 Student Loans outstanding as of the end of such Calendar Quarter;

(b) The number and dollar amount of 2014-1 Student Loans which are in Option 1, Option 2 and Option 3;

(c) The number and dollar amount of 2014-1 Student Loans which are delinquent 0-30, 31-60, 61-90, 91-120, 121-180 and 181 or more days and the cumulative number and dollar amount of 2014-1 NJCLASS Loans which have been 181 or more days delinquent;

(d) The cumulative number and dollar amount of 2014-1 Student Loans charged off since the Issue Date of the Series 2014-1 Bonds;

(e) The cumulative dollar amount recovered on defaulted 2014-1 Student Loans as of the end of such Calendar Quarter (broken out by principal and interest recovered) and the gross and net cumulative amounts of defaults on 2014-1 Student Loans as of the end of such Calendar Quarter and as a percentage of the original amount of 2014-1 Student Loans disbursed;

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(f) The dollar amount of the Series 2014-1 Bonds issued, the cumulative changes in the amount Outstanding and descriptions of such changes, as well as the Bonds Outstanding as of the end of such Calendar Quarter;

(g) The beginning balance of the 2014-1 Debt Service Reserve Account, the cumulative withdrawals and deposits, and the balance of the 2014-1 Debt Service Reserve Account as of the end of such Calendar Quarter;

(h) As of the end of such Calendar Quarter, for all outstanding 2014-1 Student Loans Originated at a fixed rate of interest, the weighted average interest rate of Student Loans Originated at a fixed rate in the Aggregate Loan Balance;

(i) As of the end of such Calendar Quarter, for all 2014-1 Student Loans Originated at a variable rate, the interest rate in effect as of that date;

(j) As of the end of such Calendar Quarter, for all outstanding 2014-1 Student Loans, the weighted average FICO score and weighted average remaining time to maturity;

(k) As of the end of such Calendar Quarter, a schedule of the net position (balance sheet), including the combined balance of cash on deposit in each Account and Subaccount for the Series 2014-1 Bonds, Accrued Assets, Accrued Liabilities, Parity Percentage and Senior Parity Percentage;

(l) As of the end of such Calendar Quarter, a year to date statement of Revenues and Program Expenses and changes in net position;

(m) Any funds released from the Trust Estate to the Authority;

(n) So long as the Series 2014-1 Bonds are rated by Moody's and/or S&P, the Authority shall give Moody's and/or S&P, respectively, prompt written notice of any withdrawal from the 2014-1 Debt Service Reserve Account to pay principal of or interest on the Series 2014-1 Bonds, and of any deficiency amount certified by the Authority pursuant to Section 7.15 of the 2012 Indenture, and of any amount received from the State following such deficiency certification;

(o) Amount of funds requested from the State to restore the Debt Service Reserve Fund and the amounts of funds so paid; and

(p) Aggregate Loan Balance of all Student Loans purchased pursuant to Section 5.5(A)(1)(xiii) of the 2012 Indenture.

(B) During any applicable Origination Period and Recycling Period, the Authority will deliver to the Trustee and each Rating Agency a report, no later than the fifteenth Business Day of each month, which report shall include, as of the last Business Day of the preceding month, the number and principal balance of 2014-1 NJCLASS Loans Originated during the Origination Period and/or Recycling Period, as applicable, and detailing the following characteristics for such 2014-1 NJCLASS Loans:

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-number and principal balance of 2014-1 NJCLASS Loans Originated by Option Type

-number and principal balance of 2014-1 NJCLASS Loans Originated by type of loan (i.e. Fixed Rate Standard NJCLASS Loan, Ten Year Option 1 Loan, Fixed Rate Graduate/Professional NJCLASS Loan, Consolidation Loan)

(C) The Authority will deliver to the Trustee and each Rating Agency a report within forty-five (45) days after the end of the final Origination Period which report shall include the number and balance of 2014-1 NJCLASS Loans Originated during the Origination Period detailing the following characteristics for such 2014-1 NJCLASS Loans:

-Percentage of 2014-1 NJCLASS Loans co-signed; and
-Original FICO Score (in increments of 10).

(D) So long as any Series 2014-1 Bonds are Outstanding, the Authority will furnish or cause to be furnished to each Rating Agency, annual audited financial statements of the NJCLASS/FFELP Loan Program prepared by an independent certified public accountant, within one hundred eighty (180) days of the completion of the NJCLASS/FFELP Loan Program's Fiscal Year.

(E) So long as any Series 2014-1 Bonds are Outstanding, the Authority will furnish or cause to be furnished to each Rating Agency, within a reasonable time after request therefor, a report containing information with respect to updated static pool default and recovery information on 2014-1 NJCLASS Loans.

Section 5.5. Loan Transfers. So long as the Series 2014-1 Bonds are Outstanding, the Authority shall not sell or transfer any Student Loan except (i) as authorized under the 2012 Indenture and (ii) for cash, except that the Authority may transfer Student Loans to another trust estate of the Authority in accordance with the requirements of Section 7.8 of the 2012 Indenture.

Section 5.6. Origination Period. All 2014-1 NJCLASS Loans shall be Originated within the time periods set forth under the definition for Origination Period. A Student Loan shall be deemed Originated upon execution by a borrower of the promissory note. In the event a Student Loan is cancelled by the borrower after the end of the Origination Period and disbursed funds returned to the Authority, such disbursed funds shall be transferred at the written direction of an Authorized Officer to the 2014-1 Revenue Account.

Section 6.7. Execution in Counterparts. This Third Supplemental Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 6.8. Severability. If any section, paragraph, clause, or provision of this Third Supplemental Indenture shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Supplemental Indenture.

Section 6.9. Confirmation of Actions. All action (not inconsistent with the provisions of this Supplemental Indenture) heretofore taken by the Authority directed toward the issuance and sale of the Series 2014-1 Bonds is hereby ratified, approved, and confirmed.

Section 6.10. Governing Law. This Supplemental Indenture shall be construed in accordance with the laws of the State of New Jersey.

Section 6.11. Notices. Any notice, demand, direction, request, or other instrument authorized or required by this Supplemental Indenture to be given to or filed with the Authority, the Trustee, the Paying Agent, the Registrar, or the Authenticating Agent, shall be deemed to have been sufficiently given or filed for all purposes, if any, when delivered or sent by registered or certified mail, return receipt requested, postage prepaid, and, if given by telex, telegraphic or electronic means, shall be deemed given when transmitted (receipt confirmed) to the following addresses; provided that facsimile or electronic transmissions of notices shall only be deemed to have been sufficiently given or filed for all purposes if the Authority and the Fiduciaries have agreed to accept notices by facsimile or electronic communication, such notice has been sent by a person authorized to give such notice and receipt of such notice has been confirmed.

If to the Authority: New Jersey Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, P.O. Box 545, Trenton, New Jersey 08625, Attention: Chief Financial Officer (facsimile no. (609) 584-4831), (email: gene_hutchins@hesaa.org).

If overnight delivery to the Authority: New Jersey Higher Education Student Assistance Authority, #4 Quakerbridge Plaza, Mercerville, New Jersey 08619, Attention: Chief Financial Officer.

If to the Trustee, Paying Agent, Registrar or Authenticating Agent: Wells Fargo Bank, National Association, MAC N9311-163, 625 Marquette Avenue, 16th Floor, Minneapolis, MN 55479 Attention: Corporate Trust Services (facsimile no. (612) 316-0309) (email: bonnie.rons@wellsfargo.com).

The Authority and the Fiduciaries may, by like notice to each other, designate any further or different addresses to which subsequent notices shall be sent.

ARTICLE VI
MISCELLANEOUS

Section 6.1. Amendment to 2012 Indenture. Section 4.4 of the First Supplemental Indenture and Section 4.4 of the Second Supplemental Indenture are hereby amended and replaced in their entirety with the provisions of Section 5.4 of this Third Supplemental Indenture. After the execution of this Third Supplemental Indenture, the provisions of Section 5.4 hereof shall apply to the Series 2012-1 Bonds and the Series 2013-1 Bonds. This amendment is effective in accordance with Section 8.1(10) of the Original 2012 Indenture.

Section 6.2. Acknowledgement of Changes to 2013-1 NJCLASS Loans Loan Rates. From and after the date of issuance of the Series 2014-1 Bonds, any 2013 NJCLASS Loans Originated from Recoveries of Principal during the Recycling Period set forth in the Second Supplemental Indenture will be at the Loan Rates set forth in Section 5.2 of this Third Supplemental Indenture. On or prior to the date hereof, the Authority delivered to the Trustee the Bond Counsel Opinion and Cash Flow Statement in accordance with the definition of Loan Rate as defined in the Second Supplemental Indenture to allow a change in loan rate and each Rating Agency confirmed their respective rating on the Series 2013-1 Bonds taking into account the revised loan rates.

Section 6.3. Third Supplemental Indenture Construed with 2012 Indenture. All of the provisions of this Supplemental Indenture shall be deemed to be and construed as part of the 2012 Indenture to the same extent as if fully set forth therein.

Section 6.4. 2012 Indenture as Supplemented to Remain in Effect. Save and except as herein supplemented by this Third Supplemental Indenture, the Second Supplemental Indenture and the First Supplemental Indenture, the 2012 Indenture shall remain in full force and effect.

Section 6.5. Instrument of Acceptance by Fiduciaries. Wells Fargo Bank, National Association hereby accepts its appointment as Paying Agent, Registrar and Authenticating Agent and the duties and obligations thereof and agrees that this constitutes the written instrument of acceptance required by Section 11.2(B) of the 2012 Indenture. So long as the Series 2014-1 Bonds are rated by S&P, the Trustee is required to maintain a long-term credit rating by S&P of no less than "BBB." If at any time the Trustee's rating falls below "BBB," the Trustee shall notify the Authority, and the Authority shall remove the Trustee and appoint a successor trustee within 60 days. The removed Trustee shall be entitled to all money then due to it under the 2012 Indenture. In addition, if the Trustee appoints a custodian to hold the Bond Proceeds or Revenues on its behalf, such custodian shall maintain at least a "BBB" rating by S&P.

Section 6.6. Foreign Account Tax Compliance Act.

In the event this Third Supplemental Indenture is amended or supplemented, the Trustee shall have the right to request an opinion from counsel as to whether the execution of any such amendment or supplement will result in the Foreign Account Tax Compliance Act being applicable.

IN WITNESS WHEREOF, an Authorized Officer of the Authority and an authorized officer of the Trustee have hereunto executed this Supplemental Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: _____
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Bonnie Anderson Rons
Vice President

SCHEDULE A

TERMS OF SERIES 2014-1A-2 BONDS

TERMS OF SERIES 2014-1A-1 BONDS AND THE SERIES 2014-1B BONDS

The Series 2014-1A-1 Bonds and the Series 2014-1B Bonds will initially be dated and will bear interest from the Issue Date. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2014. The Series 2014-1A-1 Bonds and the Series 2014-1B Bonds will bear interest at the respective interest rates per annum, and will mature on December 1 in of the years and in the principal amounts shown below:

\$ _____ Senior Series 2014-1A-1 Bonds

<u>Maturity (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2024					
2025					
2026					
2027					
2028					
2029					
2032					
2036					

\$ _____, ____ % Term Bonds Due December 1, 2030 – Yield ____ % Price _____
CUSIP:

\$ _____ Subordinate Series 2014-1B Bonds

<u>Due (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u>
2044	\$ _____	%	%		

A-1

A-2

SCHEDULE B-1

FORM OF SENIOR SERIES 2014-1A-1 BOND

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE 2012 INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
SENIOR STUDENT LOAN REVENUE BOND, SERIES 2014-1A-1

No R-

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>
June __, 2014		%	
REGISTERED OWNER:	CEDE & CO		
PRINCIPAL AMOUNT:	Dollars		

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each June 1 and December 1, commencing December 1, 2014 (each an "Interest Payment Date"). Principal and redemption premium, if any, of this Bond are payable upon the presentation and surrender hereof at the designated corporate trust office of Wells Fargo Bank, National Association (together with its successors as Paying Agent, the "Paying Agent"), in Minneapolis, Minnesota. Interest on this Bond is payable to the Registered Owner of record as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the "Registrar"), by check or draft mailed to the Registered Owner at the registered address; provided that, at the written

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request of the Registered Owner of at least \$1,000,000 principal amount of Bonds of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Bond shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Capitalized terms used in this Bond and not defined herein shall have the meanings given thereto in the 2012 Indenture.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "2014-1A-1 Bonds") issued as fully registered Bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$_____ under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on April 3, 2014 (the "Bond Resolution") and equally and ratably secured under an Indenture of Trust (the "Indenture of Trust"), dated as of June 1, 2012, as amended and supplemented, including by a Third Supplemental Indenture (the "Third Supplemental Indenture"), dated as of June 1, 2014, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by Supplemental Indentures (such Indenture of Trust and any and all such Supplemental Indentures, including, without limitation, the Third Supplemental Indenture, being herein collectively called the "2012 Indenture") for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

Simultaneously with the issuance of the 2014-1A-1 Bonds, the Authority has issued its Senior Student Loan Revenue Bonds, Series 2014-1A-2 (the "2014-1A-2 Bonds") and together with the 2014-1A-1 Bonds, the "Senior Series 2014 Bonds") and Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "2014-1B Bonds") and together with the 2014-1A-1 Bonds and the 2014-1A-2 Bonds, the "Series 2014-1 Bonds and, together with any Outstanding Bonds issued pursuant to the 2012 Indenture and any Additional Bonds hereafter issued under the 2012 Indenture, are collectively referred to as the "Bonds"). The 2012 Indenture pledges for the payment of the Bonds, subject to the terms and conditions of the 2012 Indenture, the Student Loans (defined in the 2012 Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the 2012 Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the 2012 Indenture for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Bonds, the manner of enforcement of such security, the custody and application of the proceeds of the Bonds, the terms and conditions upon which the Bonds are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the Bonds. Copies of the Bond Resolution and the 2012 Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the 2012 Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the 2012 Indenture.

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to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1 in the years [2015] through [2022], inclusive, [2024] through [2029], inclusive, [2032], and [2036], *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

Senior Series 2014 Bonds Maturing on	CUSIP No.	3/1/2015	8/1/2015	11/1/2015
12/1/2015				
12/1/2016				
12/1/2017				
12/1/2018				
12/1/2019				
12/1/2020				
12/1/2021				
12/1/2022				

(C) **Special Optional Redemption From Excess Revenue.** The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, in each of the years 2015 through 2022, inclusive) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date after October 1, 2015 (the end of the Recycling Period), pursuant to Section 5.5(A)(1)(xii) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph (C) shall be applied, *first*, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period on the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

For purposes of Sections 2.8(a)(C) and (D), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2014-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2014-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2014-1 Bonds on the next succeeding December 1 is reserved to remain in the 2014-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

(D) **Special Mandatory Redemption From Excess Revenue.** The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, 2015 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest

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Pursuant to the 2012 Indenture, Additional Bonds equally secured, all except as expressly provided in Section 5.5(A)(1)(vii), Section 5.5(A)(1)(ix), Section 10.1 and Section 10.3 of the 2012 Indenture by the pledge and covenants made in the 2012 Indenture, with the 2014-1 Bonds may be issued from time to time in one or more Series for the purposes set forth therein.

The 2012 Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The 2012 Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

The 2014-1A-1 Bonds shall be subject to redemption as follows:

(A) **Optional Redemption.** The Series 2014-1 Bonds maturing prior to December 1, 2024 are not subject to optional redemption prior to maturity. The Series 2014-1 Bonds maturing on and after December 1, 2024 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2023 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) **Mandatory Redemption Resulting From Non-Origination.** The Series 2014-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2014 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2014-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2014-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2014-1 Bonds remaining in the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2014-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2014-1 Bonds shall be equal to the amount designated to be Originated by the expiration of each Origination Period less the amount actually used to Originate 2014-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph (b) shall be applied, *first*, to the extent the redemption is triggered by non-origination of Variable Rate Ten Year Option 1 Loans as described in the definition of Origination Period, to the redemption of Series 2014-1A-2 Bonds in an amount approximately equal to the difference between the amounts of Variable Rate Ten Year Option 1 Loans required to be Originated pursuant to the definition of Origination Period less the amount of Variable Rate Ten Year Option 1 Loans actually Originated as set forth in the origination report provided per Section 5.4(B) of this Third Supplemental Indenture, *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*,

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to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) on any date, if the Parity Percentage is below 105%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph shall be applied, *first*, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period in the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

(E) **Partial Redemption.** Any partial redemption of the Series 2014-1 Bonds shall be in the largest integral multiples of the minimum Authorized Denomination derived from the amounts to be applied to such redemption; provided, however, the remaining Series 2014-1 Bonds left Outstanding must be in Authorized Denominations.

Notice of redemption is to be given by mail not less than twenty (20) nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of each Series 2014-1 Bond to be redeemed at the address of the Registered Owner, as shown on the registration books of the Authority maintained by the Registrar. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Series 2014-1 Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the 2012 Indenture, this 2014-1A-1 Bond if so called for redemption, shall become due and payable at the stated Redemption Price and to the extent moneys are available therefor, interest shall cease to accrue on this 2014-1A-1 Bond and this 2014-1A-1 Bond shall no longer be entitled to any benefit or security under the 2012 Indenture. The 2014-1A-1 Bonds to be redeemed in whole or in part shall be selected as provided in the 2012 Indenture.

Reference is hereby made to the Third Supplemental Indenture, a copy of which is on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this 2014-1A-1 Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Series 2014-1 Bonds; the Authority's student loan origination and acquisition program; the revenues and other money pledged to the payment of the principal and redemption premium, if any, of and interest on the Series 2014-1 Bonds; the nature and extent and manner of enforcement of the pledge; the conditions upon which the Third Supplemental Indenture may be amended or supplemented with or without the consent of the Registered Owners of the Series 2014-1 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 Authority 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 2014-1A-1 Bond, and this 2014-1A-1 Bond thereafter shall no longer be secured by the Third Supplemental Indenture or be deemed to be Outstanding, as defined in the Third Supplemental Indenture, thereunder; and for the other terms and provisions thereof.

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Subject to the limitations provided in the 2012 Indenture and upon payment of the charges required by the 2012 Indenture, Series 2014-1 Bonds may be exchanged for a like aggregate principal amount of Series 2014-1 Bonds of the same Series and other Authorized Denominations.

This 2014-1A-1 Bond is transferable by the Registered Owner hereof or his duly authorized attorney on the registration books of the Authority kept at the corporate trust office of the Registrar, upon surrender of this 2014-1A-1 Bond accompanied by a duly executed instrument of transfer in form and with warranty of signature satisfactory to the Registrar, subject to such reasonable regulations as the Authority, the Trustee, the Registrar, or the Paying Agent may prescribe. Upon any such transfer, a new 2014-1A-1 Bond or Bonds of the same Series and an Authorized Denomination or Authorized Denominations of the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the 2012 Indenture. The Authority, the Registrar, the Trustee, and the Paying Agent may deem and treat the person in whose name this 2014-1A-1 Bond is registered as the absolute owner hereof, whether or not this 2014-1A-1 Bond shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Authority, the Registrar, the Trustee, nor the Paying Agent shall be affected by any notice to the contrary.

The Act provides that neither the members of the Authority nor any person executing bonds of the Authority nor any officer or employee of the Authority shall be liable personally on said bonds by reason of the issuance thereof. This 2014-1A-1 Bond is not and shall not be in any way a debt or liability of the State of New Jersey or of any political subdivision thereof and does not and shall not create or constitute any indebtedness, liability, or obligation of said State, or of any political subdivision thereof. This 2014-1A-1 Bond does not now and shall never constitute a charge against the general credit of the Authority.

The owner of this 2014-1A-1 Bond shall have no right to enforce the provisions of the 2012 Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in the 2012 Indenture. If an event of default under the 2012 Indenture occurs, the principal of all Bonds then Outstanding issued under the 2012 Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the 2012 Indenture.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution or statutes of the State of New Jersey or the 2012 Indenture to exist, to have happened, or to have been performed precedent to or in the issuance of this 2014-1A-1 Bond exist, have happened, and have been performed, and that the issuance of this 2014-1A-1 Bond is within every debt and other limit prescribed by said Constitution, statutes or 2012 Indenture.

This 2014-1A-1 Bond shall neither be entitled to any security, right, or benefit under the Bond Resolution and the 2012 Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

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IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this 2014-1A-1 Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer of the Authority, all as of the Dated Date.

(SEAL) HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: _____
Chief Financial Officer

Attest:
By: _____
[Secretary]
[Authorized Officer]

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CERTIFICATE OF AUTHENTICATION

This bond is one of the 2014-1A-1 Bonds described herein.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
Authenticating Agent

By: _____
Authorized Signatory

Authentication Date: _____, 20__.

SCHEDULE B-2

FORM OF SENIOR SERIES 2014-1A-2 BOND

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B-2-1

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE 2012 INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND.

THIS SERIES 2014-1A-2 BOND MAY ONLY BE SOLD TO PURCHASERS THAT MEET THE DEFINITION OF QUALIFIED INSTITUTIONAL BUYERS OR ACCREDITED INVESTORS, EACH SUCH TERMS AS SET FORTH IN THE SECURITIES ACT OF 1933, AS AMENDED, OR TO A TRUST OR OTHER CUSTODIAL ARRANGEMENT, THE OWNERS OF ANY BENEFICIAL INTEREST IN WHICH ARE LIMITED TO QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS AND IN ACCORDANCE WITH ALL APPLICABLE FEDERAL AND STATE SECURITIES LAWS. THERE IS NO PUBLIC MARKET FOR THIS SERIES 2014-1A-2 BOND. THERE IS NO OFFICIAL STATEMENT OR OTHER DISCLOSURE RELATING TO THIS SERIES 2014-1A-2 BOND, AND PURCHASE OF THIS SERIES 2014-1A-2 BOND SHOULD BE CONSIDERED ONLY BY INVESTORS WHO: (A) CAN BEAR THE ECONOMIC RISK OF SUCH INVESTMENT; (B) HAVE SUCH KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF SUCH INVESTMENT; AND (C) HAVE UNDERTAKEN THE RESPONSIBILITY FOR OBTAINING ALL INFORMATION THAT THEY DEEM NECESSARY AND DESIRABLE TO FORM A DECISION TO PURCHASE THIS SERIES 2014-1A-2 BOND. EACH PROSPECTIVE INVESTOR SHOULD CONSIDER ITS FINANCIAL CONDITION AND THE RISKS INVOLVED TO DETERMINE ITS SUITABILITY TO INVEST IN THIS SERIES 2014-1A-2 BOND.

IN ACCEPTING THIS SERIES 2014-1A-2 BOND, THE HOLDER ACKNOWLEDGES THAT (A) IT IS A QUALIFIED INSTITUTIONAL BUYER OR ACCREDITED INVESTOR AS DEFINED IN THE SECURITIES ACT OF 1933, AS AMENDED, OR A TRUST OR OTHER CUSTODIAL ARRANGEMENT, THE OWNERS OF ANY BENEFICIAL INTEREST IN WHICH ARE LIMITED TO QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS, (B)

EXCEPT AS EXPRESSLY SET FORTH IN THE VARIABLE RATE BOND PURCHASE AGREEMENT, DATED APRIL 28, 2014, BETWEEN THE AUTHORITY AND BANC OF AMERICA PREFERRED FUNDING CORPORATION, THE AUTHORITY HAS NOT PROVIDED ANY DISCLOSURE REGARDING THE AUTHORITY IN CONNECTION WITH THIS SERIES 2014-1A-2 BOND AND SHALL HAVE NO LIABILITY IF THIS SERIES 2014-1A-2 BOND IS NOT SOLD TO A QUALIFIED INSTITUTIONAL BUYER OR ACCREDITED INVESTOR OR A TRUST OR OTHER CUSTODIAL ARRANGEMENT, THE OWNERS OF ANY BENEFICIAL INTEREST IN WHICH ARE LIMITED TO QUALIFIED INSTITUTIONAL BUYERS AND ACCREDITED INVESTORS, (C) IT HAS KNOWLEDGE AND EXPERIENCE IN BUSINESS AND FINANCIAL MATTERS AS TO BE CAPABLE OF EVALUATING THE RISKS AND MERITS OF INVESTING IN THIS SERIES 2014-1A-2 BOND, (D) IT CAN BEAR THE ECONOMIC RISK OF INVESTING IN THIS SERIES 2014-1A-2 BOND AND (E) IT HAS UNDERTAKEN THE OBTAINING OF ANY AND ALL INFORMATION IT DEEMS NECESSARY PRIOR TO PURCHASING THIS SERIES 2014-1A-2 BOND. THE HOLDER OF THIS SERIES 2014-1A-2 BOND MUST PROVIDE WRITTEN NOTICE OF SALE OR TRANSFER, TOGETHER WITH ADDRESSES AND RELATED INFORMATION WITH RESPECT TO PURCHASER OR TRANSFEREE OF THIS SERIES 2014-1A-2 BOND TO THE AUTHORITY AND THE TRUSTEE AND ANY PURCHASER OR TRANSFEREE OF THIS SERIES 2014-1A-2 BOND MUST DELIVER TO THE AUTHORITY, THE TRUSTEE AND THE SELLING BONDHOLDER, AN INVESTOR LETTER IN SUBSTANTIALLY THE FORM ATTACHED AS SCHEDULE D TO THE THIRD SUPPLEMENTAL INDENTURE.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
SENIOR STUDENT LOAN REVENUE BOND, SERIES 2014-1A-2
(LIBOR FLOATING RATE BONDS)

No R-

Dated Date	Maturity Date	CUSIP No.	ISIN No.
June [] , 2014	December 1, 2023	646080QC8	US646080QC84

REGISTERED OWNER: CEDE & CO

PRINCIPAL AMOUNT: Dollars

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, on the Maturity Date and each Quarterly Payment Date, as described in the Indenture of Trust (the "Indenture of Trust"), dated as of June 1, 2012, as amended and supplemented, including by a Third Supplemental Indenture (the "Third Supplemental Indenture"), dated as of June 1, 2014, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee

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(together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by Supplemental Indentures (such Indenture of Trust and any and all such Supplemental Indentures, including, without limitation, the Third Supplemental Indenture, being herein collectively called the "2012 Indenture"); provided, however, that the entire unpaid principal amount of this Bond shall be due and payable on the Maturity Date specified above (the "Series 2014-1A-2 Maturity Date").

The Authority shall pay interest on this Series 2014-1A-2 Bond (as defined herein) at the rate per annum equal to the Series 2014-1A-2 Bond Rate (as defined herein), on each Quarterly Payment Date until the principal of this Series 2014-1A-2 Bond is paid or made available for payment, on the principal amount of this Series 2014-1A-2 Bond outstanding on the preceding Quarterly Payment Date or the Date of Issuance in the case of the first Quarterly Payment Date (after giving effect to all payments of principal made on the preceding Quarterly Payment Date), subject to certain limitations contained in the 2012 Indenture. Interest on this Series 2014-1A-2 Bond shall accrue from and including the preceding Quarterly Payment Date (or, in the case of the first Interest Accrual Period, the Date of Issuance) to but excluding the following Quarterly Payment Date (each an "Interest Accrual Period"). Interest shall be calculated on the basis of the actual number of days elapsed in each Interest Accrual Period divided by 360 and rounding the resultant figure to the second decimal point. Such principal of and interest on this Series 2014-1A-2 Bond shall be paid in the manner specified on the reverse hereof. "Quarterly Payment Date" means the first (1st) day of each March, June, September and December, or if any such date is not a Business Day, the immediately succeeding Business Day, commencing September 2, 2014.

The principal of and interest on this Series 2014-1A-2 Bond are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. All payments made by the Authority with respect to this Series 2014-1A-2 Bond shall be applied first to interest due and payable on this Series 2014-1A-2 Bond as provided above and then to the unpaid principal of this Series 2014-1A-2 Bond.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its Senior Student Loan Revenue Bonds, Series 2014-1A-2 (the "Series 2014-1A-2 Bonds") issued as fully registered Bonds without coupons in the denominations of \$100,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$25,000,000 under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on April 3, 2014 (the "Bond Resolution") and equally and ratably secured under the 2012 Indenture for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

Simultaneously with the issuance of the 2014-1A-2 Bonds, the Authority has issued its Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "2014-1A-1 Bonds") and together with the 2014-1A-2 Bonds, the "Senior Series 2014 Bonds") and Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "2014-1B Bonds") and together with the 2014-1A-1 Bonds and the 2014-1A-2 Bonds, the "Series 2014-1 Bonds" and, together with any Outstanding Bonds issued pursuant to the 2012 Indenture and any Additional Bonds hereafter issued under the 2012 Indenture, are collectively referred to as the "Bonds"). The 2012 Indenture pledges for the payment of the Series 2014-1A-2 Bonds, subject to the terms and conditions of the 2012 Indenture, the Student Loans (defined in the 2012 Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the 2012 Indenture (collectively, the "Trust Estate").

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$x + [(a/b) * (y-x)]$ plus 1.50%, subject to a 8.00% maximum rate, as determined by the Trustee.

where: x = Two-Month LIBOR;

y = Three-Month LIBOR, in each case, as of the second Business Day before the start of the initial Interest Accrual Period;

a = the actual number of days from the maturity date of Two-Month LIBOR to the first Quarterly Payment Date; and

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

The Series 2014-1A-2 Bonds will be issued in fully registered form, without coupons, in Authorized Denominations.

Payments of interest on this Series 2014-1A-2 Bond on each Quarterly Payment Date, together with the installment of principal, if any, to the extent not in full payment of this Series 2014-1A-2 Bond, shall be paid to the Person in whose name such Series 2014-1A-2 Bond is registered on the Record Date by check mailed first-class, postage prepaid to such Person's address as it appears on the records of the Trustee on such Record Date, except that, unless definitive Series 2014-1A-2 Bonds have been issued pursuant to the Indenture, with respect to Series 2014-1A-2 Bonds registered on the Record Date in the name of Cede & Co., payment shall be made by wire transfer in immediately available funds to the account designated by such nominee. If funds are expected to be available, as provided in the Third Supplemental Indenture, for payment in full of the then remaining unpaid principal amount of this Series 2014-1A-2 Bond on a Quarterly Payment Date, then the Trustee shall notify the Person in whose name a Series 2014-1A-2 Bond is registered at the close of business on the Record Date preceding the Quarterly Payment Date on which the Authority expects that the final installment of principal and of interest on such Series 2014-1A-2 Bond will be paid. Such notice shall be mailed or transmitted by facsimile prior to such final Quarterly Payment Date and shall specify that such final installment will be payable only upon presentation and surrender of such Series 2014-1A-2 Bond and shall specify the place where such Series 2014-1A-2 Bond may be presented and surrendered for payment of such installment.

The Series 2014-1A-2 Bonds shall be subject to redemption as follows:

(A) Mandatory Redemption Resulting From Non-Origination. The Series 2014-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2014 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2014-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2014-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2014-1 Bonds remaining in the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2014-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2014-1 Bonds shall be equal to the amount designated to be Originated by the expiration of each Origination Period less the amount actually used to Originate 2014-1

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For purposes of Section (B), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2014-1 Revenue Account, after payment of the Debt Service due and payable on the Series 2014-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2014-1 Bonds on the next succeeding December 1 is reserved to remain in the 2014-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

(C) Special Mandatory Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, 2015 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) on any date, if the Parity Percentage is below 105%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph shall be applied, *first*, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period in the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

(D) Partial Redemption. Any partial redemption of the Series 2014-1 Bonds shall be in the largest integral multiples of the minimum Authorized Denomination derived from the amounts to be applied to such redemption; provided, however, the remaining Series 2014-1 Bonds left Outstanding must be in Authorized Denominations.

Notice of redemption is to be given by mail not less than twenty (20) nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of each Series 2014-1 Bond to be redeemed at the address of the Registered Owner, as shown on the registration books of the Authority maintained by the Registrar. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Series 2014-1 Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the 2012 Indenture, this Series 2014-1A-2 Bond if so called for redemption, shall become due and payable at the stated Redemption Price and to the extent moneys are available therefor, interest shall cease to accrue on this 2014-1A-2 Bond and this 2014-1A-2 Bond shall no longer be entitled to any benefit or security under the 2012 Indenture. The 2014-1A-2 Bonds to be redeemed in whole or in part shall be selected as provided in the 2012 Indenture.

Reference is hereby made to the Third Supplemental Indenture, a copy of which is on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this Series 2014-1A-2 Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Series 2014-1 Bonds; the Authority's student loan origination and acquisition program; the revenues and other money pledged to the payment of the principal and redemption premium, if any, of and interest

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NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph (b) shall be applied, *first*, to the extent the redemption is triggered by non-origination of Variable Rate Ten Year Option 1 Loans as described in the definition of Origination Period, to the redemption of Series 2014-1A-2 Bonds in an amount approximately equal to the difference between the amounts of Variable Rate Ten Year Option 1 Loans required to be Originated pursuant to the definition of Origination Period less the amount of Variable Rate Ten Year Option 1 Loans actually Originated as set forth in the origination report provided per Section 5.4(B) of this Third Supplemental Indenture, *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1 in the years [2015] through [2022], inclusive, [2024] through [2029], inclusive, [2032], and [2036], *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

Senior Series 2014 Bonds Maturing on	CUSIP No.	3/1/2015	8/1/2015	11/1/2015
12/1/2015				
12/1/2016				
12/1/2017				
12/1/2018				
12/1/2019				
12/1/2020				
12/1/2021				
12/1/2022				

(B) Special Optional Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, in each of the years 2015 through 2022, inclusive) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date after October 1, 2015 (the end of the Recycling Period), pursuant to Section 5.5(A)(1)(xii) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph (B) shall be applied, *first*, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period on the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

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on the Series 2014-1 Bonds; the nature and extent and manner of enforcement of the pledge; the conditions upon which the Third Supplemental Indenture may be amended or supplemented with or without the consent of the Registered Owners of the Series 2014-1 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 Authority 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 Series 2014-1A-2 Bond, and this Series 2014-1A-2 Bond thereafter shall no longer be secured by the Third Supplemental Indenture or be deemed to be Outstanding, as defined in the Third Supplemental Indenture, thereunder; and for the other terms and provisions thereof.

Subject to the limitations provided in the 2012 Indenture and upon payment of the charges required by the 2012 Indenture, Series 2014-1A-2 Bonds may be exchanged for a like aggregate principal amount of Series 2014-1A-2 Bonds of the same Series and other Authorized Denominations.

This Series 2014-1A-2 Bond is transferable by the Registered Owner hereof or his duly authorized attorney on the registration books of the Authority kept at the corporate trust office of the Registrar, upon surrender of this 2014-1 Bond accompanied by a duly executed instrument of transfer in form and with warranty of signature satisfactory to the Registrar, subject to such reasonable regulations as the Authority, the Trustee, the Registrar, or the Paying Agent may prescribe. Upon any such transfer, a new Series 2014-1A-2 Bond or Bonds of the same Series and an authorized denomination or denominations of the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the 2012 Indenture. The Authority, the Registrar, the Trustee, and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether or not this Series 2014-1A-2 Bond shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Authority, the Registrar, the Trustee, nor the Paying Agent shall be affected by any notice to the contrary.

The Act provides that neither the members of the Authority nor any person executing bonds of the Authority nor any officer or employee of the Authority shall be liable personally on said bonds by reason of the issuance thereof. This Series 2014-1A-2 Bond is not and shall not be in any way a debt or liability of the State of New Jersey or of any political subdivision thereof and does not and shall not create or constitute any indebtedness, liability, or obligation of said State, or of any political subdivision thereof. This Series 2014-1A-2 Bond does not now and shall never constitute a charge against the general credit of the Authority.

The owner of this Series 2014-1 Bond shall have no right to enforce the provisions of the 2012 Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in the 2012 Indenture. If an event of default under the 2012 Indenture occurs, the principal of all Bonds then Outstanding issued under the 2012 Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the 2012 Indenture.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution or statutes of the State of New Jersey or the 2012 Indenture to exist, to have

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happened, or to have been performed precedent to or in the issuance of this Series 2014-1A-2 Bond exist, have happened, and have been performed, and that the issuance of this Series 2014-1A-2 Bond is within every debt and other limit prescribed by said Constitution, statutes or 2012 Indenture.

This Series 2014-1A-2 Bond shall neither be entitled to any security, right, or benefit under the Bond Resolution and the 2012 Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this Series 2014-1A-2 Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer of the Authority, all as of the Dated Date.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

(SEAL)

By: _____
Chief Financial Officer

Attest:

By: _____
[Secretary]
[Authorized Officer]

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CERTIFICATE OF AUTHENTICATION

SCHEDULE B-3

FORM OF SUBORDINATE SERIES 2014-1B OBLIGATION

This bond is one of the Series 2014-1A-2 Bonds described herein.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
Authenticating Agent

By: _____
Authorized Signatory

Authentication Date: _____, 20____.
(i)

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Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONIES AND FUNDS PLEDGED UNDER THE 2012 INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
SUBORDINATE STUDENT LOAN REVENUE BOND, SERIES 2014-1B

No R-

Dated Date	Interest Rate	Maturity Date	CUSIP
June __, 2014		%	
REGISTERED OWNER:	CEDE & CO		
PRINCIPAL AMOUNT:	Dollars		

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each June 1 and December 1, commencing December 1, 2014 (each an "Interest Payment Date"). Principal and redemption premium, if any, of this Bond are payable upon the presentation and surrender hereof at the designated corporate trust office of Wells Fargo Bank, National Association (together with its successors as Paying Agent, the "Paying Agent"), in Minneapolis, Minnesota. Interest on this Obligation is payable to the Registered Owner of record (except during a Suspended Interest Period as defined in the Third Supplemental Indenture (as defined below) as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the

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Pursuant to the 2012 Indenture, the 2014 Subordinate Obligations are equally secured, all except as expressly provided in Section 5.5(A)(1)(vi), Section 5.5(A)(1)(ix), Section 10.1 and Section 10.3 of the 2012 Indenture by the pledge and covenants made in the 2012 Indenture, with the Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "2014-1A-1 Bonds") and the Senior Student Loan Revenue Bonds, Series 2014-1A-2 (the "2014-1A-2 Bonds") and together with the 2014-1A-1 Bonds, the "Senior Series 2014 Bonds" and together with the 2014 Subordinate Obligations, the "Series 2014-1 Bonds" (the Series 2014-1 Bonds and, together with any Outstanding Bonds issued pursuant to the 2012 Indenture and any Additional Bonds hereafter issued under the 2012 Indenture, are collectively referred to as the "Bonds"). issued by the Authority simultaneously with the issuance of the 2014 Subordinate Obligations and with any Additional Bonds (as defined in the 2012 Indenture) which may be issued from time to time in one or more Series for the purposes set forth therein.

The 2012 Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The 2012 Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

The 2014 Subordinate Obligations shall be subject to redemption as follows:

(A) Optional Redemption. The Series 2014-1 Bonds maturing prior to December 1, 2024 are not subject to optional redemption prior to maturity. The Series 2014-1 Bonds maturing on and after December 1, 2024 are subject to redemption prior to their respective maturities, at the direction of the Authority, in whole or in part, on any date on or after December 1, 2023 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

(B) Mandatory Redemption Resulting From Non-Origination. The Series 2014-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date within 30 days after the end of each Origination Period, (i) with respect to the Senior Series 2014 Bonds described in the table below (collectively, the "Premium Bonds"), at the respective Redemption Prices set forth below, and (ii) with respect to all other Series 2014-1 Bonds, at a Redemption Price equal to 100% of the principal amount of such Series 2014-1 Bonds to be redeemed, in all cases, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the Series 2014-1 Bonds remaining in the 2014-1 NJCLASS Fixed Rate Standard Student Loan Account, 2014-1 NJCLASS Ten Year Fixed Rate Student Loan Account, 2014-1 NJCLASS Variable Rate Standard Student Loan Account, 2014-1 NJCLASS Fixed Rate Graduate/Professional Student Loan Account, or 2014-1 Consolidation Loan Account, as applicable, at the expiration of each Origination Period. The amount to be applied to the redemption of Series 2014-1 Bonds shall be equal to the amount designated to be Originated by the expiration of each Origination Period less the amount actually used to Originate 2014-1 NJCLASS Loans by the expiration of each Origination Period. Moneys to be applied to the

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"Registrar"), by check or draft mailed to the Registered Owner at the registered address; provided that, at the written request of the Registered Owner of at least \$1,000,000 principal amount of Obligations of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Obligation shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Capitalized terms used in this Obligation and not defined herein shall have the meanings given thereto in the 2012 Indenture.

This Obligation is one of a duly authorized issue of Subordinate Obligations of the Authority designated as its Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "2014 Subordinate Obligations") issued as fully registered Bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$_____ under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on April 3, 2014 (the "Bond Resolution") are secured under an Indenture of Trust (the "Indenture of Trust"), dated as of June 1, 2012, as amended and supplemented, including by a Third Supplemental Indenture (the "Third Supplemental Indenture"), dated as of June 1, 2014, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by Supplemental Indentures (such Indenture of Trust and any and all such Supplemental Indentures, including, without limitation, the Third Supplemental Indenture, being herein collectively called the "2012 Indenture") on a subordinate basis to Bonds issued under the Indenture of Trust as provided in Section 5.5(A)(1) of the Indenture of Trust for the purpose of, among other things, originating Eligible Loans pursuant to the Act.

The Authority has issued its 2014 Subordinate Obligations. The 2012 Indenture pledges for the payment of the Subordinate Obligation, subject to the terms and conditions of the 2012 Indenture, the Student Loans (defined in the 2012 Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the 2012 Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the 2012 Indenture for the provisions, among other things, with respect to the priority of payment of the 2014 Subordinate Obligations, the nature and extent of the Trust Estate securing payment of the 2014 Subordinate Obligations, the manner of enforcement of such security, the custody and application of the proceeds of the 2014 Subordinate Obligations, the terms and conditions upon which the 2014 Subordinate Obligations are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the 2014 Subordinate Obligations. Copies of the Bond Resolution and the 2012 Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the 2012 Indenture may be discharged at or prior to the maturity or redemption of the 2014 Subordinate Obligations upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the 2012 Indenture.

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redemption of Series 2014-1 Bonds pursuant to this paragraph (b) shall be applied, first, to the extent the redemption is triggered by non-origination pursuant to subsections (iii), (iv) or (v) (but only with respect to the Variable Rate Ten Year Option 1 Loans for this subsection first) of the definition of Origination Period, to the redemption of Series 2014-1A-2 Bonds in an amount approximately equal to the difference between the amounts required to be Originated pursuant to subsections (iii), (iv) or (v) (but only with respect to the Variable Rate Ten Year Option 1 Loans for this subsection first) of the definition of Origination Period less the amount of Variable Rate Ten Year Option 1 Loans actually Originated as set forth in the origination report provided per Section 5.4(B) of this Third Supplemental Indenture, second, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], third, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1 in the years [2015] through [2022], inclusive, [2024] through [2029], inclusive, [2032], and [2036], pro rata, and fourth, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

Senior Series 2014 Bonds Maturing on	CUSIP No.	3/1/2015	8/1/2015	11/1/2015
12/1/2015				
12/1/2016				
12/1/2017				
12/1/2018				
12/1/2019				
12/1/2020				
12/1/2021				
12/1/2022				

(C) Special Optional Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, in each of the years 2015 through 2022, inclusive) are subject to redemption prior to maturity, at the direction of the Authority, in whole or in part, on any date after October 1, 2015 (the end of the Recycling Period), pursuant to Section 5.5(A)(1)(xii) of the 2012 Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Excess Revenue (as hereinafter defined) or (ii) any moneys available therefor upon a determination by the Authority and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph (C) shall be applied, first, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period on the Servicing Report (subject to Authorized Denominations), second, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], third, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, pro rata, and fourth, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

For purposes of Sections (C) and (D), Excess Revenue shall mean: on each Payment Date, any funds remaining in the 2014-1 Revenue Account, after payment of the Debt

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Service due and payable on the Series 2014-1 Bonds on such Payment Date and provided that if such Payment Date is June 1, after fifty percent (50%) of the Principal Installment due on the Series 2014-1 Bonds on the next succeeding December 1 is reserved to remain in the 2014-1 Revenue Account and provided all transfers required by Section 5.5(A)(1)(i)-(xii) of the 2012 Indenture have been made.

(D) Special Mandatory Redemption From Excess Revenue. The Series 2014-1 Bonds (excluding Series 2014-1 Bonds maturing on December 1, 2015 to and including December 1, 2022) are subject to mandatory redemption prior to maturity, in whole or in part, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any date on and after December 1, 2023, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues or (ii) on any date, if the Parity Percentage is below 105%, after the transfers and payments set forth in Section 5.5(A)(1)(i)-(xi) of the 2012 Indenture have been made, from Excess Revenues. Moneys to be applied to the redemption of Series 2014-1 Bonds pursuant to this paragraph shall be applied, *first*, to the redemption of Series 2014-1A-2 Bonds in an amount such that the amount of Series 2014-1A-2 Bonds after redemption, under this section, is approximately equal to the amount of Variable Rate Ten Year Option 1 Loans outstanding as set forth during the most recent quarterly reporting period in the Servicing Report (subject to Authorized Denominations), *second*, to the redemption of Senior Series 2014 Bonds maturing on December 1, [2030], *third*, to the redemption of the remaining Senior Series 2014 Bonds maturing on December 1, in each of the years 2024 through 2029, inclusive, 2032 and 2036, *pro rata*, and *fourth*, to the Subordinate Series 2014 Bonds (provided no Senior Series 2014 Bonds remain outstanding).

(E) Partial Redemption. Any partial redemption of the Series 2014-1 Bonds shall be in the largest integral multiples of the minimum Authorized Denomination derived from the amounts to be applied to such redemption; provided, however, the remaining Series 2014-1 Bonds left Outstanding must be in Authorized Denominations.

Notice of redemption is to be given by mail not less than twenty (20) nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of each 2014 Subordinate Obligation to be redeemed at the address of the Registered Owner, as shown on the registration books of the Authority maintained by the Registrar. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any 2014-1 Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the 2012 Indenture, this 2014 Subordinate Obligation if so called for redemption, shall become due and payable at the stated Redemption Price and to the extent moneys are available therefor, interest shall cease to accrue on this 2014 Subordinate Obligation and this 2014 Subordinate Obligation shall no longer be entitled to any benefit or security under the 2012 Indenture. The 2014 Subordinate Obligations to be redeemed in whole or in part shall be selected as provided in the 2012 Indenture.

Reference is hereby made to the Third Supplemental Indenture, a copy of which is on file in the Principal Office of the Trustee, and to all of the provisions of which any Registered Owner of this 2014 Subordinate Obligation by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the 2014 Subordinate Obligations; the Authority's student loan origination and acquisition program; the revenues and other money pledged to the payment of the principal and redemption premium, if any, of and interest on the 2014 Subordinate Obligations; the nature and extent and manner of

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happened, or to have been performed precedent to or in the issuance of this 2014 Subordinate Obligation exist, have happened, and have been performed, and that the issuance of this 2014 Subordinate Obligation is within every debt and other limit prescribed by said Constitution, statutes or 2012 Indenture.

This 2014 Subordinate Obligation shall neither be entitled to any security, right, or benefit under the Bond Resolution and the 2012 Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

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enforcement of the pledge; the conditions upon which the Third Supplemental Indenture may be amended or supplemented with or without the consent of the Registered Owners of the 2014 Subordinate Obligations; 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 Authority 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 2014 Subordinate Obligation, and this 2014 Subordinate Obligation thereafter shall no longer be secured by the Third Supplemental Indenture or be deemed to be Outstanding, as defined in the Third Supplemental Indenture, thereunder; and for the other terms and provisions therein.

Subject to the limitations provided in the 2012 Indenture and upon payment of the charges required by the 2012 Indenture, 2014 Subordinate Obligations may be exchanged for a like aggregate principal amount of 2014 Subordinate Obligations of the same Series and other Authorized Denominations.

This 2014 Subordinate Obligations is transferable by the Registered Owner hereof or his duly authorized attorney on the registration books of the Authority kept at the corporate trust office of the Registrar, upon surrender of this 2014 Subordinate Obligation accompanied by a duly executed instrument of transfer in form and with warranty of signature satisfactory to the Registrar, subject to such reasonable regulations as the Authority, the Trustee, the Registrar, or the Paying Agent may prescribe. Upon any such transfer, a new 2014 Subordinate Obligation and an authorized denomination or denominations of the same aggregate principal amount, interest rate, and maturity will be issued to the transferee in exchange therefor, all upon payment of the charges and subject to the terms and conditions set forth in the 2012 Indenture. The Authority, the Registrar, the Trustee, and the Paying Agent may deem and treat the person in whose name this 2014 Subordinate Obligations is registered as the absolute owner hereof, whether or not this 2014 Subordinate Obligation shall be overdue, for the purpose of receiving payment and for all other purposes, and neither the Authority, the Registrar, the Trustee, nor the Paying Agent shall be affected by any notice to the contrary.

The Act provides that neither the members of the Authority nor any person executing bonds of the Authority nor any officer or employee of the Authority shall be liable personally on said bonds by reason of the issuance thereof. This 2014 Subordinate Obligation is not and shall not be in any way a debt or liability of the State of New Jersey or of any political subdivision thereof and does not and shall not create or constitute any indebtedness, liability, or obligation of said State, or of any political subdivision thereof. This 2014 Subordinate Obligation does not now and shall never constitute a charge against the general credit of the Authority.

The owner of this 2014 Subordinate Obligation shall have no right to enforce the provisions of the 2012 Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Bond Resolution, or to institute, appear in, or defend any suit or other proceedings with respect thereto, except as provided in the 2012 Indenture. If an event of default under the 2012 Indenture occurs, the principal of all 2014 Subordinate Obligations then Outstanding issued under the 2012 Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the 2012 Indenture.

It is hereby certified and recited that all conditions, acts, and things required by the Constitution or statutes of the State of New Jersey or the 2012 Indenture to exist, to have

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IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this 2014 Subordinate Obligation to be signed in its name and on its behalf by the manual or facsimile signature of its Chief Financial Officer or other Authorized Officer of the Authority and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer of the Authority, all as of the Dated Date.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

(SEAL)

By: _____
Chief Financial Officer

Attest:

By: _____
[Secretary]
[Authorized Officer]

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CERTIFICATE OF AUTHENTICATION

This bond is one of the 2014 Subordinate Obligations described herein.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
Authenticating Agent

By: _____
Authorized Signatory

Authentication Date: _____, 20__.

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SCHEDULE C

STUDENT ELIGIBILITY AND CREDIT CRITERIA

I. ELIGIBILITY REQUIREMENTS FOR NJCLASS LOANS

The student, borrower and cosigner (if necessary) must meet the NJCLASS Loan Program eligibility criteria and one of the borrower(s) and/or cosigner(s) must demonstrate creditworthiness as defined below. The Authority's current minimum income requirement is \$40,000.

STUDENT

- 1) The Student must be a citizen or permanent resident of the United States.
- 2) New Jersey residents must be enrolled or accepted for enrollment at a college or university or non-traditional/proprietary institution eligible for Title IV, Higher Education Act of 1965 assistance, approved or licensed by the New Jersey Commission on Higher Education or its equivalent in another state and accredited by a nationally recognized accrediting association and having a federal cohort default rate of 20 percent or less. Out-of-state students, who attend an approved New Jersey school, are eligible as well. Approved schools also include certain proprietary institutions.
- 3) The student must be making satisfactory academic progress towards their degree or certificate.
- 4) The student must file all financial aid information required by the school to determine the student's eligibility for a Federal Stafford Loan before applying for an NJCLASS Loan.
- 5) The student, if the student is the borrower, must not owe a grant refund and must not be in default or have had any student loan discharged in default.

BORROWER/CO-BORROWER

- 1) The borrower/co-borrower must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.
- 2) The borrower/co-borrower must not owe a grant refund and must not be in default or have had any student loan discharged in default.

COSIGNER/JOINT COSIGNER

- 1) The cosigner/joint cosigner must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.
- 2) The cosigner/joint cosigner must not owe a grant refund and must not be in default or have had any student loan discharged in default.

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ASSIGNMENT

FOR VALUE RECEIVED, _____ (the "Transferor"), the undersigned, hereby sells, assigns and transfers unto

	(the "Transferee")
Name	
Address	

Social Security or Federal Employer Identification No. _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date:		
Signature Guaranteed:		NOTICE: No transfer will be made in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and the date of the trust and the name of the trustee should be applied
NOTICE: signature(s) must be guaranteed by a member of the New York Stock Exchange or a bank or a trust company		

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. (OR TO SUCH OTHER ENTITY AS IS REQUIRED 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.

Authentication Date: _____

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The student can be a borrower. If the borrower(s) do not meet the minimum income requirement, they will need a cosigner. Cosigner(s) must meet the income requirement.

II. CREDIT TEST FOR BORROWERS/CO-BORROWERS AND COSIGNERS/JOINT COSIGNERS FOR NJCLASS LOANS

- A. The Authority will retrieve a credit score and detailed consumer report only on those borrowers/cosigners who meet the minimum income requirement.
- B. Borrower(s) or cosigner(s) with a FICO credit score of 700 or greater, will be pre-approved.
- C. Borrower(s) or cosigner(s) must have a minimum FICO credit score of at least 670.
- D. If the credit score of a borrower or cosigner falls into the range (670-699), then those borrower(s) or cosigner(s) must satisfy the credit history review outlined below to qualify.

If any of the following exist, it may result in a denial of a NJCLASS Loan. However, the applicant may still be eligible for a NJCLASS Loan if the applicant is able to secure a creditworthy cosigner.

- 1) 4 accounts 30 days delinquent within last 6 months
- 2) 1 account 60 days delinquent in the last 3 months
- 3) 2 accounts 60 days delinquent in the last 6 months
- 4) 4 or more accounts rated 60 days delinquent in the last 12 months
- 5) 1 or more account(s) 90 days or greater delinquent in the last 12 months
- 6) 1 or more unpaid collection, charged-off, or judgment accounts (non-medical) greater than \$100.00
- 7) 1 or more foreclosure(s) in the last 3 years
- 8) 1 or more repossession(s) in the last 3 years
- 9) Bankruptcy filed or discharged in the past 3 years
- 10) 1 or more unpaid tax lien(s)
- 11) 1 or more student loan(s) in default
- 12) 1 or more delinquent NJCLASS loan(s)

The Authority reserves the right to make the final credit assessment.

III. CREDIT CRITERIA FOR BORROWERS AND COSIGNERS FOR FIXED RATE GRADUATE/PROFESSIONAL NJCLASS LOANS

Borrowers under the Fixed Rate Graduate/Professional NJCLASS Loan Program must have no negative credit history under the credit history review criteria set forth in Paragraph II above.

Borrowers who do not meet the credit criteria can be considered under the NJCLASS Fixed Rate Program with an eligible cosigner.

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Unless the Authority delivers to the Trustee a Rating Agency Condition from Moody's and twenty (20) days prior written notice to S&P, the following table shows the limits of the Program Expenses to be included in the Cash Flow Statement with respect to the 2014-1 NJCLASS Loans:

Item	Amount
Trustee Fee	0.7 bps
Loan Administration Fee	For all loans, 0.10% per annum of each loan balance outstanding while the Parity Percentage, as of the most recent servicer report, is below 100% and 0.40% per annum of each loan balance outstanding while the Parity Percentage, as of the most recent servicer report, is above 100%
Servicing Fee	\$2.68 per loan per month while the student is in school and \$3.75 per loan per month while in repayment (increased annually by an amount not to exceed 3%)
Rating Agency Surveillance Fee	\$35,000 per annum
Additional Program Expenses	An amount not to exceed \$XX,000 per annum

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[Date]

New Jersey Higher Education Student Assistance Authority
 4 Quakerbridge Plaza
 P.O. Box 540
 Trenton, New Jersey 08625

[Owner of Bonds]

RE: \$25,000,000, Senior Student Loan Revenue Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds) (the "Bonds")

In consideration of its purchase of the Bonds, the undersigned, as the purchaser (the "Purchaser") of the Bonds, hereby certifies to, and agrees with _____, the current owner of the Bonds and the New Jersey Higher Education Student Assistance Authority (the "Authority") as follows:

1. The Purchaser is purchasing the Bonds for the purpose of investing in the Bonds.
2. The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of obligations similar to the Bonds, to be able to evaluate the merits and risks of the investment represented by the Bonds.
3. The Purchaser is either a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933 (the "1933 Act") or an "accredited investor" as defined in Rule 501 of Regulation D under the 1933 Act and is able to bear the economic risks of such investment.
4. The Purchaser understands that no official statement, prospectus, offering circular or other comparable disclosure document is being provided with respect to the Bonds. The Purchaser has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds. We have obtained such information of the Authority as we deemed necessary and appropriate.
5. The Purchaser understands that the Bonds are not registered under federal or state securities laws, are not listed on any stock or other securities exchange and carry no rating from any rating agency.
6. The Purchaser is purchasing the Bonds for its own account and not with a present view toward resale or distribution to any other person; provided, however, that (i) the Purchaser reserves the right to sell, transfer or dispose of the Bonds or interests therein in accordance with its own judgment and in compliance with all applicable federal and state securities laws then in effect, (ii) any person to whom the Purchaser sells, transfers or disposes of the Bonds or an interest therein will also be a "qualified institutional buyer" as defined in Rule 144A promulgated under the 1933 Act or an "accredited investor" as defined in Rule 501 of Regulation D under the 1933 Act and will so certify to the Authority and the Trustee, and (iii) any such person to whom the Purchaser sells, transfers or disposes of the Bonds or an interest

therein shall execute and deliver to the Authority and the Trustee a letter substantially in the form of this letter.

7. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

By: _____
 Name: _____
 Title: _____

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APPENDIX B

FORM OF BOND COUNSEL OPINION – SERIES 2014-1 BONDS

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INGLESINO, WYCISKALA & TAYLOR, LLC

ATTORNEYS AT LAW

600 PARSIPPANY ROAD
PARSIPPANY, NEW JERSEY 07054
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[Date of Closing]

Higher Education Student Assistance Authority
4 Quakerbridge Plaza
Trenton, New Jersey

Re: Higher Education Student Assistance Authority
\$[220,000,000] Student Loan Revenue Bonds, Series 2014-1, consisting of:
\$[182,000,000] Senior Student Loan Revenue Bonds, Series 2014-1A-1,
\$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2
(LIBOR Floating Rate Bonds) and
\$[13,000,000] Subordinate Student Loan Revenue Bonds, Series 2014-1B

Ladies and Gentlemen:

We have served as bond counsel to the Higher Education Student Assistance Authority (the "Authority") in connection with the issuance by the Authority of its \$[220,000,000] Student Loan Revenue Bonds, Series 2014-1 (the "Series 2014-1 Bonds") consisting of \$[182,000,000] Senior Student Loan Revenue Bonds, Series 2014-1A-1 (the "Series 2014-1A-1 Bonds"), \$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds) (the "Privately Placed Bonds") and \$[13,000,000] Subordinate Student Loan Revenue Bonds, Series 2014-1B (the "Series 2014-1B Bonds" and together with the Series 2014-1A-1 Bonds, the "Publicly Offered Bonds"). The Authority is a public body corporate and politic and an instrumentality exercising public and essential governmental functions of the State of New Jersey (the "State"), pursuant to the New Jersey Higher Education Student Assistance Authority Law, N.J.S.A. 18A:71A-1 et seq., as amended and supplemented (the "Act").

The Series 2014-1 Bonds are issued under and pursuant to the Act and an Indenture of Trust dated as of June 1, 2012 (the "Original Indenture of Trust"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as amended and supplemented, including as amended and supplemented by a First Supplemental Indenture dated as of June 1, 2012,

by and between the Authority and the Trustee (the “First Supplemental Indenture”), as further amended and supplemented, by a Second Supplemental Indenture dated as of June 1, 2013, by and between the Authority and the Trustee (the “Second Supplemental Indenture”), as further amended and supplemented, by a Third Supplemental Indenture dated as of June 1, 2014, by and between the Authority and the Trustee (the “Third Supplemental Indenture” and together with the Original Indenture of Trust, the First Supplemental Indenture and the Second Supplemental Indenture, the “Indenture”) and a resolution of the Authority adopted April 3, 2014 authorizing the issuance of the Series 2014-1 Bonds (the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

The Series 2014-1 Bonds are issued for the purpose of: (i) making a deposit into the Student Loan Fund established pursuant to the Indenture to be applied as set forth therein including, without limitation, to originate Student Loans; (ii) making a deposit into the Capitalized Interest Fund established pursuant to the Indenture; (iii) making a deposit into the Debt Service Reserve Fund to satisfy the Debt Service Reserve Fund Requirement; and [(iv) at the election of the Authority, to pay a portion of the costs incurred in connection with the issuance and delivery of the Series 2014 Bonds].

The Series 2014-1 Bonds are limited obligations of the Authority payable solely from and secured by a pledge of the “Trust Estate”, including (i) the proceeds derived from the sale of the Series 2014-1 Bonds (until expended for the purposes for which the Series 2014-1 Bonds were issued); (ii) Student Loans (and notes evidencing the same) held as part of the Trust Estate pursuant to the Indenture, including the 2014-1 NJCLASS Loans; (iii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on Student Loans); (iv) the Debt Service Reserve Fund and (v) the moneys and securities in the various other funds established under the Indenture (except the Rebate Fund and the Excess Yield Fund).

The Publicly Offered Bonds have been sold pursuant to a Fixed Rate Bond Purchase Agreement, dated May __, 2014 by and between Merrill Lynch, Pierce, Fenner & Smith, Incorporated, as Representative on behalf of itself and the other underwriters listed therein, and the Authority. The Privately Placed Bonds have been sold pursuant to a Variable Rate Bond Purchase Agreement, dated April 28, 2014 by and between Banc of America Preferred Funding Corporation and the Authority.

As the basis for this opinion, we have examined such matters of law as we have deemed necessary including, inter alia, the Internal Revenue Code of 1986, as amended, and court decisions interpreting the same and existing regulations, rulings, and other publications promulgated or released thereunder (collectively, the “Code”). We have also examined such documents, opinions, certifications and instruments as we have deemed necessary including, but not limited to, the Indenture, the Bond Resolution, and the Certificate of Non-Arbitrage of even

date herewith of the Authority executed and delivered to us and intended to satisfy certain provisions of the Code (the “Tax Certificate”) and such opinions of counsel as we have deemed necessary. We have also examined the authenticated Series 2014-1 Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined including, without limiting the generality of the foregoing, the Tax Certificate.

Based upon and subject to the foregoing, and the limitations set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic, duly and legally organized and validly existing under the Act, and was and is authorized to adopt the Bond Resolution and to execute and deliver the Indenture.

2. The Series 2014-1 Bonds have been duly authorized, issued and sold by the Authority, all conditions precedent to the delivery of the Series 2014-1 Bonds set forth in the Indenture have been complied with and the Series 2014-1 Bonds are valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and payable as to principal or redemption price of and interest on the Series 2014-1 Bonds solely from the assets pledged under the Indenture, and are enforceable in accordance with their terms and the terms of the Indenture, secured in the manner and to the extent set forth in the Indenture, and are entitled to the benefits, protection and security of the Act and the Indenture.

3. The Authority has the power to enter into and perform its obligations under the Indenture. The Bond Resolution has been duly adopted by the Authority, and the Indenture has been duly authorized and executed by the Authority. The Bond Resolution and the Indenture are each valid, binding and enforceable in accordance with their terms. The Indenture creates the valid pledge which it purports to create of, and valid lien which it purports to create on, the Trust Estate and all of the Authority’s right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of principal or redemption price of and interest on the Series 2014-1 Bonds in accordance with the terms and provisions of the Indenture and the Act.

4. The applicable provisions of the Code establish certain requirements which must be met subsequent to the issuance and delivery of the Series 2014-1 Bonds in order that interest on the Series 2014-1 Bonds be and remain excluded from the gross income of the owners thereof for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross

proceeds of the Series 2014-1 Bonds be rebated to the Federal government. In the Indenture and the Tax Certificate, the Authority has covenanted to comply with the requirements of the Code applicable to the Series 2014-1 Bonds. The failure to comply with such provisions may cause interest on the Series 2014-1 Bonds to be or become included in gross income for federal income tax purposes retroactive to the date of issuance and delivery of the Series 2014-1 Bonds. In rendering the opinions described in this paragraph 4, we have assumed compliance by the Authority with such provisions of the Indenture and the Tax Certificate.

Under existing statutes and court decisions, interest on the Series 2014-1 Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code, but interest on the Series 2014-1 Bonds is an item of tax preference for purposes of the alternative minimum tax imposed by the Code with respect to individuals and corporations.

5. Interest on and any gain realized on the sale of the Series 2014-1 Bonds are not includable in gross income under the existing New Jersey Gross Income Tax Act.

Our opinion set forth above is subject, as to the enforceability of the Series 2014-1 Bonds, the Bond Resolution and the Indenture, to applicable bankruptcy, reorganization, moratorium, insolvency and other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the valid exercise of the sovereign police powers of the State of New Jersey and of the constitutional power of the United States of America.

From and after the date hereof, certain requirements and procedures contained or referred to in the Indenture or the Tax Certificate and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of other counsel. We express no opinion as to any Series 2014-1 Bond if any such change occurs or action is taken upon the advice or approval of such other counsel.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law or interpretations thereof that may occur after the date of this opinion, or for any reason whatsoever.

Attention is called to the fact that the Authority has no taxing power. Neither the State of New Jersey nor any political subdivision thereof is obligated to pay the principal, redemption premium, if any, or interest on the Series 2014-1 Bonds. The Series 2014-1 Bonds are limited obligations of the Authority, and the principal, redemption premium, if any, and interest on the

Higher Education Student Assistance Authority
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Series 2014-1 Bonds is payable solely from the assets pledged under the Indenture, and neither the faith and credit of the Authority nor the taxing power of the State of New Jersey or any political subdivision thereof is pledged to the payment of the principal, redemption premium, if any, or interest on the Series 2014-1 Bonds.

Very truly yours,

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APPENDIX C

**FORM OF CONTINUING DISCLOSURE AGREEMENT -
SERIES 2014-1 PUBLICLY OFFERED BONDS**

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CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (“Agreement”), dated as of June __, 2014, between the HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY, a public body corporate and politic and a public instrumentality of the State of New Jersey (“Authority”), and Wells Fargo Bank, National Association, as trustee (“Trustee”), acting in its capacity as Dissemination Agent (as hereinafter defined) hereunder, is executed and delivered in connection with the issuance of the Authority’s \$[182,000,000] aggregate principal amount of Senior Student Loan Revenue Bonds, Series 2014-1A-1 and \$[13,000,000] Subordinate Student Loan Revenue Bonds, Series 2014-1B (collectively, the “Bonds”). The Bonds are being issued, together with the Authority’s \$25,000,000 Senior Student Loan Revenue Bonds, Series 2014-1A-2 (LIBOR Floating Rate Bonds), pursuant to an Indenture of Trust dated as of June 1, 2012 between the Authority and the Trustee, as heretofore amended and supplemented (collectively, the “Original 2012 Indenture”), and as further amended and supplemented by the Third Supplemental Indenture dated as of June 1, 2014 between the Authority and the Trustee (“Third Supplemental Indenture,” together with the Original 2012 Indenture, the “Indenture”) and the resolution of the Authority adopted April 3, 2014 (“Resolution”). The Authority and the Trustee, acting as Dissemination Agent, covenant and agree as follows for the benefit of the Bondholders (as defined below):

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Agreement is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the Bondholders and in order to assist the Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the meanings indicated below.

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“Bondholders” shall mean the Holders of the Bonds.

“Calendar Quarter” shall mean each three-month period ending on March 31, June 30, September 30 or December 31, as the case may require.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as dissemination agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

“Fiscal Year” shall mean the fiscal year of the Authority. As of the date of this Agreement, the Fiscal Year of the Authority begins on July 1 of each calendar year and ends on June 30 of the following calendar year.

“Listed Event” or “Listed Events” shall mean any of the events listed in Section 5(a) of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Opinion of Counsel” shall mean a written opinion of counsel (which may include Bond Counsel to the Authority) expert in federal securities law acceptable to the Authority.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same has been heretofore amended, including, but not limited to, by SEC Release No. 34-59062 and SEC Release No. 34-62184 and as the same may hereafter be further amended.

“SEC Release No. 34-59062” shall mean Release No. 34-59062 of the Securities and Exchange Commission dated December 5, 2008.

“SEC Release No. 34-62184 shall mean Release No. 34-62184 of the Securities and Exchange Commission dated May 26, 2010.

“Servicing Report” shall mean any Servicing Report provided by the Authority as required by Section 5.4 of the Third Supplemental Indenture.

“Underwriter” shall mean the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

SECTION 3. CONTENT OF ANNUAL REPORTS AND SERVICING REPORTS. (A) The Authority’s Annual Report shall contain:

(a) a copy of its annual financial statements for the NJCLASS Loan Program and FFELP Loan Program prepared in accordance with generally accepted accounting principles and audited by an Accountant; and

(b) information with respect to the Authority, the NJCLASS Loan Program of the type contained in the Preliminary Official Statement of the Authority dated April 28, 2014 and the final Official Statement of the Authority dated May __, 2014 under the following captions;

“THE AUTHORITY” - the information under the subheadings “Authority’s Experience With the NJCLASS Loan Program” and “Outstanding Indebtedness of the Authority.”

“THE LOAN FINANCE PROGRAM” - the information under the subheadings “Student Loan Terms” (but only to the extent of any changes therein), “Loan Servicing,” and “Cash Flow and Other Assumptions.”

(B) The Authority’s Servicing Report shall contain such information as is required by Section 5.4 of the Third Supplemental Indenture.

SECTION 4. PROVISION OF ANNUAL REPORTS AND SERVICING REPORTS.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2014, provide to the MSRB as required or permitted by the Rule, an Annual Report. Not later than 15 Business Days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In the event that the Authority has obtained the Annual Report in an electronic format, it shall provide the Annual Report to the Dissemination Agent and the Trustee in such electronic format. In each case, the Annual Report may be submitted as a single document or as separate

documents comprising a package. The Annual Report may cross-reference other documents, including official statements of other debt issues of the Authority, which have been submitted to the MSRB as required or permitted by the Rule. Each Annual Report may cross-reference other information which is available to the public on the MSRB's internet website or which has been filed with the Securities and Exchange Commission. The Authority shall clearly identify each such other document so cross-referenced. Any financial information contained in the Authority's Annual Report shall be prepared in accordance with generally accepted accounting principles. Notwithstanding the foregoing, the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report when such audited financial statements become available. In the event that the audited financial statements are not included with the Annual Report and will be submitted at a later date, the Authority shall include unaudited financial information in the Annual Report and shall disclose the date on which the audited financial statements will be submitted.

(b) The Authority shall, or shall cause the Dissemination Agent to, not later than the Quarterly Report Date (as defined in the Indenture) with respect to each Calendar Quarter, commencing with the Calendar Quarter ending September 30, 2014, provide to the MSRB as permitted by the Rule, a Servicing Report. Not later than 5 Business Days prior to each submission date, the Authority shall provide the quarterly Servicing Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In the event that the Authority has obtained the quarterly Servicing Report in an electronic format, it shall provide the quarterly Servicing Report to the Dissemination Agent and the Trustee in such electronic format. In each case, the quarterly Servicing Report may be submitted as a single document or as separate documents comprising a package. The quarterly Servicing Report may cross-reference other documents or other information which is available to the public on the MSRB's internet website or which has been filed with the Securities and Exchange Commission. The Authority shall clearly identify each such other document so cross-referenced.

(c) If by 15 Business Days prior to the date specified in subsection (a) or by 5 Business Days prior to the date specified in subsection (b) of this Section 4 for providing, respectively, the Annual Report or the quarterly Servicing Report to the MSRB as required or permitted by the Rule, the Trustee has not received a copy of the Annual Report or quarterly Servicing Report, as applicable, the Trustee shall contact the Authority and the Dissemination Agent (if the Trustee is not the Dissemination Agent) to determine if the Authority is in compliance with subsection (a) or (b) of this Section 4, as the case may be.

(d) If the Dissemination Agent is unable to verify that an Annual Report or quarterly Servicing Report has been provided to the MSRB as required or permitted by the Rule, by the respective date required in subsection (a) or (b) of this Section 4, as the case may be, the Dissemination Agent shall send a notice to the MSRB in substantially the form attached hereto as EXHIBIT A.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) In a timely manner (but in no event later than ten (10) business days after the occurrence of any of the Listed Events which are material (except events listed in clauses (a)(1), (3), (4), (5), (9), (11), (12) or (13) which shall be deemed hereby to be material), the Authority shall direct the Dissemination Agent to deliver to the MSRB as required or permitted by the Rule, notice of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Authority;
13. Consummation of a merger, consolidation, acquisition, or sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
14. Appointment of a successor or additional Trustee, or the change of name of the Trustee, if material.

(b) Notice of Listed Events described in subsections (a)(8) and (9) shall be given by the Trustee under this subsection (b) simultaneously with the giving of the notice of the underlying event to Holders of affected Bonds pursuant to the Indenture.

(c) The Trustee shall, within one Business Day after the principal corporate trust officer responsible for the Authority's corporate trust business obtains actual knowledge of the occurrence of any of the Listed Events (except events listed in subsections (a)(1), (3), (4), (5), (9), (11), (12) or (13) above), contact the Authority, inform the Authority of the event, and request that the Authority promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) below.

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (c) above, or otherwise, the Authority shall as soon as possible determine if such event would constitute material information for Bondholders (except events listed in clauses (a)(1), (3), (4), (5), (9), (11), (12) or (13) which shall be deemed hereby to be material).

(e) If the Authority has determined that the occurrence of a Listed Event would be material, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (g) below.

(f) If in response to a request under subsection (c) above, the Authority determines that the Listed Event would not be material, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (g) below.

(g) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (3), (4), (5), (9), (11), (12) or (13) above shall be given by the Dissemination Agent unless the Authority gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) above need not be given under this subsection (g)(ii) any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. TERMINATION OF AGREEMENT. The Authority's obligations under this Agreement shall terminate upon the defeasance, prior redemption, or payment in full of all of the Bonds.

SECTION 7. RESIGNATION OF DISSEMINATION AGENT. In the event that the Trustee and the Dissemination Agent are the same entity and the Trustee resigns or is removed as Trustee under the Indenture, the Dissemination Agent may resign and be discharged of its duties and obligations created hereunder in the same manner as is required for resignation of the Trustee under Section 11.7 of the 2012 Indenture.

SECTION 8. DISSEMINATION AGENT. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 9. AMENDMENT. The Authority's obligations under this Agreement may be amended to the extent required or permitted by the Rule, or in connection with a change in the identity, nature or status of the Authority, or the type of business conducted by it; provided that any such amendment either (i) does not materially impair the interests of Bondholders, in the determination of the Trustee (which may be based on an Opinion of Counsel); or (ii) is approved by the holders of a majority in aggregate principal amount of the Bonds.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or quarterly Servicing Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Report or quarterly Servicing Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or to include it in any future Annual Report or quarterly Servicing Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Agreement, the Underwriter or any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority or the Dissemination Agent, as the case may be, to comply with its respective obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of either party to comply with this Agreement shall be an action to compel specific performance.

SECTION 12. BENEFICIARIES. This Agreement shall inure solely to the benefit of the Dissemination Agent, the Underwriter and the Bondholders, and the Underwriter and each Bondholder is hereby declared to be a third party beneficiary of this Agreement. Except as provided in the immediately preceding sentence, this Agreement shall create no rights in any other person or entity.

SECTION 13. SUBMISSION OF INFORMATION TO MSRB. Any information filed with the MSRB as described herein shall be in an electronic format as shall be prescribed by the MSRB or such other format as the Rule may require or permit, and shall be accompanied by such identifying information as shall be prescribed by the MSRB or as may otherwise be required by the Rule.

SECTION 14. NOTICES. All notices and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received only when delivered (personally, by recognized national or regional courier service, or by other messenger, for delivery to the intended addressee) or when deposited in the United States mail, registered or certified mail, postage prepaid, return receipt requested, addressed as set forth below:

(i) If to the Authority:

New Jersey Higher Education Student Assistance Authority
4 Quakerbridge Plaza
P.O. Box 545
Trenton, New Jersey 08625
Attn: Executive Director

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(ii) If to the Dissemination Agent:

Wells Fargo Bank, National Association,
MAC N9311-163
625 Marquette Avenue, 16th Floor
Minneapolis, MN 55479
Attention: Corporate Trust Services

Either party may alter the address to which communications are to be sent by giving notice of such change of address in conformity with the provisions of this Section 14 for the giving of notice.

SECTION 15. SUCCESSORS AND ASSIGNS. All of the covenants, promises and agreements contained in this Agreement by or on behalf of the Authority or the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 16. HEADINGS FOR CONVENIENCE ONLY. The descriptive headings in this Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 17. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 18. SEVERABILITY. If any provision of this Agreement, or the application of any such provision in any jurisdiction or to any person or circumstance, shall be held invalid or unenforceable, the remaining provisions of this Agreement, or the application of such provision as is held invalid or unenforceable in jurisdictions or to persons or circumstances other than those in or as to which it is held invalid or unenforceable, shall not be affected thereby.

SECTION 19. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

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SECTION 20. COMPLIANCE WITH L. 2005, C. 271. The Dissemination Agent hereby acknowledges that it has been advised of its responsibility to file an annual disclosure statement on political contributions with the New Jersey Election Law Enforcement Commission ("ELEC") pursuant to N.J.S.A. 19:44A-20.13 (L. 2005, c. 271, section 3) if the Dissemination Agent enters into agreements or contracts, such as this Agreement, with a public entity, such as the Authority, and receives compensation or fees in excess of \$50,000 in the aggregate from public entities, such as the Authority, in a calendar year. It is the Dissemination Agent's responsibility to determine if filing is necessary. Failure to do so can result in the imposition of financial penalties by ELEC. Additional information about this requirement is available from ELEC at 888-313-3532 or at www.elec.state.nj.us.

SECTION 21. COMPLIANCE WITH L. 2005, C. 92. In accordance with L. 2005, c. 92, the Dissemination Agent agrees that all services performed under this Agreement or any subcontract awarded under this Agreement shall be performed within the United States of America.

HIGHER EDUCATION STUDENT
ASSISTANCE AUTHORITY

By: _____
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By _____
Bonnie Anderson Rons
Vice President

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT OR SERVICING REPORT

Name of Authority: Higher Education Student Assistance Authority (State of New Jersey)

Name of Bond Issue: \$ _____ Senior Student Loan Revenue Bonds, Series 2014-1A-1
\$ _____ Subordinate Student Loan Revenue Bonds, Series
2014-1B

Date of Issuance: June ___ 2014

NOTICE IS HEREBY GIVEN that the Authority has not provided an [Annual Report][quarterly Servicing Report] with respect to the above-named Bonds as required by the Indenture. The Authority anticipates that the [Annual Report][quarterly Servicing Report] will be filed by _____.

Dated: _____

cc: Authority
Trustee (if not the Dissemination Agent)
Underwriter

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APPENDIX D

**AUDITED FINANCIAL STATEMENTS FOR THE NJCLASS/FFELP
LOAN PROGRAMS AS OF AND FOR THE FISCAL YEARS
ENDED JUNE 30, 2013 AND JUNE 30, 2012**

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**NEW JERSEY HIGHER EDUCATION
STUDENT ASSISTANCE AUTHORITY
Trenton, New Jersey**

**NJCLASS/FFELP LOAN PROGRAMS
FINANCIAL STATEMENTS
June 30, 2013 and 2012**

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

To the Board Members of
New Jersey Higher Education Student Assistance Authority
Trenton, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Jersey College Loans to Assist State Students (NJCLASS) and Federal Family Education Loan Programs (FFELP) (collectively, the Programs) of the New Jersey Higher Education Student Assistance Authority (the Authority), which comprise the statements of net position as of June 30, 2013 and 2012 and the related statements of revenues and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



An independent member of Nexia International

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Programs as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As more fully disclosed in Note 1, the financial statements present only the business-type activities of the NJCLASS and FFELP Loan Programs of the Authority and do not purport to and do not present the financial position of the Authority as a whole as of June 30, 2013 and 2012, and 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.

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Programs. The supplementary information as listed in the table of contents as of and for the year ended June 30, 2013, is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement, 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 in considering the Program's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Mt. Laurel, New Jersey
October 29, 2013

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

As financial management of the New Jersey Higher Education Student Assistance Authority's (the Authority) New Jersey College Loans to Assist State Students (NJCLASS) Loan Program and the Federal Family Education Loan Program (FFELP) (collectively, the Programs), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Programs for the fiscal year ended June 30, 2013. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented herein in conjunction with the financial statements taken as a whole. A comparative analysis of key elements of the financial statements is provided in this overview.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Programs' financial statements, which are comprised of the basic financial statements and the notes to financial statements. Since the Programs are comprised of a single enterprise fund, no fund-level financial statements are shown. This report also contains other supplementary information concerning the financial position and results of operations broken down by bond issues included in the Programs.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Programs' finances, in a manner similar to a private-sector business.

The statements of net position present information on all of the Programs' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Programs is improving or deteriorating. Net position increase when revenues exceed expenses. Increases to assets without corresponding increases to liabilities result in increased net position, which indicate an improved financial position.

The statements of revenues, expenses and changes in net position present information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the financial position and results of operations of each bond issue included in the Programs, as well as the auditors' report on internal control over financial reporting and on compliance and other matters.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

For further detail visit the Authority's website www.hesaa.org for more information about Authority programs and activities and management contact information.

Financial Highlights and Analysis

The Programs' net position, (as restated due to the retroactive adoption of Governmental Accounting Standards Board (GASB) Statement No. 65), referring to the difference between assets and liabilities, increased by \$17,963,348 and \$5,801,026 from the prior fiscal years ended 2012 and 2011, respectively. The term "Net Position" is used in accordance with rules promulgated under GASB Statement No. 34, as amended.

As of June 30, 2013, 2012, and 2011, the restated assets of the Programs exceeded liabilities by \$157,717,575, \$139,754,227, and \$146,860,162, respectively.

Changes in Student Loans Receivable Balances

The largest portion of the Programs' assets consisted of loans receivable from participating borrowers. Total student loans receivable under both the NJCLASS and FFELP loan programs amounted to \$2,069,781,324, \$2,085,828,725, and \$1,998,362,478 at June 30, June 30, 2013, 2012, and 2011, respectively. This represents a 2013 decrease of \$16,047,402 and a 2012 increase of \$87,466,247, respectively, due to loan originations during these years, reduced by loan principal repayments.

Changes in Cash and Investments Balances

The second major asset component was cash and investments, which together totaled \$540,232,363 \$523,655,055, and \$199,794,103 at June 30, 2013, 2012, and 2011, respectively. The cash and investment balances represent the amounts dedicated to student loan origination and acquisition, funding of reserves required by bond covenants, payment of future Program expenses, and future retirements of bonds.

The increase in cash and investments for fiscal year 2013 was primarily due to the receipt of the 2013-1 Bond Issue proceeds on June 20, 2013. Partially offsetting this was the use of cash to originate new NJCLASS loans, as well as bond principal redemptions during the fiscal year, as described below in Changes in Liabilities – Bonds Payable.

The increase in cash and investments for fiscal year 2012 was primarily due to the receipt of the 2012-1 Bond Issue proceeds on June 28, 2012, and the 2011-1 Bonds on July 20, 2011. Partially offsetting this was the use of cash to originate new NJCLASS loans, as well as bond principal redemptions during the fiscal year, as described below in Changes in Liabilities – Bonds Payable.

- Cash and investments balances were replenished from principal repayments and interest income from NJCLASS and FFELP borrowers, amounting to \$302,735,557 and \$273,306,513 during fiscal years 2013 and 2012, respectively. In addition, NJCLASS application/administrative/repayment fee and loan reserve fee income was \$5,905,043 and \$9,844,266, and \$350,052 and \$332,383 in interest was earned on investments for 2013 and 2012, respectively.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Changes in Liabilities – Bonds Payable

The main liability of the Programs is the debt used to originate or acquire student loans.

Bonds payable decreased in fiscal year 2012 by \$7,355,000 due to bond issuances and related capital contributions, which provided \$214,587,369 in cash, offset by retirements, which utilized a total of \$207,068,125 in cash.

Bonds payable increased in fiscal year 2012 by \$410,190,000, due to bond issuances, which provided \$606,293,988 in cash, partially offset by retirements, which utilized a total of \$174,751,250 in cash. In fiscal year 2011, bonds payable decreased from the prior year by \$133,825,000, due to bond principal redemptions, which utilized a total of \$123,434,812 in cash.

Of the amount retired in fiscal year 2013:

- \$39,400,000 in retirements was due to scheduled bond maturities.
- \$16,435,000 was due to quarterly Excess Revenue Redemptions of the 2011-FFELP Bonds, in accordance with the terms of that Indenture.
- \$29,475,000 was due to the Optional Redemption of the remaining 1999 and 2000 Bonds.
- \$2,225,000 was through Special Redemptions of portions of the Authority's auction rate bond issues, generally at 86.50% of par, resulting in total gains on retirements of \$286,875.
- \$119,820,000 was due to Special Optional Redemptions of portions of the fixed rate 2008, 2009, 2010-1 and 2010-2 Issues.

Of the amount retired in fiscal year 2012:

- \$14,345,000 in retirements was due to scheduled bond maturities.
- \$15,505,000 was due to quarterly Excess Revenue Redemptions of the 2011-FFELP Bonds, in accordance with the terms of that Indenture.
- \$17,510,000 was due to the Optional Redemption of the remaining 1998 Bonds in connection with the Issuance of the 2012-1 Bonds.
- \$6,350,000 was through Special Redemptions of portions of the Authority's auction rate bond issues, also resulting from excess revenues, generally at 86.50% of par, resulting in total gains on retirements of \$858,750.
- \$121,900,000 was due to Special Optional Redemptions of portions of the fixed rate 2008, 2009, 2010-1 and 2010-2 Issues.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Changes in Liabilities – Bonds Payable (Continued)

The following is a summary of new bond issuance activity during the June 30, 2013, 2012, and 2011 fiscal years:

- The 2013-1 Bonds, with a par amount of \$200,000,000 were issued in June 2013 under the 2012-1 Master Indenture. Of this amount, \$199,927,369 was designated for the origination of NJCLASS and NJCLASS Consolidation loans for the 2013-2014 academic year. Required reserves equalled \$14,000,000, and this issuance included net bond premium totalling \$8,927,369. The Underwriter's Discount, amounting to \$1,250,000 as well as and other closing costs, estimated to be \$500,000, were paid from other HESAA reserves.
- The 2012-1 Bonds, with a par amount of \$248,300,000 of Senior Bonds and \$11,000,000 of Subordinate Bonds were issued in June 2012 under a new 2012-1 Master Indenture. In addition, a net premium of \$10,139,262 and an equity contribution of \$7,886,000 from other HESAA reserves resulted in total proceeds of \$277,325,262. Of this amount, \$260,139,262 was designated for the origination of NJCLASS and NJCLASS Consolidation loans for the 2012-2013 academic year. Required reserves equaled \$17,186,000. The Underwriter's Discount and other closing costs were also paid from other HESAA reserves in the amount of \$1,658,625.
- The 2011-1 Bonds, with a par amount of \$326,500,000, were issued in July 2011 under the 2010-2 Master Indenture. Of this amount, \$289,181,576 was designated for the origination of NJCLASS and NJCLASS Consolidation loans for the 2011-2012 academic year. Required reserves and issuance costs, exclusive of Underwriter's Discount, equalled \$24,530,000, and this issuance also included net bond premium totalling \$4,721,576. In addition, \$17,510,000 of the total bond proceeds was transferred to the 1998 Bond Issue to pay for the redemption of the 1998 Series A Bonds in exchange for \$22,535,845 in student loan receivables. Underwriter's Discount in the amount of \$2,252,850 was paid from other HESAA reserves.
- No new Bonds were issued during the 2011 fiscal year.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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The following table contains condensed comparative financial information derived from the June 30, June 30, 2013, 2012, and 2011, financial statements of the NJCLASS/FFELP Loan Programs:

	\$	2012 (As Restated)	Change from 2013 to 2012	\$	2011	Change from 2012 to 2011
Net Position						
Current assets	\$ 677,219,029	\$ 651,706,938	\$ 25,512,091	\$ 311,740,856	\$ 339,966,082	
Non-current assets	<u>2,006,652,333</u>	<u>2,019,654,087</u>	<u>(13,001,754)</u>	<u>1,964,785,202</u>	<u>54,868,885</u>	
Total assets	<u>2,683,871,362</u>	<u>2,671,361,025</u>	<u>12,510,337</u>	<u>2,276,526,058</u>	<u>394,834,967</u>	
Current liabilities	177,929,292	128,724,622	49,204,670	42,369,931	86,354,691	
Non-current liabilities	<u>2,348,224,495</u>	<u>2,402,882,176</u>	<u>(54,657,681)</u>	<u>2,087,295,965</u>	<u>315,586,211</u>	
Total liabilities	<u>2,526,153,787</u>	<u>2,531,606,798</u>	<u>(5,453,011)</u>	<u>2,129,665,896</u>	<u>401,940,902</u>	
Net position, restricted, As Restated	<u>157,717,575</u>	<u>139,754,227</u>	<u>17,963,348</u>	<u>146,860,162</u>	<u>(7,105,935)</u>	
Total liabilities and net position	<u>\$ 2,683,871,362</u>	<u>\$ 2,671,361,025</u>	<u>\$ 12,510,337</u>	<u>\$ 2,276,526,058</u>	<u>\$ 394,834,967</u>	
Changes in Net Position						
Operating revenues	\$ 154,533,561	\$ 156,764,955	\$ (2,231,394)	\$ 146,234,018	\$ 10,530,937	
Operating expenses	<u>140,525,460</u>	<u>154,855,846</u>	<u>14,330,386</u>	<u>145,897,331</u>	<u>8,958,515</u>	
Operating gain (loss)	<u>14,008,101</u>	<u>1,909,109</u>	<u>12,098,992</u>	<u>336,687</u>	<u>1,572,422</u>	
Non-operating revenues (expenses) & other changes						
Income on investments	350,052	332,383	17,669	1,151,706	(819,323)	
Gain on bond retirements	286,875	858,750	(571,875)	10,390,188	(9,531,438)	
Parity release distribution	(2,288,177)	-	(2,288,177)	-	-	
Interest rate swap termination fees	-	(4,510,000)	4,510,000	(6,490,000)	1,980,000	
Capital contribution for 2013-1 bond issue	5,000,000	-	5,000,000	-	-	
Capital contribution for 2012-1 bond issue	660,000	7,886,000	(7,226,000)	-	7,886,000	
Bond issuance cost expense	-	(600,000)	600,000	-	(600,000)	
Bond issuance costs	-	-	-	(2,340,310)	2,340,310	
Amortization of Prepaid Int Rate Cap Fees	(42,344)	(41,480)	(864)	(56,729)	15,249	
Financial instrument issuance costs	-	-	-	(25,946)	25,946	
Arbitrage expense	<u>(11,159)</u>	<u>(33,736)</u>	<u>22,577</u>	<u>(35,762)</u>	<u>2,026</u>	
Net non-operating revenues	<u>3,955,247</u>	<u>3,891,917</u>	<u>63,330</u>	<u>2,593,147</u>	<u>1,298,770</u>	
Change in net position	17,963,348	\$ 5,801,026	12,162,322	2,929,834	2,871,192	
Net position, beginning of year	<u>139,754,227</u>	<u>146,860,162</u>	<u>(7,105,935)</u>	<u>143,930,328</u>	<u>2,929,834</u>	
EFFECT OF ADOPTION OF GASB 65	-	<u>(12,906,961)</u>	<u>12,906,961</u>	-	<u>(12,906,961)</u>	
NET POSITION, BEGINNING OF YEAR, As Restated	<u>139,754,227</u>	<u>133,953,201</u>	<u>5,801,026</u>	<u>143,930,328</u>	<u>(9,977,127)</u>	
Net position, end of year	<u>\$ 157,717,575</u>	<u>\$ 139,754,227</u>	<u>\$ 17,963,348</u>	<u>\$ 146,860,162</u>	<u>\$ (7,105,935)</u>	

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Explanation of Changes in Financial Performance

Changes in the financial results of the Programs were due to the following major factors:

Operating Revenues

- Interest income on NJCLASS student loans increased by \$2,443,331 and \$13,629,469, or 1.7% and 10.6%, due to the approximately \$199.2 million and \$260.2 million in NJCLASS originations during the 2013 and 2012 fiscal years, respectively.
- Beginning with the 2012-1 Bond Issue, the establishment of a Loan Reserve Fund was discontinued. Of the total origination fee of 3%, which remained unchanged, the 1% fee formerly deposited in the loan reserve fund was replaced by a 2% fee deposited in the 2012-1 Student Loan account. This fee was designated the "repayment fee." Consequently, NJCLASS loan reserve fee income for the 2013 fiscal year decreased by \$3.0 million, or 78%, because it was only received from loans originated with carryover proceeds from the 2011-1 Bond Issue. Fee income from the new 2% repayment fee amounted \$3.5 million, resulting in an overall combined increase for these fees of \$.5 million, despite a reduction in fixed rate loan originations in FY 2013 versus the prior year. Originations decreased by approximately \$61 million, or 23.4%. In fiscal year 2012, loan reserve fee income decreased by \$1.4 million or 29.0%, primarily because of the reduction in fixed rate loan originations in FY 2012 versus the prior year. FY 2012 Originations decreased by approximately \$78 million, or 23.4% versus FY 2011.
- Interest income on FFELP loans during the 2013 and 2012 fiscal years decreased by \$501,126 and \$728,729, respectively due to the reduction in FFELP portfolio assets. FFELP assets declined from \$127,047,923 at June 30, 2011 to \$111,130,322 at June 30, 2012 and to \$95,374,091 at June 30, 2013.

Operating Expenses

- Bond interest on expense for fiscal year 2013 increased slightly, by \$777,045 or 0.7%, due to the slightly lower amount of bonds outstanding as a result of retirements during the year, offset by issuance of the 2013-1 Bonds. In fiscal year 2012, bond interest on expense increased by \$7,552,528 or 13.5%, primarily due to the significant increase in Bonds outstanding at June 30, 2012, resulting from the aforementioned new issuances during the fiscal year.

Bad Debt Expense

- In fiscal year 2013, an additional \$19,018,454 in bad debt expense was recognized, versus \$30,610,355 in 2012, a decrease of \$11,591,901, due to a lower increase in defaults of NJCLASS loans than during the past two fiscal years. The increase in bad debt expense from 2011 to 2012 was \$2,185,899. The recent slower growth in the number of defaulted loans may be attributable to stricter underwriting standards that have been adopted by the NJCLASS Program in recent years and improving economic conditions.
- The increase in defaults in recent years is partly a result of the significant increases in the NJCLASS loan portfolio during recent fiscal years, as described below in Significant Events. Bad debt expense is recorded when increases to the Allowance for Doubtful Accounts recorded against amounts due from the Loan Reserve Funds to pay default claims become necessary. For a full description of the Allowance for Doubtful Accounts and defaulted loans, see **NOTES TO FINANCIAL STATEMENTS – NOTE 3, STUDENT LOANS RECEIVABLE – Loan Defaults/Loan Reserve Fund.**

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Non-Operating Revenues (Expenses) and Other Changes

- Fiscal 2013 Gains on Bond Retirement resulting from below par retirements of ARC Bonds decreased to \$286,875. Redemption prices during Fiscal 2013 averaged 87% of face value. The reduction in gains on retirement of \$571,875 from Fiscal 2012, and \$10,103,313 from Fiscal 2011 was due to the smaller volume of below par ARC bond retirement and refunding activity during each of the last two years. Bond retirement activity is described "**Changes in Liabilities – Bonds Payable**" above.
- Fiscal 2013 parity release distribution of \$2,288,177 represents the first ever parity release amounts from a HESAA Bond Issue. Parity release amounts are paid to HESAA. The release was made possible by the 2010-FFELP Bond Issue exceeding the parity release level of 110% as defined in its Indenture.
- Swap termination fees amounted to \$0 in Fiscal 2013, versus \$4,510,000, and \$6,490,000 in fiscal years 2012 and 2011, respectively. Swap Termination Activity resumed in FY 2014. This activity is described in **NOTES TO FINANCIAL STATEMENTS – NOTE 8, SUBSEQUENT EVENTS**.

Swap termination fees are the amounts charged by counterparties in exchange for the complete or partial termination (amendment) of existing swaps, which had resulted in periodic payments to the counterparty. In prior years, HESAA had terminated or reduced its swap positions due to the movement of a comparable amount of the hedged assets, fixed rate NJCLASS student loans, to new fixed rate bond issues. This was done in connection with a reduction in the amount of ARCs outstanding, whose interest rates were converted to a fixed rate by these swaps, in order to create an asset/liability match with the loans.

No terminations of HESAA's swaps had occurred prior to 2011. This expense was entirely funded from the gains on retirement of ARCs (see above) and did not require any HESAA or State General Fund expenditures.

- Capitalized Bond and Swap Issuance cost and related Amortization was eliminated during Fiscal 2013 as a result of the Authority's adoption of GASB Statement No. 65, *Accounting for Items Formerly Classified as Assets and Liabilities*. This change is more fully described in **NOTES TO FINANCIAL STATEMENTS – NOTE 9, NEW ACCOUNTING STANDARDS ADOPTED**

Significant Events

- At fiscal year-end 2013, the Programs had \$2,486,155,000 in bonds outstanding, compared to \$2,493,510,000 in the prior fiscal year – a decrease of .29%. This is due to a total issuance during the year of \$200,000,000 in 2013-1 Bonds, which closed on June 20, 2013, offset by retirements of \$207,355,000.
- During Fiscal 2013, the Authority adopted two new accounting standards promulgated by GASB, which affect the naming of certain financial statement items, the accounting for Interest rate Swaps and the treatment of bond and Swap Issuance costs. These costs were previously capitalized (presented on the balance sheet) and amortized but are expensed under the year incurred under the new standard. These changes are more fully described in **NOTES TO FINANCIAL STATEMENTS – NOTE 9, NEW ACCOUNTING STANDARDS ADOPTED**
- On June 13, 2013, Fitch Ratings Downgraded rating of the 1998 Indenture Bond Issue from "A" to "BBB." Although the 1998 Indenture is small in relation to the HESAA bond issues as a whole, this change requires higher interest rates on these bonds per the terms of the applicable indenture, resulting in a minimal increase in interest expense at current market rates.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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Significant Events (Continued)

- The Authority experienced a significant decrease during fiscal year 2013 in NJCLASS student loan origination volume, with cash disbursements of \$174,369,173 for new loans, compared to \$260,227,004 during fiscal year 2012, a decrease of 33.0%. During fiscal year 2012, there was a decrease of 22.9% in NJCLASS origination volume from the prior year.

Cash Flows Summary

	<u>2013</u>	<u>2012 (As Restated)</u>	<u>2011</u>
Net cash provided by (used in) operating activities	\$ 11,087,168	\$ (105,189,385)	\$ (213,534,401)
Net cash flows provided by financing activities	7,482,685	428,758,707	(130,210,191)
Net cash flows provided by investing activities	<u>6,040,785</u>	<u>27,473,716</u>	<u>56,497,127</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 24,610,638</u>	<u>\$ 351,043,038</u>	<u>\$ (287,247,465)</u>

Current Conditions

In response to the continuing demand for NJCLASS loans, HESAA issued its Series 2013-1 Bonds on June 20, 2013. During the prior academic year, the 2011-1 Bonds were issued after the close of the 2011 fiscal year to avoid a prolonged period of holding large cash balances between the issuance date and the start of the fall academic semester, resulting in two bond issuances within the 2012 fiscal year.

HESAA continually evaluates the performance of its NJCLASS loans to balance the needs of its borrower base with the necessity of maintaining an adequate collections stream on its portfolio. This effort has resulted in the recognition that current economic conditions have contributed to an increase in borrower defaults in recent years. Research performed by HESAA staff and our advisors has also determined that a large portion of loans that eventually go into default are those that were originated in option III, which allows for full deferment of principal and interest while in school, and/or those with lower credit scores. The Authority continually reevaluates its credit policies and adjusts its underwriting criteria when it is deemed in the best interests of the NJCLASS Loan Program to do so. To mitigate the risk of future loan defaults and enhance the overall credit quality of its loan portfolio, the Authority made two significant policy changes. During the 2011-12 academic year, the allowable percentage of fixed rate loans that can be originated in option III was reduced to 30% and the minimum credit score required to qualify for an NJCLASS loan was raised to 630. In 2012-13, the allowable percentage of fixed rate loans that can be originated in option III was reduced to 15% and HESAA raised the minimum credit score required to qualify for an NJCLASS loan from 630 to 670. In addition, the minimum income requirement necessary to obtain an NJCLASS Loan, which was \$30,500 in 2011-12, was raised to \$40,000, beginning with for the 2012-13 academic year. For the 2013-14 academic year, the Authority has continued to limit the allowable percentage of fixed rate loans that can be originated in option III by capping this option at \$35,000,000 of the total lendable proceeds of \$199,927,369.

- For specific statistical information regarding default experience during fiscal 2013 and 2012, refer to **NOTES TO FINANCIAL STATEMENTS – NOTE 3, STUDENT LOANS RECEIVABLE – Loan Defaults/ Loan Reserve Fund.**

FINANCIAL STATEMENTS

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012 (As Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 536,536,776	\$ 511,926,138
Investments	3,695,586	11,728,917
NJCLASS student loans receivable, net	56,937,327	58,429,379
FFELP student loans receivable, net	6,225,174	7,784,555
Interest receivable:		
Investments	22,495	14,995
NJCLASS student loans	21,516,567	24,256,064
FFELP student loans	1,161,722	1,199,077
NJCLASS defaulted student loan principal and interest in 2009 and 2010 Indenture Loan Reserve Funds, and 2012-1 Indenture, net of allowance for doubtful accounts of \$67,057,285 in 2013 and \$43,737,581 in 2012, respectively	36,405,267	22,403,078
Due from the Loan Reserve Fund, net of allowance for doubtful accounts of \$31,898,985 in 2013 and \$28,510,234 in 2012, respectively	14,359,412	13,393,306
Default collections receivable	180,573	229,699
Due from loan servicing agents	178,130	341,730
Total current assets	677,219,029	651,706,938
NON-CURRENT ASSETS		
NJCLASS student loans receivable, less current portion	1,917,469,905	1,916,269,024
FFELP student loans receivable, less current portion	89,148,917	103,345,767
Prepaid Interest Rate Cap Fees	33,511	39,296
Total non-current assets	2,006,652,333	2,019,654,087
TOTAL ASSETS	\$ 2,683,871,362	\$ 2,671,361,025
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - interest rate swaps	11,508,885	16,574,019
Total Deferred Outflows of Resources	11,508,885	16,574,019
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Bonds payable	\$ 166,860,000	\$ 117,855,000
Accrued interest payable - bonds	9,514,578	9,241,850
Fees payable	1,284,814	1,292,672
Arbitrage payable	-	35,762
Due to the Loan Reserve Fund	269,900	299,338
Total current liabilities	177,929,292	128,724,622
NON-CURRENT LIABILITIES		
Bonds payable, less current portion	2,319,295,000	2,375,655,000
Premium on bonds payable, net	28,929,495	27,227,176
Total non-current liabilities	2,348,224,495	2,402,882,176
Total liabilities	2,526,153,787	2,531,606,798
DEFERRED INFLOWS OF RESOURCES		
Derivative instrument liability - interest rate swaps	11,508,885	16,574,019
Total Deferred Inflows of Resources	11,508,885	16,574,019
NET POSITION		
Restricted	157,717,575	139,754,227
TOTAL LIABILITIES AND NET POSITION	\$ 2,683,871,362	\$ 2,671,361,025

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
OPERATING REVENUES		
Interest income		
NJCLASS student loans	\$ 144,477,873	\$ 142,034,542
FFELP student loans	4,150,645	4,651,771
Application/administrative fee income	1,947,266	6,362,642
Loan reserve fee income	430,593	3,481,624
Repayment fee income	3,527,184	-
Total operating revenues	154,533,561	156,530,579
OPERATING EXPENSES		
Loan servicing fees		
NJCLASS student loans	10,350,600	10,976,836
FFELP student loans	1,639,705	1,865,099
Total loan servicing fees	11,990,305	12,841,935
Program expenses		
Annual insurance expense and transaction fees	526,434	675,368
Bad debt expense	19,554,322	30,375,979
Loan Reserve Fund fees	430,688	3,481,522
Total program expenses	20,511,444	34,532,869
Bond interest expense	108,023,711	107,246,666
Total operating expenses	140,525,460	154,621,470
Operating income	14,008,101	1,909,109
NON-OPERATING REVENUES (EXPENSES) AND OTHER CHANGES		
Income on investments	350,052	332,383
Gain on bond retirements	286,875	858,750
Parity release distribution	(2,288,177)	-
Interest rate swap termination fees	-	(4,510,000)
Capital contribution for 2012-1 bond issue	660,000	7,886,000
Capital contribution for 2013-1 bond issue	5,000,000	-
Amortization Expense - Prepaid Interest Rate Cap Fees	(42,344)	(41,480)
Bond issuance cost expense	-	(600,000)
Arbitrage expense	(11,159)	(33,736)
Net non-operating revenues	3,955,247	3,891,917
CHANGE IN NET POSITION	17,963,348	5,801,026
NET POSITION, BEGINNING OF YEAR	139,754,227	146,860,162
EFFECT OF ADOPTION OF GASB 65	-	(12,906,961)
NET POSITION, BEGINNING OF YEAR, As Restated	139,754,227	133,953,201
NET POSITION, END OF YEAR	\$ 157,717,575	\$ 139,754,227

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts:		
NJCLASS student loans	\$ 114,874,317	\$ 102,730,010
FFELP student loans	3,502,036	4,014,060
Principal receipts:		
NJCLASS student loans	166,933,995	148,981,943
FFELP student loans	17,425,209	17,580,500
Reimbursements from Loan Reserve Fund	4,645,514	5,344,556
Collections on defaulted loans	6,383,784	3,913,603
NJCLASS student loan disbursements	(174,369,173)	(260,227,004)
FFELP student loan purchases	(408,447)	(196,042)
Annual insurance expense	(526,434)	(675,368)
Transaction fees	(7,858)	(54,399)
Loan servicing fees	(11,789,652)	(13,020,786)
Repayment of government interest related to FFELP loans	(600,090)	(643,190)
Interest paid on bonds	<u>(114,976,033)</u>	<u>(112,937,268)</u>
Net cash provided by (used in) operating activities	<u>11,087,168</u>	<u>(105,189,385)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on bonds	(207,068,125)	(174,751,250)
Bond proceeds	208,927,369	600,660,839
Capital contribution for 2012-1 bond issue	660,000	7,886,000
Capital contribution for 2013-1 bond issue	5,000,000	-
Interest rate swap termination fees	-	(4,510,000)
Bond issuance costs	-	(484,014)
Prepaid Interest Rate Cap Fees	<u>(36,559)</u>	<u>(42,868)</u>
Net cash provided by financing activities	<u>7,482,685</u>	<u>428,758,707</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment purchases, sales proceeds and maturities, net	8,033,331	27,182,086
Parity release distribution	(2,288,177)	-
Arbitrage payments	(46,921)	(33,736)
Interest on investments	<u>342,552</u>	<u>325,366</u>
Net cash provided by investing activities	<u>6,040,785</u>	<u>27,473,716</u>
NET INCREASE IN CASH	24,610,638	351,043,038
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>511,926,138</u>	<u>160,883,100</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 536,536,776</u></u>	<u><u>\$ 511,926,138</u></u>

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 2013 and 2012

	2013	2012 (As Restated)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income	\$ 14,008,101	\$ 1,909,109
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Bad debt expense	19,554,322	30,375,979
Net change in assets and liabilities:		
NJCLASS student loans receivable	291,171	(103,383,848)
FFELP student loans receivable	15,756,231	15,917,601
NJCLASS defaulted student loans	(30,167,760)	(38,739,049)
Interest receivable:		
NJCLASS student loans	2,739,497	1,554,802
FFELP student loans	37,355	203,510
Due from Loan Reserve Fund	(4,354,857)	(6,820,505)
Default collections receivable	49,126	(168,848)
Due from loan servicing agents	163,600	(196,873)
Accrued interest payable - bonds	(6,952,322)	(5,690,602)
Fees payable	(7,858)	(54,399)
Due to Loan Reserve Fund	(29,438)	(96,262)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 11,087,168	\$ (105,189,385)
NON-CASH FINANCING ACTIVITIES		
Amortization - prepaid interest rate cap fees	\$ 42,344	\$ 41,480
Amortization - net premium on bonds payable	(7,225,050)	(6,339,968)
Discount on acquisition of bonds	286,875	858,750
Gain on bond retirement	(286,875)	(858,750)
TOTAL NON-CASH FINANCING ACTIVITIES	\$ (7,182,706)	\$ (6,298,488)

The accompanying notes are an integral part of the financial statements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

The New Jersey Higher Education Student Assistance Authority (the Authority or HESAA) is a public body corporate and politic that is in, but not of, the Department of State of the State of New Jersey (the State) and is an instrumentality of the State.

The Authority was established by State legislation in 1999 to provide students and families with the financial and informational resources for students to pursue their education beyond high school. Prior to the act, the New Jersey Higher Education Assistance Authority, created by legislation in 1959, served as lender and guarantor of federally guaranteed student loans for New Jersey students. References herein to the Authority include the predecessor Authority where the context so requires.

Reporting Entity

The reporting entity is comprised of the New Jersey College Loans to Assist State Students (NJCLASS) Loan Program and the Federal Family Education Loan Program (FFELP) (collectively, the “Programs”). These financial statements present only the business-type activities of the NJCLASS and FFELP Loan Programs of the Authority, and do not purport to, and do not present the financial position of the Authority as of June 30, 2013 and 2012, and its changes in net position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

NJCLASS Program

The NJCLASS Loan Program is a supplemental loan program initiated by the Authority in September 1991. The NJCLASS Loan Program offers an alternative source of financial support to students and their parents, spouses, legal guardians, or other relatives in meeting the costs of the student’s education at a degree-granting college or university. Since 1991, the Authority has issued bonds to fund student loans through this Program.

FFELP Loan Program

In 2001, the Authority expanded its use of debt financing by issuing bonds, with a portion of the proceeds allocated to purchase a portfolio of existing loans with a New Jersey nexus issued through the Federal Family Education Loan Program (FFELP). Using a portion of the proceeds of its 2001 through 2004 Bond Issues, the Authority purchased portfolios of New Jersey nexus FFELP loans or FFELP Consolidation loans from other FFELP loan origination/servicing entities. The Authority is not the servicer on any of the FFELP loans acquired with NJCLASS/FFELP Bond proceeds, but is the guarantor on a portion of its FFELP portfolio. The NJCLASS/FFELP Loan Program has also used bond proceeds to purchase portfolios of rehabilitated FFELP student loans from the portfolio of previously defaulted FFELP student loans held by the Authority as the New Jersey state guaranty agency, and to originate a small portfolio of FFELP loans for low income borrowers using a portion of the 2005 Bond proceeds.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FFELP Loan Program (Continued)

Title II of the Health Care and Education Reconciliation Act of 2010 (Pub. L. 111-152) signed into law by President Barack Obama on March 30, 2010, contains various student loan amendments, including the termination of the process of the federal government paying set yields to private banks to originate federally insured loans and, instead, the loans will be administered directly by the U.S. Department of Education, effective July 1, 2010. As a result, the Authority will no longer originate or acquire FFELP Loans.

On May 7, 2010, the Authority transferred its entire portfolio of FFELP loans from the 2001, 2002, 2003, 2004 and 2005 issues to the 2010-FFELP issue.

Basis of Accounting

The Programs prepare their financial statements using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing government accounting and financial reporting principles. The Program is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

The Program has elected not to follow any FASB pronouncements issued after November 30, 1989.

Operating Revenues and Expenses

The Programs' operating revenues consist of application/administrative/repayment fees for student loan originations as well as interest income earned on student loans. Operating expenses consist of loan service and transaction fees, bond interest, bad debt expense and other expenses related to NJCLASS and FFELP loans. All other revenues and expenses are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Investments

Investments are reflected at fair value. In accordance with the provisions of the bond indentures, the Authority is generally required to invest available monies in qualified investments. The bond indentures define qualified investments as:

- (1) Government obligations and any obligations of any state or political subdivision of a state (collectively, the “Municipal Bonds”).
- (2) U.S. Government and certain other governmental agencies' obligations.
- (3) Insured certificates of deposit.
- (4) Other investments acceptable by the State of New Jersey and rated accordingly by either Standard and Poor’s (S&P), Moody’s or A.M. Best, including annuity contracts and repurchase agreements.

Use of Estimates in Preparing Financial Statements

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

Federal Income Taxes

The Authority is deemed to be an essential governmental function of the state and, as such, is exempt from federal income taxes. Accordingly, no provision for federal income taxes has been made in the accompanying financial statements.

Bond Issuance Costs

Prior to the 2013 Fiscal year, all costs associated with the issuance of bonds were amortized on a straight-line basis over the life of the bonds, which approximates the effective interest method. During FY 2013, HESAA adopted GASB Statement No. 65, *Accounting for Items Formerly Treated as Assets and Liabilities*, which requires that costs of issuance of bond be expensed in the year incurred. This Statement and its impact is more fully described in **NOTES TO FINANCIAL STATEMENTS – NOTE 9, NEW ACCOUNTING STANDARDS ADOPTED.**

Bond Premiums and Discounts

Bond premiums are reported as deferred revenues (liabilities), and bond discounts are reported as deferred expense (assets). Bond premiums and discounts are amortized over the term of the related debt. The unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Position. Amortization revenue and expense is recorded as bond interest expense in the Statement of Revenues, Expenses and Changes in Net Position.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

From 2001 to 2007, the Authority entered into certain financial instrument agreements including interest rate swaps, caps and swaptions in contemporaneously with the issuance of its Tax Exempt Variable Rate Bonds to support its NJCLASS loan program. These financial instruments are recorded at fair value on the statement of net position. Prior to the 2013 Fiscal year, all separately identifiable costs associated with the issuance of financial instruments were amortized on a straight-line basis over the life of the financial instruments, which approximates the effective interest method. During FY 2013, HESAA adopted GASB Statement No. 65, which requires that costs of issuance of financial instruments be expensed in the year incurred. For additional information on the impact of GASB No. 65, refer to **NOTES TO FINANCIAL STATEMENTS – NOTE 9, NEW ACCOUNTING STANDARDS ADOPTED.**

Restricted Net Position

In accordance with the terms of the various bond resolutions, the excess of assets over liabilities under such bond resolutions are classified as restricted net position to be used for the purpose specified in the bond resolutions.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The NJCLASS/FFELP Loan Programs maintain their cash and cash equivalents balances primarily in trust accounts at one financial institution. As trust account balances, these funds are not available to the institution to meet its general financial obligations and are restricted under the terms of the Authority's bond resolutions for the payment of bond principal and interest expense, student loan disbursements and Program expenses. These funds are invested in a AAA-rated money market fund secured by U.S. government obligations.

Additionally, the Programs utilize lockbox accounts to clear cash receipts. Amounts on deposit in the NJCLASS lockbox accounts at Wells Fargo Bank are collateralized by direct obligations of or obligations guaranteed by the United States or the State of New Jersey in accordance with New Jersey Statute 52:18-16 and New Jersey Department of Treasury policy.

The amounts on deposit in these cash accounts were as follows:

	<u>2013</u>	<u>2012</u>
Lockbox Cash (Wells Fargo Bank)	\$ 2,605,121	\$ 1,621,824
Trust Accounts invested in		
Wells Fargo Advantage Heritage Money		
Market Fund	533,931,655	510,304,314
Total	<u>\$ 536,536,776</u>	<u>\$ 511,926,138</u>

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

The Programs' investments consist of annuity contracts, money market funds, and pooled cash management funds.

- Investment policies are defined in **NOTES TO FINANCIAL STATEMENTS – NOTE 1, BASIS OF INVESTMENTS.**

The debt service reserve accounts are restricted by the bond indentures for the payment of principal and/or interest on the bonds, to the extent other available monies held under the indentures are insufficient to pay the interest on the bonds or to meet any sinking fund requirements. The amounts in the debt service reserve accounts for the various bond issues, which are included in cash and investments at June 30, 2013 and 2012 were \$43,511,759 and \$45,389,195, respectively. The fair value of these investments approximates cost.

Investments - Custodial Credit Risk

The Authority invests a portion of its bond proceeds through guaranteed investment contracts with investment providers having a rating of A-1 or A (or the equivalent or better). These contracts have guaranteed rates of return; however, they are uninsured and uncollateralized. All companies in which Authority funds are invested are required by their contracts to notify the trustee in the event that their highest rating is withdrawn by a rating agency. The investment contract provider has the option of posting collateral for the invested funds with a third party until such time as its rating is restored or returning the investment with full accrual of interest and without penalty to the trustee for rebidding.

As of June 30, 2013 and 2012, the credit rating of MBIA, Inc., parent company of MBIA Investments, Inc., provider of the guaranteed investment contract for the HESAA 2000 Bonds, was rated B-3 by Moody's, Inc., and B by Standard & Poors, Inc. Under the terms of this investment agreement, MBIA posted collateral for the downgrade.

The amounts held in guaranteed investment contracts and the New Jersey Cash Management Fund at June 30, 2013 and 2012, respectively, are summarized below:

	2013	2012
Guaranteed Investment Contracts	\$ 3,673,247	\$ 11,708,462
New Jersey Cash Management Fund	22,339	20,455
Total	\$ 3,695,586	\$ 11,728,917

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
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NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments – Concentration of Credit Risk

"Concentration of Credit Risk" is the risk that relates to the amount of investment at any one entity. The disclosure requirement of this risk factor is limited to investments in excess of 5% of the total. Guaranteed investment contracts are the only category held by NJCLASS/FFELP subject to concentration of credit risk disclosure. Of all amounts invested in guaranteed investment contracts, the balances held by the following investment providers exceed this threshold as follows:

Bayern LB	99.09%
Rabobank	0.91%

These risks are mitigated by the collateral provisions of the guaranteed investment contracts that govern these investments.

Investments - Interest Rate Risk

- NJCLASS/FFELP investment policies, as described in **NOTES TO FINANCIAL STATEMENTS – NOTE 1, BASIS OF INVESTMENTS**, require balances to be maintained in high quality, low-risk investment options. All investment vehicles used by the Authority seek to maintain a stable price of \$1.00 per share. In these types of investments, it is highly unlikely that normal fluctuations in interest earnings on the underlying securities would cause a loss of principal. Consequently, NJCLASS/FFELP investments are not subject to interest rate risk.

NOTE 3 – STUDENT LOANS RECEIVABLE

The terms and conditions of the FFELP loans held by the Authority are governed by the federal rules and regulations of FFELP and various benefit programs extended by the original lender of these purchased loans.

NJCLASS loans originated by the Authority to eligible borrowers, as defined in the bond indentures and NJCLASS Program regulations, have the following repayment options:

- (1) To pay principal and interest monthly, beginning within 60 days of disbursement;
- (2) To pay only interest while the student is in school and thereafter to pay principal and interest monthly; or
- (3) To defer principal and interest payments while the student is in school and thereafter to pay principal and interest monthly. Deferred interest on option 3 is periodically added to the loan principal balance.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
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June 30, 2013 and 2012

NOTE 3 – STUDENT LOANS RECEIVABLE (CONTINUED)

Under options 1 and 2 as defined above, the NJCLASS loans originated since the inception of the Program in 1991 generally bear interest at initial rates ranging from 5.25% to 8.95%, and option 3 rates have ranged from 5.55% to 9.25%. All fixed rate NJCLASS loans, with the exception of Consolidation loans and Medical/Dental loans, have a step up rate that is .75% higher than the initial rate. The step up rate becomes effective in the 49th month in repayment, with the exception of option 3 loans, which beginning in the 2011-12 academic year, adjust in the 13th month of repayment.

Beginning in 1997, HESAA began offering a non-credit-based variable rate loan with an annual rate reset and initially a 23 year repayment term to qualifying graduate students. Any variable rate loans funded that were disbursed on June 1, 2001, or later are subject to an interest rate cap of 9%. The variable rate is program was discontinued in 2006 and replaced by a new fixed rate Graduate/Professional NJCLASS Loan product with a 25 year term.

In June 2005, HESAA initiated an NJCLASS Consolidation Loan Program that allows existing NJCLASS borrowers who are out of school or withdrawn to consolidate their existing NJCLASS loans. The NJCLASS Consolidation Loan offers terms of either 25 or 30 years, depending on the dollar amount. The interest rate is a blended rate derived from the rates on the underlying loans being consolidated. Beginning with loans consolidated after June 1, 2010, an additional .25% is added to the blended rate on consolidation loans.

In 2009, the Authority introduced the Med/NJ program, an NJCLASS loan for students working toward a MD, DO, DDS or DMD degree. This program was discontinued in the 2012-13 academic year.

Concurrent with the issuance of the 2010-2 Bonds, the Authority introduced the 10-year fixed rate NJCLASS Student Loan. These student loans (known as Ten Year Option 1 Loans) offer only option 1 repayment (immediate payment of principal and interest) following disbursement, and only limited deferment or forbearance options.

Over the life of the NJCLASS Program, the loan terms offered, credit policies and underwriting criteria have been periodically adjusted to meet perceived borrower preferences and needs, as well as when such changes are deemed necessary for the best interests of the NJCLASS Loan Program. Recent changes in underwriting criteria are described in **Management Discussion and Analysis – Current Conditions**. The loan rates, borrower fees and terms offered in the 2011-12, 2012-13 and 2013-14 academic years are shown in the chart below.

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NJCLASS/FFELP LOAN PROGRAMS
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NOTE 3 – STUDENTLOANS RECEIVABLE (CONTINUED)

NJCLASS Loan Rates, Fees and Terms

2013 -2014 Academic Year

Loan Description	Initial Rate	Stepup Rate	Administrative Fee	Loan Term in Years	Month in repayment when stepup rate begins
Fixed Rate Option 1 & 2	6.65%	7.40%	3%	15	49
Fixed Rate Option 3	8.05%	8.80%	3%	20	13
Fixed Rate Option 1 - 10 Year	5.49%	6.24%	3%	10	49
Graduate/Professional Fixed Rate - Option 1 & 2	6.65%	7.40%	3%	25	49
Graduate/Professional Fixed Rate - Option 3	8.05%	8.80%	3%	25	49
NJCLASS Consolidation	Weighted average of underlying loans + 25 basis points	N/A	1.00%	25 or 30 Years	N/A

2012 -2013 Academic Year

Loan Description	Initial Rate	Stepup Rate	Administrative Fee	Loan Term in Years	Month in repayment when stepup rate begins
Fixed Rate Option 1 & 2	7.05%	7.80%	3%	15	49
Fixed Rate Option 3	8.05%	8.80%	3%	20	13
Fixed Rate Option 1 - 10 Year	6.15%	6.90%	3%	10	49
Graduate/Professional Fixed Rate - Option 1 & 2	7.05%	7.80%	3%	25	49
Graduate/Professional Fixed Rate - Option 3	8.05%	8.80%	3%	25	49
NJCLASS Consolidation	Weighted average of underlying loans + 25 basis points	N/A	1.00%	25 or 30 Years	N/A

2011 -2012 Academic Year

Loan Description	Initial Rate	Stepup Rate	Administrative Fee	Loan Term in Years	Month in repayment when stepup rate begins
Fixed Rate Option 1 & 2	7.35%	8.10%	2%	15	49
Fixed Rate Option 3	8.00%	8.75%	3%	20	13
Fixed Rate Option 1 - 10 Year	6.60%	7.35%	2%	10	49
Graduate/Professional Fixed Rate - Option 1 & 2	7.35%	8.10%	2%	25	49
Graduate/Professional Fixed Rate - Option 3	7.65%	8.40%	2%	25	49
Medical/Dental Fixed Rate - Option 1 & 2	7.85%	N/A	2%	25	N/A
Medical/Dental Fixed Rate - Option 3	8.15%	N/A	2%	25	N/A
NJCLASS Consolidation	Weighted average of underlying loans	N/A	1.00%	25 or 30 Years	N/A

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 – STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Servicing

In conjunction with the Authority's servicing of the student loans, the NJCLASS Loan Program remits to the Authority certain fees for Program administration, which are paid from Program revenues. For the years ended June 30, 2013 and 2012, \$10,350,600 and \$10,976,836 of servicing fees, respectively, were included in loan servicing fees charged to the NJCLASS Loan Program. In connection with its portfolios of existing loans, FFELP pays certain fees for Program administration, which are payable from Program revenues. For the years ended June 30, 2013 and 2012, the fees include administrative expenses of \$235,252 and \$273,903, respectively, paid to the Authority and fees paid to servicing agents of \$583,362 and \$647,988, respectively. In addition, for the years ended June 30, 2013 and 2012, loan consolidation rebate fees of \$821,092 and \$925,160, respectively, were paid to the United States Department of Education.

Loan Defaults/Loan Reserve Fund

Under the NJCLASS Loan Program, when a student loan payable in monthly instalments reaches 180 days of delinquency or when a student loan payable in instalments less frequent than monthly reaches 240 days of delinquency, the Authority will declare the respective loan "in default."

For most of its NJCLASS bond issues, the Authority has established loan default reserve funds to stabilize the impact of loan defaults in the NJCLASS Loan Program. These are funded from sources other than the proceeds of the bonds in the percentage of original loan principal specified by the appropriate master indenture.

The Loan Reserve Fund is a separate fund established by the Authority to protect the interests of NJCLASS bondholders by reimbursing the various HESAA bond issues when loans default. Amounts subsequently received relative to defaulted student loans are used to replenish the Loan Reserve Fund to the extent of 70% of recoveries. The Authority retains the remaining 30% as a collection fee.

For the 1998 and 2008 Master Indentures, this fund is not part of the NJCLASS Loan Program Trust Estate, thus it is not included in the accompanying financial statements. For the 2009, 2010-1 and 2010-2 Indentures, the loan reserve funds are part of these respective indentures. Consequently, loan reserve activity for these bond issues is included in the accompanying financial statements and shown in the Combining Statements presented in the Supplementary Information section.

During fiscal years ended 2013 and 2012, default claims paid by the external loan reserve funds established for the 1998 and 2008 Indentures totalled \$4,674,952 and \$5,441,002, respectively, and new claims for the same periods totalled \$9,029,810 and \$12,261,507. As of June 30, 2013 and 2012, the balances due from the external loan reserve funds to cover defaulted loans totalled \$46,258,397 and \$41,903,540, respectively.

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NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 – STUDENT LOANS RECEIVABLE (CONTINUED)

Loan Defaults/Loan Reserve Fund (Continued)

For the fiscal years 2013 and 2012, collections on defaulted loans within the internal loan reserve funds established for the 2009, 2010-1 and 2010-2 Indentures, which are included within the NJCLASS/FFELP Loan Programs Financial Statements, totalled \$9,049,648 and \$3,848,073, respectively, and new defaulted loans for the same periods totalled \$36,467,619 and \$42,821,500. As of June 30, 2013 and 2012, the balances due from these loan reserve funds to cover defaulted loans totalled \$103,462,552 and \$66,140,659, respectively.

Amounts due to and from these internal loan reserve funds are eliminated in the Statements of Net Position, but are shown in the Combining Schedules of Net Position.

The Authority considers most of the amount due from its NJCLASS Loan Reserve Fund to be collectible. However, because the ability to pay claims from the Loan Reserve Fund is partially dependent on collections on defaulted loans, management continually evaluates the cash flows of the Loan Reserve Fund to determine its ability to reimburse the bond issues on a timely basis. During the fiscal years 2013 and 2012, based on past collections experience and an analysis of the current receivable from its Loan Reserve Funds, management recorded allowances for doubtful accounts in the amount of \$31,898,985 and \$28,510,234, respectively, against the June 30, 2013 and 2012, amounts due from the external Loan Reserve Funds. Allowances for doubtful accounts recorded against the June 30, 2013 and 2012, amounts due from the internal Loan Reserve Funds totalled \$67,057,285 and \$43,737,581, respectively.

In addition, the Loan Reserve Funds receive 1% of the loan amount disbursed from the application fee paid by the borrower. During the years ended June 30, 2013 and 2012, amounts of \$430,688 and \$3,481,522, respectively, were paid to the Loan Reserve Funds maintained by the Authority from loan application fees. As of June 30, 2013 and 2012, the balances due to the Loan Reserve Funds from loan application fees and default collections totalled \$269,900 and \$299,338, respectively. Under the terms of its indenture, no loan reserve fund was established for the 2012-1 Bond Issue.

NOTE 4 – USE OF FINANCIAL INSTRUMENTS

The Authority has entered into financial instrument Swap and Cap Agreements (the "Agreements") with various counterparties, in general, contemporaneously with the issuance of its Tax Exempt Variable Rate Bonds, also known as ARCs, issued between 2001 and 2007 to support its NJCLASS loan program.

Under the terms of the Agreements, the Authority pays a fixed rate of interest on pre-established notional amounts. In return, the Authority receives the USD-SIFMA Index rate as calculated weekly, which historically has closely tracked the variable interest rates generated in the ARC market. The purpose of the Agreements are to hedge the Authority's ARC bonds and/or fixed-rate NJCLASS loans being funded through the proceeds of the variable rate ARC bonds.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 – USE OF FINANCIAL INSTRUMENTS (CONTINUED)

The purpose of the interest rate Cap agreements is to allow the Authority to cap the variable rate of interest on NJCLASS variable rate loans funded at 9%, a benefit comparable with maximum rates of the federal PLUS program. The Cap agreement initiated on May 29, 2001, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 65% of the 12-Month LIBOR, increase above 6.40%. The Cap agreement initiated on May 27, 2003, provides for payment to the Authority if market interest rates, as determined by the floating index, which is 72% of USD LIBOR, increase above 6.15%.

As governed by the amortization schedules contained in each of these Agreements, the notional amount of each Swap or Cap increases to a maximum, then amortizes to a minimum value before a fixed termination date, to match the anticipated changes in the outstanding balances of the related student loans or ARC bonds as applicable.

The total original notional amount of all Swap and Cap agreements entered into in connection with the ARCs was \$479,550,000. The total maximum notional amounts as defined on the amortization schedules of the respective Swap agreements was \$1,143,450,000. Subsequent decreases in the notional amounts are due to scheduled amortization of \$176,840,133 and early Swap terminations of \$823,223,705, which reduced the combined outstanding notional amount to \$143,386,162 as of June 30, 2013.

Certain swap agreements contain a feature that gives HESAA the option to terminate the swap on or after a predetermined date at no cost. This financial instrument is classified as a "Swaption." The fair values of these Swaptions are included in the fair market value of the Swap and reported as deferred inflows and outflows of resources on the Statement of Net Position.

The Authority has tested the Agreements for hedge effectiveness in accordance with GASB Statement No. 53. All of the Agreements have been found to be effective, and therefore the fair value of the Swaps has been recorded as an asset (Deferred outflow) and a liability on the statement of net position.

The interest rates, notional amounts, provider (or counterparty), fair values and termination dates for each Agreement outstanding at June 30, 2013 and 2012 are detailed in the following schedules.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2013

Transaction Type	Bond Issue (2)	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date
Swap	2002	4.2005%	\$ 25,100,000	\$ 2,167,432	J.P. Morgan	Semi-annually	06/01/17
Swap		3.2970%	<u>15,200,000</u>	<u>975,538</u>	J.P. Morgan	Semi-annually	06/01/17
		Total	<u>40,300,000</u>	<u>3,142,970</u>			
Swap	2003	3.1710%	31,500,000	2,180,713	UBS AG	Semi-annually	12/01/18
Cap		6.4000%	3,300,000	(2,249)	UBS AG	Semi-annually	06/01/19
Cap		6.1500%	<u>9,200,000</u>	<u>194,320</u>	UBS AG	Annually	06/01/28
		Total	<u>44,000,000</u>	<u>2,372,784</u>			
Swap	2006	4.4750%	13,958,276	1,801,376	Citigroup	Semi-annually	12/01/31
Swaption			<u>-</u>	<u>-</u>	Citigroup		12/01/31
		Total	<u>13,958,276</u>	<u>1,801,376</u>			
Swap	2007	4.0970%	23,823,097	2,212,794	Citigroup	Semi-annually	06/01/36
Swap		4.0970%	<u>21,304,789</u>	<u>1,978,961</u>	UBS AG	Semi-annually	06/01/36
		Total	<u>45,127,886</u>	<u>4,191,755</u>			
		Grand Total	<u>\$ 143,386,162</u>	<u>\$ 11,508,885</u>			

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts.
All fair values that result in a positive value to HESAA are shown as negative amounts.

(2) Indicates the year the financial instrument was issued

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NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 4 – USE OF FINANCIAL INSTRUMENTS (CONTINUED)

Values as of June 30, 2012

Transaction Type	Bond Issue (2)	Fixed Rate	Notional Amount	Fair Value (1)	Provider	Settlement Occur	Termination Date
Swap	2002	4.2005%	\$ 31,100,000	\$ 3,242,390	J.P. Morgan	Semi-annually	06/01/17
Swap		3.2970%	<u>19,070,000</u>	<u>1,468,970</u>	J.P. Morgan	Semi-annually	06/01/17
		Total	<u>50,170,000</u>	<u>4,711,360</u>			
Swap	2003	3.1710%	37,250,000	3,091,940	UBS AG	Semi-annually	12/01/18
Cap		6.4000%	3,300,000	(3,092)	UBS AG	Semi-annually	06/01/19
Cap		6.1500%	<u>10,700,000</u>	<u>228,816</u>	UBS AG	Annually	06/01/28
		Total	<u>51,250,000</u>	<u>3,317,664</u>			
Swap	2006	4.4750%	<u>14,917,241</u>	<u>2,453,842</u>	Citigroup	Semi-annually	12/01/31
		Total	<u>14,917,241</u>	<u>2,453,842</u>			
Swap	2007	4.0970%	26,128,465	3,195,789	Citigroup	Semi-annually	06/01/36
Swap		4.0970%	<u>23,366,598</u>	<u>2,895,364</u>	UBS AG	Semi-annually	06/01/36
		Total	<u>49,495,063</u>	<u>6,091,153</u>			
		Grand Total	<u>\$ 165,832,304</u>	<u>\$ 16,574,019</u>			

(1) All fair values that result in a positive value to the swap provider are shown as positive amounts.

All fair values that result in a positive value to HESAA are shown as negative amounts.

(2) Indicates the year the financial instrument was issued

NOTE 5 – BONDS PAYABLE

The Authority has issued bonds to support its loan programs. All bonds described herein are limited obligations of the Authority, payable solely from the assets of the NJCLASS/FFELP Trust Estate (Trust Estate), as described in the official statement of each bond issue. In addition to the assets or funds of the Trust Estate, all bonds issued from 1998 through 2008 are covered by municipal bond insurance policies guaranteeing payment of principal and interest in the event of default by the Authority. None of the Authority's assets or funds (other than the Trust Estate) are pledged as security for the bonds.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
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NOTE 5 – BONDS PAYABLE (CONTINUED)

Bonds Outstanding

The following schedules present summarized information relating to the interest rates and future maturities of the bonds outstanding as of June 30, 2013 and 2012:

Bonds Outstanding June 30, 2013							
Student Loan Revenue Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2013	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2012	Additions	Reductions	Bonds Outstanding (in thousands) June 30, 2013	Amounts Due within One Year
1999, Series A ⁽¹⁾	N/A	6/1/13-6/1/18	\$ 12,445	\$ -	\$ 12,445	\$ -	\$ -
2000, Series A ⁽¹⁾	N/A	6/1/13-6/1/19	17,030	-	17,030	-	-
2002, Series A through D ⁽²⁾	0.041%-0.368% (ARCs)	6/1/2037	3,500	-	-	3,500	-
2003, Series A through D ⁽²⁾	0.041%-0.368% (ARCs)	5/28/2038	47,600	-	-	47,600	-
2004, Series A through D ⁽²⁾	0.041%-0.245% (ARCs)	4/1/2039	34,050	-	-	34,050	-
2005, Series A through D ⁽²⁾	0.041%-0.368% (ARCs)	5/1/2040	35,550	-	500	35,050	-
2006, Series A through D ⁽²⁾	0.245%-0.368% (ARCs)	12/1/2040	6,075	-	525	5,550	-
2007, Series A through D ⁽²⁾	0.048%-0.056% (ARCs)	12/1/2041	2,875	-	1200	1,675	-
2008, Series A	5.875%-6.125%	6/1/2021-6/1/2030	297,895	-	26,000	271,895	15,000
2009, Series A	3.875%-5.625%	6/1/2013-6/1/2030	438,000	-	25,800	412,200	31,000
2010-1, Series A & B	3.25%-5.40%	12/1/2012-12/1/2037	646,000	-	65,220	580,780	50,880
2010, Series FFELP ⁽³⁾	0.575%-1.225%	6/1/2020-6/1/2036	106,890	-	16,435	90,455	27,080
2010-2	2.50%-5.00%	12/1/2012-12/1/2036	259,800	-	36,400	223,400	18,200
2011-1	3.50%-5.875%	12/1/2012-12/1/2033	326,500	-	5,800	320,700	19,700
2012-1	3.00%-5.75%	12/1/2013-12/1/2039	259,300	-	-	259,300	5,000
2013-1	3.00%-5.00%	12/1/2014-12/1/2043	-	200,000	-	200,000	-
Totals			<u>\$ 2,493,510</u>	<u>\$ 200,000</u>	<u>\$ 207,355</u>	<u>\$ 2,486,155</u>	<u>\$ 166,860</u>

(1) Bond Issue is Fully Retired

(2) All 2002, 2003, 2004, 2005, 2006 and 2007 Series A through D Student Loan Revenue Bonds were issued as Auction Rate Certificates (ARCs). These Bonds carry floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates are reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table are as of June 30, 2013 and 2012, as indicated

(3) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, consisting of Class A-1 & Class A-2 Bonds. The interest rate on the Class A-1 Bonds is 100% of 3 Month LIBOR plus .30%, and the rate on the Class A-2 Bonds is 100% of 3-Month LIBOR plus .95%. Interest is paid quarterly.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Bonds Outstanding June 30, 2012							
Student Loan Revenue Bond Title Issue Year/Series	Interest Rate Range as of June 30, 2012	Maturity Dates	Bonds Outstanding (in thousands) June 30, 2011	Additions	Reductions	Bonds Outstanding (in thousands) June 30, 2012	Amounts Due within One Year
1998, Series A ⁽¹⁾	N/A		\$ 17,510	\$ -	\$ 17,510	\$ -	\$ -
1999, Series A	5.10%-5.25%	6/1/13-6/1/18	14,050	-	1,605	12,445	17,15
2000, Series A	6.00%-6.15%	6/1/13-6/1/19	19,770	-	2,740	17,030	2,740
2002, Series A through D ⁽²⁾	0.064%-0.595% (ARCs)	6/1/2037	3,750	-	250	3,500	-
2003, Series A through D ⁽²⁾	0.56%-0.578% (ARCs)	5/28/2038	49,600	-	2,000	47,600	-
2004, Series A through D ⁽²⁾	0.082%-0.595% (ARCs)	4/1/2039	34,050	-	-	34,050	-
2005, Series A through D ⁽²⁾	0.543%-0.613% (ARCs)	5/1/2040	39,300	-	3,750	35,550	-
2006, Series A through D ⁽²⁾	0.543%-0.613% (ARCs)	12/1/2040	6,225	-	150	6,075	-
2007, Series A through D ⁽²⁾	0.128%-0.333% (ARCs)	12/1/2041	3,075	-	200	2,875	-
2008, Series A	5.875%-6.125%	6/1/2021-6/1/2030	330,595	-	32,700	297,895	10,400
2009, Series A	3.625%-5.625%	6/1/2013-6/1/2030	450,000	-	12,000	438,000	19,200
2010-1, Series A & B	2.50%-5.40%	12/1/2012-12/1/2037	713,000	-	67,000	646,000	40,200
2010, Series FFELP ⁽³⁾	0.76685%-1.4685%	6/1/2020-6/1/2036	122,395	-	15,505	106,890	20,000
2010-2	2.50%-5.00%	12/1/2012-12/1/2036	280,000	-	20,200	259,800	17,800
2011-1	3.00%-5.875%	12/1/2012-12/1/2033	-	326,500	-	326,500	5,800
2012-1	3.00%-5.75%	12/1/2013-12/1/2039	-	259,300	-	259,300	-
Totals			<u>\$ 2,083,320</u>	<u>\$ 585,800</u>	<u>\$ 175,610</u>	<u>\$ 2,493,510</u>	<u>\$ 117,855</u>

(1) Bond Issue is Fully Retired

(2) All 2002, 2003, 2004, 2005, 2006 and 2007 Series A through D Student Loan Revenue Bonds were issued as Auction Rate Certificates (ARCs). These Bonds carry floating interest rates. After a uniform initial rate and varying durations by series were set at the issue date, rates are reset every 35 days at a separate auction for each series. The interest rate ranges stated in the table are as of June 30, 2013 and 2012, as indicated

(3) The 2010-FFELP Bonds are Tax Exempt LIBOR Floating Rate Bonds, consisting of Class A-1 & Class A-2 Bonds. The interest rate on the Class A-1 Bonds is 100% of 3 Month LIBOR plus .30%, and the rate on the Class A-2 Bonds is 100% of 3-Month LIBOR plus .95%. Interest is paid quarterly.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 – BONDS PAYABLE (CONTINUED)

Bonds Outstanding (Continued)

Redemption Provisions

The supplemental indentures for each bond issue define the terms under which bond redemptions are to occur. Specific information and requirements governing each type of redemption are defined in the sections on redemption provisions below. These sections are followed by a cumulative schedule of bonds issued, bonds accreted, redemptions by type and bond issue since the inception of the NJCLASS Program in 1991, as well as bonds outstanding at June 30, 2013.

Extraordinary Redemptions

Provisions governing the extraordinary redemption of bonds prior to maturity are included in the redemption provisions sections of the indentures for all bonds issued during the years 1991 through 2000, as well as 2008 and 2009. Where applicable, these early redemptions are permitted under the Extraordinary Redemption from Unexpended Proceeds, the Special Redemption, Extraordinary Redemption from Excess Revenues, Special Optional Redemption from Excess Revenues and Special Mandatory Redemption from Excess Revenues sections of the indentures or supplemental indentures. All bonds retired under the Extraordinary Redemption provisions are redeemable at par.

The 2008, 2009, 2010-1, 2010-2, 2011-1, 2012-1 and 2013-1 Bonds that are eligible for redemption prior to maturity are also eligible for special optional redemption from excess revenues at the option of the Authority, plus accrued interest. During the 2013 fiscal year, a total of \$119,820,000 of bonds within each of these respective issues were redeemed under this provision as detailed on the Cumulative Schedule of Bond Redemptions at June 30, 2013.

Optional Redemptions

Each indenture also contains provisions for the optional redemptions of NJCLASS fixed rate bonds.

All 2002, 2003, 2004, 2005, 2006 and 2007 Bonds are eligible for redemption prior to maturity at any time upon ten days' notice at par plus accrued interest, as long as they remain outstanding as ARCs or are converted to variable rate bonds. If they are converted to a fixed rate, they can be redeemed at any time following the tenth anniversary date of conversion to a fixed rate upon not less than 30 days' notice. If redeemed in the eleventh and twelfth years at the fixed rate, redemption prices include premium amounts of 102% and 101%, respectively, decreasing to par after twelve years.

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
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NOTE 5 – BONDS PAYABLE (CONTINUED)

Optional Redemptions (Continued)

The following chart outlines the optional redemption provisions for the 2008 through 2013-1 bonds:

<u>Bond</u>	<u>Maturity</u>	<u>Subject to Optional Redemption</u>	<u>First Eligible Call Date</u>
2008	Prior to 6/1/19	No	
2008	On or After 6/1/19	Yes at par plus accrued interest	June 1, 2018
2009A	Prior to 6/1/20	No	
2009A	On or After 6/1/20	Yes at par plus accrued interest	June 1, 2019
2010-1A	Prior to 12/1/20	No	
2010-1A	On or After 12/1/20	Yes at par plus accrued interest	December 1, 2019
2010-1B	All	No	
2010-2	Prior to 12/1/21	No	
2010-2	On or After 12/1/21	Yes at par plus accrued interest	December 1, 2020
2011-1	Prior to 12/1/22	No	
2011-1	On or After 12/1/22	Yes at par plus accrued interest	December 1, 2021
2012-1	Prior to 12/1/23	No	
2012-1	On or After 12/1/23	Yes at par plus accrued interest	December 1, 2022
2013-1	Prior to 12/1/23	No	
2013-1	On or After 12/1/23	Yes at par plus accrued interest	December 1, 2022

Scheduled Maturities

Since the inception of the NJCLASS/FFELP Programs in 1991, the supplemental indentures applicable to each bond issue have included schedules containing the maturity dates of the various CUSIPs within each bond issue.

As governed by the indenture for each issue and series for the years 1999 and 2000, as well as 2008 and 2009, mandatory sinking fund redemptions prior to maturity, in part, by lot are required. The amounts of sinking fund redemptions for the fiscal years 2013 through 2017 and thereafter, are included in the maturity schedule shown on page 36.

Cumulative Redemptions

The following schedule presents summarized information by bond issue relating to all types of bond redemptions from the inception of the NJCLASS/FFELP Program in 1991 to the financial statement date.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 – BONDS PAYABLE (CONTINUED)

Cumulative Schedule of Bond Redemptions at June 30, 2013

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess Revenue Redemption	Unexpended Proceeds Redemption	Optional Redemption	Special Redemption	Optional Redemption	Bond Tender (1)	Refunded	Current Principal Outstanding at June 30, 2013
1991	\$ 24,996,064	\$ 3,562,871	\$ (5,910,000)	\$ (20,468,935)	\$ (2,180,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1992	35,000,000	-	(12,730,000)	(22,270,000)	-	-	-	-	-	-	-
1993	20,000,000	-	(6,105,000)	(13,475,000)	(420,000)	-	-	-	-	-	-
1995	15,000,000	-	(4,025,000)	(10,975,000)	-	-	-	-	-	-	-
1996	18,000,000	-	(4,450,000)	(11,015,000)	-	(2,535,000)	-	-	-	-	-
1997A	25,000,000	-	(4,500,000)	(17,350,000)	-	(3,150,000)	-	-	-	-	-
1997B	12,000,000	-	-	-	-	-	-	-	-	(12,000,000)	-
1998	80,000,000	-	(9,445,000)	(53,045,000)	-	(17,510,000)	-	-	-	-	-
1999A	50,000,000	-	(6,625,000)	(25,830,000)	-	(12,445,000)	(5,100,000)	-	-	-	-
1999B	12,000,000	-	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(15,675,000)	(29,530,000)	-	(17,030,000)	(7,765,000)	-	-	-	-
2001	190,000,000	-	-	-	-	(3,000,000)	(60,850,000)	-	(126,150,000)	-	-
2002	166,000,000	-	-	-	-	-	(60,950,000)	-	(101,550,000)	-	3,500,000
2003	212,000,000	-	-	-	-	-	(56,400,000)	-	(108,000,000)	-	47,600,000
2004	200,000,000	-	-	-	-	-	-	-	(165,950,000)	-	34,050,000
2005	225,000,000	-	-	-	-	-	(9,750,000)	-	(180,200,000)	-	35,050,000
2006	225,000,000	-	-	-	-	-	(30,050,000)	-	(189,400,000)	-	5,550,000
2007	275,000,000	-	-	-	-	-	(17,625,000)	-	(255,700,000)	-	1,675,000
2008	350,000,000	-	-	-	(19,405,000)	-	-	(58,700,000)	-	-	271,895,000
2009	450,000,000	-	-	-	-	-	-	(37,800,000)	-	-	412,200,000
2010-1	713,000,000	-	(30,000,000)	-	-	-	-	(102,220,000)	-	-	580,780,000
2010-FFELP	145,000,000	-	-	(54,545,000)	-	-	-	-	-	-	90,455,000
2010-2	280,000,000	-	(13,600,000)	-	-	-	-	(43,000,000)	-	-	223,400,000
2011-1	326,500,000	-	(5,800,000)	-	-	-	-	-	-	-	320,700,000
2012-1	259,300,000	-	-	-	-	-	-	-	-	-	259,300,000
2013-1	200,000,000	-	-	-	-	-	-	-	-	-	200,000,000
Totals	<u>\$ 4,578,796,064</u>	<u>\$ 3,562,871</u>	<u>\$ (118,865,000)</u>	<u>\$ (258,503,935)</u>	<u>\$ (22,005,000)</u>	<u>\$ (55,670,000)</u>	<u>\$ (248,490,000)</u>	<u>\$ (241,720,000)</u>	<u>\$ (1,126,950,000)</u>	<u>\$ (24,000,000)</u>	<u>\$ 2,486,155,000</u>

(1) Bond Tenders are purchases in Lieu of Redemption resulting in bond retirements.

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NJCLASS/FFELP LOAN PROGRAMS
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NOTE 5 – BONDS PAYABLE (CONTINUED)

Cumulative Schedule of Bond Redemptions at June 30, 2012

Bond Issue	Original Principal	Semi-Annual Accretion	Scheduled Maturity	Excess	Unexpended	Optional Redemption	Special Redemption	Special Optional Redemption	Bond Tender (1)	Refunded	Current
				Revenue Redemption	Proceeds Redemption						Outstanding at June 30, 2012
1991	\$ 24,996,064	\$ 3,562,871	\$ (5,910,000)	\$ (20,468,935)	\$ (2,180,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1992	35,000,000	-	(12,730,000)	(22,270,000)	-	-	-	-	-	-	-
1993	20,000,000	-	(6,105,000)	(13,475,000)	(420,000)	-	-	-	-	-	-
1995	15,000,000	-	(4,025,000)	(10,975,000)	-	-	-	-	-	-	-
1996	18,000,000	-	(4,450,000)	(11,015,000)	-	(2,535,000)	-	-	-	-	-
1997A	25,000,000	-	(4,500,000)	(17,350,000)	-	(3,150,000)	-	-	-	-	-
1997B	12,000,000	-	-	-	-	-	-	-	-	(12,000,000)	-
1998	80,000,000	-	(9,445,000)	(53,045,000)	-	(17,510,000)	-	-	-	-	-
1999A	50,000,000	-	(6,625,000)	(25,830,000)	-	-	(5,100,000)	-	-	-	12,445,000
1999B	12,000,000	-	-	-	-	-	-	-	-	(12,000,000)	-
2000	70,000,000	-	(15,675,000)	(29,530,000)	-	-	(7,765,000)	-	-	-	17,030,000
2001	190,000,000	-	-	-	-	(3,000,000)	(60,850,000)	-	(126,150,000)	-	-
2002	166,000,000	-	-	-	-	-	(60,950,000)	-	(101,550,000)	-	3,500,000
2003	212,000,000	-	-	-	-	-	(56,400,000)	-	(108,000,000)	-	47,600,000
2004	200,000,000	-	-	-	-	-	-	-	(165,950,000)	-	34,050,000
2005	225,000,000	-	-	-	-	-	(9,250,000)	-	(180,200,000)	-	35,550,000
2006	225,000,000	-	-	-	-	-	(29,525,000)	-	(189,400,000)	-	6,075,000
2007	275,000,000	-	-	-	-	-	(16,425,000)	-	(255,700,000)	-	2,875,000
2008	350,000,000	-	-	-	(19,405,000)	-	-	(32,700,000)	-	-	297,895,000
2009	450,000,000	-	-	-	-	-	-	(12,000,000)	-	-	438,000,000
2010-1	713,000,000	-	(10,000,000)	-	-	-	-	(57,000,000)	-	-	646,000,000
2010-FFELP	145,000,000	-	-	(38,110,000)	-	-	-	-	-	-	106,890,000
2010-2	280,000,000	-	-	-	-	-	-	(20,200,000)	-	-	259,800,000
2011-1	326,500,000	-	-	-	-	-	-	-	-	-	326,500,000
2012-1	259,300,000	-	-	-	-	-	-	-	-	-	259,300,000
Totals	\$ 4,378,796,064	\$ 3,562,871	\$ (79,465,000)	\$ (242,068,935)	\$ (22,005,000)	\$ (26,195,000)	\$ (246,265,000)	\$ (121,900,000)	\$ (1,126,950,000)	\$ (24,000,000)	\$ 2,493,510,000

(1) Bond Tenders are purchases in Lieu of Redemption resulting in bond retirements.

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 – BONDS PAYABLE (CONTINUED)

**Conversion of 2002, 2003, 2004, 2005, 2006 and 2007 Bonds –
Auction Rate Certificates – to Fixed Interest Rate or Variable Interest Rate**

As required by the Fifth (for 2002), Sixth (for 2003), Seventh (for 2004), Eighth (for 2005), Ninth (for 2006) or Tenth (for 2007) Supplemental Indentures to the 1998 Indenture of Trust, the ARCs may be converted to fixed rate or variable rate bonds prior to their final maturities. More than one fixed rate may be established to apply to the 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds, taking into account the scheduled maturity dates. The fixed rate selected must cause the converted bonds to sell at par. For conversions to a variable rate, the interest rate period must be one year or less.

Any 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds to be converted to fixed rate or variable rate bonds shall be subject to mandatory tender for purchase on the fixed or variable rate conversion date, at par plus accrued interest.

The Fifth, Sixth, Seventh, Eighth, Ninth and/or Tenth Supplemental Indentures may be amended by supplemental indentures to modify the provisions for optional redemption of the 2002, 2003, 2004, 2005, 2006 and/or 2007 Bonds.

Future Maturities and Sinking Fund Requirements

Future maturities of bonds payable, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 166,860,000	\$ 114,121,770	\$ 280,981,770
2015	125,000,000	110,174,940	235,174,940
2016	139,200,000	104,798,147	243,998,147
2017	154,500,000	98,917,599	253,417,599
2018	147,375,000	92,315,310	239,690,310
2019-2023	563,065,000	367,250,291	930,315,291
2024-2028	527,955,000	242,689,933	770,644,933
2029-2033	469,775,000	91,622,444	561,397,444
2034-2038	85,100,000	36,925,333	122,025,333
2039 and after	107,325,000	10,568,500	117,893,500
Total	<u>\$ 2,486,155,000</u>	<u>\$ 1,269,384,267</u>	<u>\$ 3,755,539,267</u>

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 – BONDS PAYABLE (CONTINUED)

Bond Premium and Discount

Bond premium and discount amounts have been recorded in connection with the issuance of the Authority's 2009 Series A Bonds, 2010-1, 2010-2, 2011-1, 2012-1 and 2013-1 Bonds. Bond premiums net of discount, are reported as liabilities. Bond premiums and discounts are amortized over the term of the related debt. The unamortized amount of premium and discount is shown as a net amount in the Liabilities section on the Statement of Net Position, and amortization revenue and expense is credited or charged to bond interest expense in the Statement of Revenues, Expenses and Changes in Net Position. Related amounts as of June 30, 2013 are as follows:

Bond premium	\$ 58,008,249
Accumulated amortization	<u>(22,419,863)</u>
Total unamortized bond premium	<u>\$ 35,588,386</u>
Cumulative amortization revenue	<u>\$ 7,888,270</u>
Bond discount	\$ 8,164,201
Accumulated amortization	<u>(1,505,311)</u>
Total unamortized bond discount	<u>\$ 6,658,891</u>
Cumulative amortization expense	<u>\$ 663,221</u>
Net unamortized bond premium	<u>\$ 28,929,495</u>
Net amortization revenue	<u>\$ 7,225,050</u>

Risk of Bond Interest Rate Fluctuations

All Authority 2002 through 2007 Bonds are ARCs, and thus are subject to periodic rate reset, resulting in a risk that the cost of debt service on bonds, which is the largest expenditure of the program, will exceed revenues earned from principal and interest payments on the fixed rate student loans, its largest revenue source. Disruptions in the bond market since the latter half of the 2008 fiscal year have resulted in failed auctions of these bonds. When an auction fails, all bond holders prior to the auction are required to hold them for the next auction period, at the "All Hold" rate, which is the lesser of the maximum rate permitted under the supplemental indenture, or an index rate that is based on either the After Tax Equivalent Rate or the Kenny index, multiplied by an "Applicable Percentage," as defined in the supplemental indenture of each bond issue.

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NOTE 5 – BONDS PAYABLE (CONTINUED)

Risk of Bond Interest Rate Fluctuations (Continued)

As a result, the variable interest rates experienced during the 2008 fiscal year exceeded historical norms, and, consequently, the debt service payments on these bonds exceeded revenues from all sources and caused a decline in the Net Position of the program for that year. During the 2009 fiscal year, these rates became extremely low, a condition that has continued through the 2013 fiscal year.

As long as the 2002 through 2007 Bonds remain outstanding as ARCs, there is a risk that auctions resulting in interest rates in excess of program revenues will continue to occur. These include those as a result of Failed Auctions, resulting in the imposition of the All Hold rate, as well as fluctuations in the ARC rates resulting from possible future successful auctions.

In the event that losses caused by excessive bond interest expense result in insufficient cash within the NJCLASS/FFELP Trust to meet its debt service obligations, the Authority's legislation provides for draws on the Debt Service Reserve funds established under the supplemental indentures of each bond issue. As of June 30, 2013, amounts available in the debt service reserve funds for each bond issue within the 1998 NJCLASS/FFELP Indenture of Trust, which contains all HESAA ARC bonds, totalled \$2,558,621, which is included in cash and cash equivalents and investments. The following paragraph describes the degree to which security for the bonds issued under the 1998 indenture is provided through this and other funding sources.

The HESAA NJCLASS/FFELP ARC Bonds, which are all those issued between 2001 and 2007, are secured on a parity basis with all of the other Series of Bonds previously issued under the 1998 Indenture and are payable from, subject to the terms of the Indenture: (i) Student Loans; (ii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on Student Loans); (iii) the Debt Service Reserve Fund; and (iv) the monies and securities in the various other funds established under the Indenture (except the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund). The amount deposited in the Debt Service Reserve Fund is less than the maximum amount of principal and interest on the bonds in certain future Bond Years. Pursuant to a provision in the Authority's enabling Act, the Legislature of the State may pay monies into the Debt Service Reserve Fund, subject to and dependent upon annual appropriations by the Legislature, to restore such account to the Debt Service Reserve Fund Requirement. However, because the Debt Service Reserve Fund Requirement is less than the maximum annual debt service on the bonds, even in the event that the Legislature makes all appropriations contemplated by the Act, such appropriations may be insufficient to pay debt service on the bonds as the same becomes due and payable. Such provision does not constitute a legally enforceable obligation on the part of the state or create a debt or liability on behalf of the State enforceable against the state.

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NOTE 5 – BONDS PAYABLE (CONTINUED)

Gains on Bond Retirements

During 2013 and 2012, due to market conditions in which investments in ARC bonds could not be resold at par through the auction process, several broker/dealer firms, which were holders of these bonds or agents of the holders, made offers to HESAA to sell back portions of their holdings at below par.

As a result, the Authority repurchased and retired \$2,225,000 of its ARC bonds through Special Redemptions and public tenders, as permitted under the indentures, at prices averaging 87.00% of par, resulting in total gains on retirement of \$286,875 during the year ended June 30, 2013.

During the year ended June 30, 2012, the Authority repurchased and retired \$6,350,000 of its ARC bonds through Special Redemptions and public tenders, as permitted under the indentures, at prices ranging from 86.00% to 86.50% of par, resulting in total gains on retirement of \$858,750 during the year.

NOTE 6 – ARBITRAGE REBATES

Pursuant to current federal income tax law and in accordance with the bond indentures, certain income earned on non-purpose investments (investments other than student loans) attributable to the Authority's outstanding tax-exempt bonds is subject to payment to the U.S. Treasury as arbitrage rebates.

The arbitrage rebates are determined and calculated annually based upon the percentage of yield realized on the non-purpose investments compared to the percentage of yield on the tax-exempt bonds and is cumulative over the lives and terms of the applicable bond series. Accordingly, the determined amount for any one-year could be reduced in subsequent years based on changes in yield differentials. Arbitrage expense of \$11,159 was accrued and paid during the 2013 fiscal year. The June 30, 2012 liability of \$35,762 was also paid during the 2013 fiscal year.

NOTE 7 – CONCENTRATION OF CREDIT RISK

Financial Instruments

As disclosed in Note 1, the Authority's loan programs use financial instruments. These Agreements are structured to enable variable rate bond proceeds to meet specific needs of the student loan market by reducing the risk associated with changes in interest rates.

As of June 30, 2013 and 2012, the liability associated with financial instruments specified in Note 1 was \$410,203 and \$460,792, respectively. This amount is included in accrued interest payable.

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NOTE 7 – CONCENTRATION OF CREDIT RISK (CONTINUED)

Financial Instruments (Continued)

In order to enhance the security of these financial instruments, the Authority has included provisions in the contracts that govern these agreements requiring the counterparty to post collateral in the form of negotiable debt obligations of the U.S. Treasury if its long-term senior unsecured debt rating from S&P is withdrawn, suspended or falls to or below "A+"; if its rating from Moody's is withdrawn, suspended or falls to or below "A1"; or if its rating from Fitch is withdrawn, suspended or falls to or below "A+".

As an additional safeguard, the Authority has the option to terminate the agreements regarding these financial instruments at any time, subject to the settlement of market value amounts due to the issuer or HESAA at the time of termination. During the year ended June 30, 2013, the Authority did not terminate any swap agreements. During 2012, the Authority terminated several agreements resulting in a swap termination fee expense of \$4,510,000.

Student Loans Receivable

The Authority provides student loans to New Jersey residents and out-of-state residents attending college in New Jersey, who use the proceeds for the purpose of pursuing higher education. The Authority assesses eligibility of loan applicants using criteria equal to the established guidelines for comparable loans in the banking industry. HESAA management continually monitors the performance of the NJCLASS and FFELP loan portfolios and maintains loan reserve funds for the 1998, 2008, 2009, 2010-1 and 2010-2 Master Indentures, which are capitalized by a fee charged at disbursement and partially replenished by collections on defaulted loans, to reimburse the bond issues when defaults occur. This policy is in conformity with the reserve amount requirements of the trust indentures between the Authority and Wells Fargo Bank. As a means of ensuring that cash flows generated from NJCLASS Student Loans will be sufficient to cover and protect the interests of the bondholders, management considers the cash flows of the loan reserve fund in combination with those of the bond issues adequate in light of actual loan default experience.

NOTE 8 – SUBSEQUENT EVENTS

On July 3 2013, the two Swap agreements entered into in connection with the NJCLASS Loan Program on May 29, 2002 and October 9, 2002 were discontinued under a Termination Agreement between J.P. Morgan and HESAA. Prior to termination, the combined outstanding notional amount of these swaps was \$43,300,000. The termination fees required to be paid to the swap counterparty to cancel these agreements amounted to \$3,295,750. As a result of the termination, no future interest cost relating to these Swaps will be incurred.

Management evaluated subsequent events through October 29, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to October 29, 2013, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

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NOTE 9 — NEW ACCOUNTING STANDARDS

For the year ending June 30, 2013, the Authority adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources, and Net Position*
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* incorporates into GASB authoritative literature certain accounting and financial reporting guidance previously included in FASB, APB, and AICPA guidance issued before November 30, 1989. The implementation of this new standard modified certain language in disclosures related to the applicable basis of accounting in the Program’s 2013 financial statements.

The Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred outflows of Resources, Deferred Inflows of Resources, and Net Position* as of June 30, 2013, which changed the Statement of Net Assets to the Statement of Net Position and provides guidance for reporting deferred outflows and inflows of resources.

The Authority adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

On the June 30, 2012 Statement of Net Assets, the Authority presented unamortized bond and swap issuance costs of \$12,906,961. GASB Statement No. 65 requires the debt issuance costs to be recognized as an expense in the period incurred. As a result, the net assets balances as of July 1, 2012 have been restated as net position in the Statement of Net Position as follows:

Net Assets, Beginning of Year, as Previously Reported	\$	146,860,162
Cumulative Effect of Adoption of New Accounting Standard, GASB 65		<u>(12,906,961)</u>
Net Position, Beginning of Year, as Restated	\$	<u><u>133,953,201</u></u>

SUPPLEMENTARY INFORMATION

**NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF NET POSITION
June 30, 2013**

	1998-2001*	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture Loan Reserve	2010-1 Series A&B	2010-1 Indenture Loan Reserve	2010 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve	2012-1	2013-1	Total	
Assets																				
Current Assets																				
Cash and cash equivalents	\$ 5,847,820	\$ 204,618	\$ 6,213,989	\$ 2,228,001	\$ 425,925	\$ 1,257,838	\$ 24,912	\$ 22,699,638	\$ 38,001,271	\$ 204,015	\$ 70,709,369	\$ 360,120	\$ 3,522,240	\$ 30,461,848	\$ 37,429,233	\$ 77,166	\$ 102,941,404	\$ 213,927,369	\$ 536,536,776	
Investments	-	-	-	-	3,639,709	-	33,544	-	-	11,594	-	9,008	-	-	-	1,731	-	-	3,695,586	
NJCLASS Student Loans Receivable	3,182,373	405,845	3,440,247	656,218	534,418	252,842	110,765	7,044,540	7,871,181	-	17,553,312	-	-	7,851,361	5,868,230	-	-	2,165,995	56,937,327	
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	6,225,174	-	-	-	-	-	6,225,174	
NJCLASS Defaulted Principal and Interest in 2009 and 2010 LRS, net of allowance of \$43,757,581	-	-	-	-	-	-	-	-	-	12,889,610	-	13,682,825	-	-	-	9,823,101	9,731	-	36,405,267	
Due from External Loan Reserve Funds, net of allowance of \$28,510,234	2,381,061	856,052	2,962,390	1,371,157	1,514,957	1,060,000	914,327	3,299,468	-	-	-	-	-	-	-	-	-	-	14,359,412	
Interest Receivable - Investments	314	11	325	118	46	75	10	1,199	2,106	-	3,858	-	188	1,665	2,086	-	-	5,961	4,533	22,495
Interest Receivable - NJCLASS Student Loans	169,858	74,887	432,799	118,943	188,966	95,897	77,405	2,845,458	4,993,934	-	4,556,206	-	-	2,358,369	3,784,692	-	-	1,819,153	21,516,567	
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	1,161,722	-	-	-	-	-	1,161,722	
Due from Other Bond Issue Funds	(45,950)	-	(123,814)	(86,975)	(66,669)	-	331,674	41,089	46,516	-	43,678	-	-	-	-	28,012	-	(167,561)	-	
Due from/to 2009 and 2010 Loan Reserve Funds	-	-	-	-	-	-	-	-	19,487,923	59,095,798	(59,095,798)	-	-	7,705,612	3,385,275	(11,090,887)	-	-	-	
Default Collections Receivable	-	-	-	-	-	-	-	-	-	35,534	-	-	110,375	-	-	-	-	-	180,573	
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	-	-	-	178,130	-	-	-	-	-	178,130	
Total Current Assets	11,535,476	1,541,413	12,925,936	4,287,462	6,237,352	2,666,652	1,492,637	35,931,392	70,402,931	(6,347,170)	151,962,221	(44,933,470)	11,087,454	48,378,855	50,497,528	(1,154,225)	106,774,683	213,931,902	677,219,029	
Non-Current Assets																				
NJCLASS Student Loans Receivable	8,851,487	4,693,372	50,683,413	10,143,057	14,704,370	7,774,087	3,257,545	247,001,198	368,666,602	-	534,529,658	-	-	213,922,950	282,340,637	-	-	170,901,529	1,917,469,905	
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	89,148,917	-	-	-	-	-	89,148,917	
Prepaid Interest Rate-Cap Fees	-	-	33,511	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,511	
Total Non-Current Assets	8,851,487	4,693,372	50,716,924	10,143,057	14,704,370	7,774,087	3,257,545	247,001,198	368,666,602	-	534,529,658	-	89,148,917	213,922,950	282,340,637	-	-	170,901,529	2,006,652,333	
Total Assets	\$ 20,386,963	\$ 6,234,785	\$ 63,642,860	\$ 14,430,519	\$ 20,941,722	\$ 10,440,739	\$ 4,750,182	\$ 282,932,590	\$ 439,069,533	\$ (6,347,170)	\$ 686,491,879	\$ (44,933,470)	\$ 100,236,371	\$ 262,301,805	\$ 332,838,165	\$ (1,154,225)	\$ 277,676,212	\$ 213,931,902	\$ 2,683,871,362	
Deferred Outflows of Resources																				
Deferred Outflow - Interest Rate Swap	-	3,142,970	2,372,784	-	-	1,801,376	4,191,755	-	-	-	-	-	-	-	-	-	-	-	11,508,885	
Total Deferred Outflows of Resources	\$ -	\$ 3,142,970	\$ 2,372,784	\$ -	\$ -	\$ 1,801,376	\$ 4,191,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,508,885	
Liabilities																				
Current Liabilities																				
Bonds Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000,000	\$ 31,000,000	\$ -	\$ 50,880,000	\$ -	\$ 27,080,000	\$ 18,200,000	\$ 19,700,000	\$ -	\$ 5,000,000	\$ -	\$ 166,860,000	
Accrued Interest Payable - Bonds	7,289	127,669	112,982	24,896	20,710	52,732	98,602	1,382,156	1,817,044	-	2,327,662	-	90,461	859,041	1,362,111	-	976,031	255,192	9,514,578	
Fees Payable	106,420	7,732	38,136	13,822	12,687	6,049	3,320	111,064	122,072	34,540	198,613	59,719	253,212	91,970	149,816	13,874	61,768	-	1,284,814	
Arbitrage Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to the Loan Reserve Fund	41,445	21,028	40,529	35,020	26,469	12,589	8,337	84,483	-	-	-	-	-	-	-	-	-	-	269,900	
Total Current Liabilities	155,154	156,429	191,647	73,738	59,866	71,370	110,259	16,577,703	32,939,116	34,540	53,406,275	59,719	27,423,673	19,151,011	21,211,927	13,874	6,037,799	255,192	177,929,292	
Non-current Liabilities																				
Bonds Payable	-	3,500,000	47,600,000	34,050,000	35,050,000	5,550,000	1,675,000	256,895,000	381,200,000	-	529,900,000	-	63,375,000	205,200,000	301,000,000	-	254,300,000	200,000,000	2,319,295,000	
Premium on Bonds Payable	-	-	-	-	-	-	-	-	1,453,958	-	6,060,033	-	1,715,367	2,616,839	8,209,736	8,873,562	-	8,209,736	28,929,495	
Total Non-current Liabilities	-	3,500,000	47,600,000	34,050,000	35,050,000	5,550,000	1,675,000	256,895,000	382,653,958	-	535,960,033	-	63,375,000	206,915,367	303,616,839	-	262,509,736	208,873,562	2,348,224,495	
Total Liabilities	155,154	3,656,429	47,791,647	34,123,738	35,109,866	5,621,370	1,785,259	273,472,703	415,593,074	34,540	589,366,308	59,719	90,798,673	226,066,378	324,828,766	13,874	268,547,535	209,128,754	2,526,153,787	
Deferred Inflows of Resources																				
Deferred Inflow - Interest Rate Swap	-	3,142,970	2,372,784	-	-	1,801,376	4,191,755	-	-	-	-	-	-	-	-	-	-	-	11,508,885	
Total Deferred Inflows of Resources	\$ -	\$ 3,142,970	\$ 2,372,784	\$ -	\$ -	\$ 1,801,376	\$ 4,191,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,508,885	
Net Position																				
Restricted	20,231,809	2,578,356	15,851,213	(19,693,219)	(14,168,144)	4,819,369	2,964,923	9,459,887	23,476,459	(6,381,710)	97,125,571	(44,993,189)	9,437,698	36,235,427	8,009,399	(1,168,098)	9,128,676	4,803,148	157,717,575	
Total Liabilities and Net Position	\$ 20,386,963	\$ 6,234,785	\$ 63,642,860	\$ 14,430,519	\$ 20,941,722	\$ 10,440,739	\$ 4,750,182	\$ 282,932,590	\$ 439,069,533	\$ (6,347,170)	\$ 686,491,879	\$ (44,933,470)	\$ 100,236,371	\$ 262,301,805	\$ 332,838,165	\$ (1,154,224)	\$ 277,676,211	\$ 213,931,902	\$ 2,683,871,362	

*Bonds have been retired

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June 30, 2012

	1998-2001*	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture Loan Reserve	2010-1 Series A&B	2010-1 Indenture Loan Reserve	2010 FFELP	2010-2 Loan Reserve	2010-2 Indenture Loan Reserve	2011-1	2012-1	Total
Assets																		
Current Assets																		
Cash and cash equivalents	\$ 3,596,382	\$ 735,101	\$ 11,373,904	\$ 544,722	\$ 548,431	\$ 348,529	\$ 359,721	\$ 20,066,512	\$ 35,447,786	\$ -	\$ 70,896,344	\$ -	\$ 4,979,572	\$ 37,804,405	\$ -	\$ 47,899,467	\$ 277,325,262	\$ 511,926,138
Investments	1,285,201	-	992,000	4,509,149	2,026,465	2,593,387	302,260	-	-	123	-	2,507	-	17,825	-	-	-	11,728,917
NJCLASS Student Loans Receivable	3,356,972	595,339	3,707,016	714,539	492,051	246,020	101,759	6,333,546	6,656,802	-	18,839,851	-	-	10,658,298	-	6,727,186	-	58,429,379
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	7,784,555	-	-	-	-	7,784,555
NJCLASS Defaulted Principal and Interest in 2009 and 2010 LRFs, net of allowance of \$43,757,581	-	-	-	-	-	-	-	-	-	6,170,043	-	10,471,125	-	-	5,761,910	-	-	22,403,078
Due from External Loan Reserve Funds, net of allowance of \$28,510,234	2,277,072	969,013	2,691,281	1,456,462	1,399,504	1,280,217	1,084,612	2,235,145	-	-	-	-	-	-	-	-	-	13,393,306
Interest Receivable - Investments	617	31	706	66	54	284	45	1,014	1,896	-	3,789	-	228	1,969	-	2,689	1,607	14,995
Interest Receivable - NJCLASS Student Loans	199,441	68,007	541,338	146,182	208,273	104,266	52,795	3,875,105	6,524,213	-	5,523,847	-	-	3,006,492	-	4,006,105	-	24,256,064
Interest Receivable - FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	1,199,077	-	-	-	-	1,199,077
Due from Other Bond Issue Funds	(48,485)	-	(130,643)	(100,495)	(70,347)	-	349,970	-	-	-	-	-	-	-	-	-	-	-
Due from/to 2009 and 2010 Loan Reserve Funds	-	-	-	-	-	-	-	-	9,420,255	(9,420,255)	45,531,854	(45,531,854)	-	4,265,640	(4,538,931)	273,291	-	-
Default Collections Receivable	-	-	-	-	-	-	-	-	-	57,124	-	-	109,366	-	63,209	-	-	229,699
Due From Loan Servicing Agents	-	-	-	-	-	-	-	-	-	-	-	-	341,730	-	-	-	-	341,730
Total Current Assets	10,667,200	2,367,491	19,175,602	7,270,625	4,604,431	4,572,703	2,251,162	32,511,322	58,050,952	(3,192,965)	140,795,685	(34,948,856)	14,305,162	55,736,804	1,304,013	58,908,738	277,326,869	651,706,938
Non-Current Assets																		
NJCLASS Student Loans Receivable	14,314,602	5,564,925	60,486,491	12,210,489	16,588,052	8,651,456	3,608,176	277,930,731	400,187,985	-	602,767,829	-	-	238,462,037	-	275,496,251	-	1,916,269,024
FFELP Student Loans Receivable	-	-	-	-	-	-	-	-	-	-	-	-	103,345,767	-	-	-	-	103,345,767
Prepaid Interest Rate-Cap Fees	-	-	39,296	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,296
Total Non-Current Assets	14,314,602	5,564,925	60,525,787	12,210,489	16,588,052	8,651,456	3,608,176	277,930,731	400,187,985	-	602,767,829	-	103,345,767	238,462,037	-	275,496,251	-	2,019,654,087
Total Assets	\$ 24,981,802	\$ 7,932,416	\$ 79,701,389	\$ 19,481,114	\$ 21,192,483	\$ 13,224,159	\$ 5,859,338	\$ 310,442,053	\$ 458,238,937	\$ (3,192,965)	\$ 743,563,514	\$ (34,948,856)	\$ 117,650,929	\$ 294,198,841	\$ 1,304,013	\$ 334,404,989	\$ 277,326,869	\$ 2,671,361,025
Deferred Outflows of Resources																		
Deferred Outflow - Interest Rate Swap	-	4,711,359	3,317,664	-	-	2,453,842	6,091,154	-	-	-	-	-	-	-	-	-	-	16,574,019
Total Deferred Outflows of Resources	-	4,711,359	3,317,664	-	-	2,453,842	6,091,154	-	-	-	-	-	-	-	-	-	-	16,574,019
Liabilities																		
Current Liabilities																		
Bonds Payable	\$ 2,740,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,400,000	\$ 20,915,000	\$ -	\$ 40,200,000	\$ -	\$ 20,000,000	\$ 17,800,000	\$ -	\$ 5,800,000	\$ -	\$ 117,855,000
Accrued Interest Payable - Bonds	161,477	154,749	137,912	32,717	29,093	56,420	105,678	1,509,447	1,907,878	-	2,561,115	-	113,469	997,681	-	1,376,611	97,603	9,241,850
Fees Payable	91,099	11,761	58,794	32,180	20,683	5,876	5,610	113,723	144,696	-	256,108	-	218,209	109,137	-	224,796	-	1,292,672
Arbitrage Payable	35,762	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,762
Due to the Loan Reserve Fund	68,861	36,618	78,932	21,890	21,009	9,115	16,339	46,574	-	-	-	-	-	-	-	-	-	299,338
Total Current Liabilities	3,097,199	203,128	275,638	86,787	70,785	71,411	127,627	12,069,744	22,967,574	-	43,017,223	-	20,331,678	18,906,818	-	7,401,407	97,603	128,724,622
Non-current Liabilities																		
Bonds Payable	26,735,000	3,500,000	47,600,000	34,050,000	35,550,000	6,075,000	2,875,000	287,495,000	417,085,000	-	605,800,000	-	86,890,000	242,000,000	-	320,700,000	259,300,000	2,375,655,000
Premium on Bonds Payable	-	-	-	-	-	-	-	-	2,079,016	-	8,507,086	-	-	2,838,233	-	3,679,309	10,123,532	27,227,176
Total Non-current Liabilities	26,735,000	3,500,000	47,600,000	34,050,000	35,550,000	6,075,000	2,875,000	287,495,000	419,164,016	-	614,307,086	-	86,890,000	244,838,233	-	324,379,309	269,423,532	2,402,882,176
Total Liabilities	29,832,199	3,703,128	47,875,638	34,136,787	35,620,785	6,146,411	3,002,627	299,564,744	442,131,590	-	657,324,309	-	107,221,678	263,745,051	-	331,780,716	269,521,135	2,531,606,798
Deferred Inflows of Resources																		
Deferred Inflow - Interest Rate Swap	-	4,711,359	3,317,664	-	-	2,453,842	6,091,154	-	-	-	-	-	-	-	-	-	-	16,574,019
Total Deferred Inflows of Resources	-	4,711,359	3,317,664	-	-	2,453,842	6,091,154	-	-	-	-	-	-	-	-	-	-	16,574,019
Net Position																		
Restricted	(4,850,396)	4,229,289	31,825,750	(14,655,673)	(14,428,302)	7,077,748	2,856,712	10,877,310	16,107,349	(3,192,963)	86,239,205	(34,948,857)	10,429,252	30,453,791	1,304,013	2,624,268	7,805,733	139,754,227
Total Liabilities and Net Position	\$ 24,981,803	\$ 7,932,417	\$ 79,701,388	\$ 19,481,114	\$ 21,192,483	\$ 13,224,159	\$ 5,859,339	\$ 310,442,054	\$ 458,238,939	\$ (3,192,963)	\$ 743,563,514	\$ (34,948,857)	\$ 117,650,930	\$ 294,198,842	\$ 1,304,013	\$ 334,404,984	\$ 277,326,868	\$ 2,671,361,025

*Bonds have been retired

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2013

	1998-2001*	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture Loan Reserve Fund	2010-1 Series A&B	2010-1 Indenture Loan Reserve Fund	2010 FFELP	2010-2	2011-1	2010-2 Indenture Loan Reserve Fund	2012-1	2013-1	Total
Operating Revenues																			
Interest Income																			
NJCLASS Student Loans	\$ 1,120,473	\$ 374,339	\$ 3,513,017	\$ 801,029	\$ 1,123,975	\$ 579,575	\$ 228,847	\$ 20,833,264	\$ 30,182,599	\$ -	\$ 39,682,106	\$ -	\$ -	\$ 16,771,060	\$ 21,761,615	\$ -	\$ 7,505,974	\$ -	\$ 144,477,873
FFELP Student Loans	0	0	0	0	0	0	0	0	0	0	0	0	4,150,645	0	0	0	0	0	4,150,645
Total Interest Income	1,120,473	374,339	3,513,017	801,029	1,123,975	579,575	228,847	20,833,264	30,182,599	0	39,682,106	0	4,150,645	16,771,060	21,761,615	0	7,505,974	0	148,628,518
Application/Administrative Fee Income	0	0	0	0	0	-	-	(86)	(372)	0	(606)	0	0	0	(160)	0	0	0	1,947,266
Loan Reserve Fee Income	0	0	0	0	0	-	-	0	0	0	0	0	0	0	0	430,593	0	0	430,593
Repayment Account Fee Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	411,105	0	0	0	3,527,184
Default Income	0	0	0	0	0	-	-	0	0	0	0	0	0	0	0	0	0	0	-
Total Operating Revenues	1,120,473	374,339	3,513,017	801,029	1,123,975	579,575	228,847	20,833,178	30,182,227	-	39,681,500	-	4,150,645	16,770,900	22,418,954	430,593	12,324,309	-	154,533,561
Operating Expenses																			
Loan Servicing Fees																			
NJCLASS Student Loans	201,667	37,573	338,575	61,575	65,133	35,638	16,370	1,186,413	1,492,241	0	2,487,505	0	0	1,141,331	1,332,014	0	1,954,565	-	10,350,600
FFELP Student Loans	0	0	0	0	0	0	0	0	0	0	0	0	1,639,705	0	0	0	0	0	1,639,705
Total Loan Servicing Fees	201,667	37,573	338,575	61,575	65,133	35,638	16,370	1,186,413	1,492,241	-	2,487,505	-	1,639,705	1,141,331	1,332,014	-	1,954,565	-	11,990,305
Default Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program Expenses																			
Annual Insurance Expense and Transaction Fees	0	6,077	87,037	66,419	54,567	16,254	6,960	345,106	0	0	0	0	0	0	(55,986)	0	0	0	526,434
Bad Debt Expense	198,815	(244,806)	545,517	(190,940)	230,189	(472,148)	(365,887)	3,688,012	0	3,188,789	0	10,044,423	0	0	0	2,902,771	29,587	0	19,554,322
Other Program Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	430,688	0	0	0	430,688
Total Program Expenses	198,815	(238,729)	632,554	(124,521)	284,756	(455,894)	(358,927)	4,033,118	-	3,188,789	-	10,044,423	-	-	374,702	2,902,771	29,587	-	20,511,444
Bond Interest Expense	918,607	1,844,719	1,529,708	346,348	288,842	660,638	1,250,704	17,044,119	21,344,476	0	26,351,689	0	1,217,897	9,870,632	15,355,368	0	9,798,578	201,386	108,023,711
Total Operating Expenses	1,319,089	1,643,563	2,500,837	283,402	638,731	240,382	908,147	22,263,650	22,836,717	3,188,789	28,839,194	10,044,423	2,857,602	11,011,963	17,062,084	2,902,771	11,782,730	201,386	140,525,460
Operating Income (Loss)	(198,616)	(1,269,224)	1,012,180	517,627	485,244	339,193	(679,300)	(1,430,472)	7,345,510	(3,188,789)	10,842,306	(10,044,423)	1,293,043	5,758,937	5,356,870	(2,472,178)	541,579	(201,386)	14,008,101
Non Operating Revenues (Expenses)																			
Income on Investments	70,895	482	6,883	3,785	3,661	2,325	672	13,049	23,600	43	44,059	92	3,582	22,700	28,260	67	121,364	4,533	350,052
Gain on Bond Retirement	0	0	0	0	67,500	63,375	156,000	0	0	0	0	0	0	0	0	0	0	0	286,875
Gain/Loss on Transfer	0	0	0	0	0	0	0	0	0	0	0	0	(2,288,177)	0	0	0	0	0	(2,288,177)
Swap Termination Fees	25,221,085	(382,188)	(16,951,257)	(5,558,957)	(296,247)	(2,663,274)	630,838	0	0	0	0	0	0	0	0	0	0	0	-
Capital Contribution for 2012-1 Bond Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	660,000	0	660,000
Capital Contribution for 2013-1 Bond Issue	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,000,000	5,000,000
Amortization Expense - Prepaid Interest Rate Cap Fees	0	0	(42,344)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(42,344)
Arbitrage Expense	(11,159)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(11,159)
Total Non Operating Revenues	25,280,821	(381,706)	(16,986,718)	(5,555,172)	(225,086)	(2,597,574)	787,510	13,049	23,600	43	44,059	92	(2,284,595)	22,700	28,260	67	781,364	5,004,533	3,955,247
Change in Net Position	25,082,205	(1,650,930)	(15,974,538)	(5,037,545)	260,158	(2,258,381)	108,210	(1,417,423)	7,369,110	(3,188,746)	10,886,365	(10,044,331)	(991,552)	5,781,637	5,385,130	(2,472,111)	1,322,943	4,803,147	17,963,348
Net Position (Deficit, Beginning of Year)	(4,850,396)	4,229,289	31,825,750	(14,655,673)	(14,428,302)	7,077,748	2,856,712	10,877,310	16,107,349	(3,192,963)	86,239,205	(34,948,857)	10,429,252	30,453,791	1,304,013	2,624,268	7,805,733	0	139,754,227
Net Position (Deficit, End of Year)	\$ 20,231,809	\$ 2,578,359	\$ 15,851,212	\$ (19,693,218)	\$ (14,168,144)	\$ 4,819,367	\$ 2,964,922	\$ 9,459,887	\$ 23,476,459	\$ (6,381,709)	\$ 97,125,570	\$ (44,993,188)	\$ 9,437,700	\$ 36,235,428	\$ 6,689,143	\$ 152,157	\$ 9,128,676	\$ 4,803,147	\$ 157,717,575

*Bonds have been retired

NEW JERSEY HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
NJCLASS/FFELP LOAN PROGRAMS
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2012

	1998-2001*	2002	2003	2004	2005	2006	2007	2008	2009 Series A	2009 Indenture Loan Reserve Fund	2010-1 Series A&B	2010-1 Indenture Loan Reserve Fund	2010 FFELP	2010-2	2010-2 Indenture Loan Reserve Fund	2011-1	2012-1	Total
Operating Revenues																		
Interest Income																		
NJCLASS Student Loans	\$ 1,630,915	\$ 457,204	\$ 4,067,891	\$ 931,749	\$ 1,269,611	\$ 633,793	\$ 268,539	\$ 23,199,323	\$ 32,767,491	\$ -	\$ 44,926,760	\$ -	\$ -	\$ 18,672,530	\$ -	\$ 13,208,736	\$ -	\$ 142,034,542
FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	4,651,771	-	-	-	-	4,651,771
Total Interest Income	1,630,915	457,204	4,067,891	931,749	1,269,611	633,793	268,539	23,199,323	32,767,491	-	44,926,760	-	4,651,771	18,672,530	-	13,208,736	-	146,686,313
Application/Administrative Fee Income	-	-	433	-	-	-	(60)	(636)	(1,075)	-	34,464	-	-	176,622	-	6,152,894	-	6,362,642
Loan Reserve Fee Income	-	-	-	-	-	-	-	-	-	50	-	17,834	-	-	3,463,740	-	-	3,481,624
Default Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	1,630,915	457,204	4,068,324	931,749	1,269,611	633,793	268,479	23,198,687	32,766,416	50	44,961,224	17,834	4,651,771	18,849,152	3,463,740	19,361,630	-	156,530,579
Operating Expenses																		
Loan Servicing Fees																		
NJCLASS Student Loans	251,447	43,011	376,958	69,366	71,358	38,667	18,159	1,256,945	1,554,719	-	2,693,913	-	-	1,284,920	-	3,317,373	-	10,976,836
FFELP Student Loans	-	-	-	-	-	-	-	-	-	-	-	-	1,865,099	-	-	-	-	1,865,099
Total Loan Servicing Fees	251,447	43,011	376,958	69,366	71,358	38,667	18,159	1,256,945	1,554,719	-	2,693,913	-	1,865,099	1,284,920	-	3,317,373	-	12,841,935
Default Expense																		
Program Expenses																		
Annual Insurance Expense and Transaction Fees	23,000	4,908	109,356	73,655	54,335	9,947	6,760	393,407	-	-	-	-	-	-	-	-	-	675,368
Bad Debt Expense	521,230	(194,859)	986,305	(93,590)	647,541	(264,125)	(124,446)	4,478,663	5,780,720	(2,903,145)	19,990,035	-	(608,837)	2,160,487	-	-	-	30,375,979
Other Program Expenses	-	-	-	-	-	-	54	(156)	50	17,834	-	-	88,312	-	-	3,375,428	-	3,481,522
Total Program Expenses	544,230	(189,951)	1,095,661	(19,935)	701,876	(254,178)	(117,632)	4,871,914	50	5,780,720	(2,885,311)	19,990,035	(520,525)	2,160,487	3,375,428	-	3,317,373	34,532,869
Bond Interest Expense	2,064,059	2,200,713	2,304,582	617,829	338,447	698,479	1,311,172	19,073,931	22,566,127	-	28,916,153	-	1,390,667	11,077,415	-	14,605,217	81,875	107,246,666
Total Operating Expenses	2,859,736	2,053,773	3,777,201	667,260	1,111,681	482,968	1,211,699	25,202,790	24,120,896	5,780,720	28,724,755	19,990,035	3,255,766	11,841,810	2,160,487	21,298,018	81,875	154,621,470
Operating Income (Loss)	(1,228,821)	(1,596,569)	291,123	264,489	157,930	150,825	(943,220)	(2,004,103)	8,645,520	(5,780,670)	16,236,469	(19,972,201)	1,396,005	7,007,342	1,303,253	(1,936,388)	(81,875)	1,909,109
Non Operating Revenues (Expenses)																		
Income on Investments	212,529	754	4,489	4,211	4,243	2,722	1,275	9,171	12,190	154	26,417	56	1,690	13,120	154	37,601	1,607	332,383
Gain on Bond Retirement	-	35,000	270,000	-	506,250	20,500	27,000	-	-	-	-	-	-	-	-	-	-	858,750
Gain/Loss on Transfer	(5,123,054)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,123,054	-	-
Swap Termination Fees	(464,345)	(2,545,655)	(1,500,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,510,000)
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(600,000)	-	(600,000)
Capital Contribution for 2012-1 Bond Issue	-	(165)	165	-	-	-	-	-	-	-	-	-	-	-	-	-	7,886,000	7,886,000
Amortization Expense - Prepaid Interest Rate Cap Fees	-	-	(41,480)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(41,480)
Arbitrage Expense	(33,736)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33,736)
Total Non Operating Revenues	(5,408,606)	(2,510,066)	(1,266,826)	4,211	510,493	23,222	28,275	9,171	12,190	154	26,417	56	1,690	13,120	154	4,560,655	7,887,607	3,891,917
Change in Net Position	(6,637,427)	(4,106,635)	(975,703)	268,700	668,423	174,047	(914,945)	(1,994,932)	8,657,710	(5,780,516)	16,262,886	(19,972,145)	1,397,695	7,020,462	1,303,407	2,624,267	7,805,732	5,801,026
Net Position (Deficit, Beginning of Year), As Restated	1,787,028	8,335,924	32,801,453	(14,924,374)	(15,096,723)	6,903,702	3,771,657	12,872,242	7,449,638	2,587,553	69,976,318	(14,976,712)	9,031,558	23,433,330	606	-	-	133,953,200
Net Position (Deficit, End of Year)	(4,850,399)	4,229,289	31,825,750	(14,655,674)	(14,428,300)	7,077,749	2,856,712	10,877,310	16,107,348	(3,192,963)	86,239,204	(34,948,857)	10,429,253	30,453,792	1,304,013	2,624,267	7,805,732	139,754,226

*Bonds have been retired

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board Members of
New Jersey Higher Education Student Assistance Authority
Trenton, New Jersey

We have audited, in accordance with the 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, the financial statements of the business type activities of the NJCLASS/FFELP Loan Programs (the Programs) of the New Jersey Higher Education Student Assistance Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Programs' basic financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Programs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of the Programs' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Mt. Laurel, New Jersey
October 29, 2013

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