

Supplementary Agenda Materials

Committee on Agency Operations

Agency Operations Meeting

January 23, 2013

Agenda Item IV-A

Attached are documents relating to the issuance of State of Texas College Student Loan Bonds in one or more series.

- Bond Resolution
- Preliminary Official Statement
- Paying Agent/Registrar Agreement
- Escrow Agreement
- Bond Purchase Agreement

A RESOLUTION

BY THE TEXAS HIGHER EDUCATION COORDINATING BOARD AUTHORIZING THE ISSUANCE OF STATE OF TEXAS COLLEGE STUDENT LOAN AND REFUNDING BONDS IN ONE OR MORE SERIES; AUTHORIZING THE COMMISSIONER TO APPROVE ALL FINAL TERMS OF THE BONDS; APPROVING THE FORMS OF AN OFFICIAL STATEMENT, A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; AND RESOLVING OTHER MATTERS RELATED TO THE SUBJECT

DATE OF APPROVAL: JANUARY 24, 2013

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A RESOLUTION

BY THE TEXAS HIGHER EDUCATION COORDINATING BOARD AUTHORIZING THE ISSUANCE OF STATE OF TEXAS COLLEGE STUDENT LOAN AND REFUNDING BONDS IN ONE OR MORE SERIES; AUTHORIZING THE COMMISSIONER TO APPROVE ALL FINAL TERMS OF THE BONDS; APPROVING THE FORMS OF AN OFFICIAL STATEMENT, A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; AND RESOLVING OTHER MATTERS RELATED TO THE SUBJECT

WHEREAS, the Texas Higher Education Coordinating Board (the "Board"), an agency of the State of Texas (the "State"), pursuant to authority given by the voters of the State at several state wide elections, has issued numerous series of general obligation bonds, including the State of Texas College Student Loan Bonds, Series 1999 (the "Series 1999 Bonds"), the State of Texas Variable Rate College Student Loan and Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), the State of Texas Variable Rate College Student Loan and Refunding Bonds, Series 2004 (the "Series 2004 Bonds"), and the State of Texas Variable Rate College Student Loan and Refunding Bonds, Series 2006 (the "Series 2006 Bonds"), for the purpose of providing funds to make loans to students for the purpose of financing the cost of post secondary education at public and private educational institutions in the State; and

WHEREAS, the Board desires to authorize the refunding of all or a portion of the outstanding Series 1999 Bonds (\$9,545,000) maturing after August 1, 2013, provided such refunding will produce a net present value savings calculated in the manner and satisfying the requirements of this Resolution; and

WHEREAS, the Board also desires to authorize the refunding of all or a portion of the outstanding Series 2003 Bonds (\$75,000,000) which bear interest at a variable rate in order to achieve fixed debt service certainty, remove the risk associated with renewals of letters of credit for such bonds and provide the Board with greater investment flexibility as set forth in Section 3.07(d) of this Resolution; and

WHEREAS, the Board additionally desires to authorize the refunding or the conversion to a fixed rate mode, as determined to be the most efficient and cost effective, of all or a portion of the outstanding Series 2004 Bonds (\$10,540,000) and the Series 2006 Bonds (\$18,115,000) maturing after February 1, 2013 in order to achieve fixed debt service certainty and remove the risk associated with renewals of letters of credit for such bonds; and

WHEREAS, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), authorizes the Board to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a place of payment (paying agent) for the refunded bonds, or with another trust company or commercial bank that does not act as a depository for the Board, in an amount sufficient to provide for the payment of the refunded bonds, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the refunded bonds; and

WHEREAS, Chapter 1207 (specifically Section 1207.062 thereof) further authorizes the Board to enter into an escrow agreement with respect to the safekeeping, investment, administration and disposition of any such deposit; provided that such deposit may be invested and reinvested in the obligations specified in Chapter 1207; and

WHEREAS, the Escrow Agreement hereinafter authorized between the Board and the Escrow Agent constitutes an escrow agreement of the kind authorized and permitted by Chapter 1207; and

WHEREAS, the Board hereby finds, as required by Section 1207.008(a) of Chapter 1207, that (i) the issuance of College Student Loan Bonds pursuant to this Resolution for the purpose of refunding the Refunded Bonds is in the best interests of the Board and the State, and (ii) the manner in which the refunding of the Refunded Bonds (as defined herein) is being executed does not make it practicable to make the determination required by Section 1207.008(a)(2) of Chapter 1207; and

WHEREAS, at a state-wide election held on November 8, 2011, the voters of the State approved an amendment to the Texas Constitution (known as Article III, Section 50b-7 of the Texas Constitution, "Section 50b-7"), which authorized the Board to issue College Student Loan Bonds (as defined herein) in an aggregate principal amount of outstanding bonds that at all times must be equal to or less than the aggregate principal amount of College Student Loan Bonds previously authorized by any other provision or former provision of the Texas Constitution; and

WHEREAS, provisions other than Section 50b-7 and former provisions of the Texas Constitution have authorized \$1.86 billion in aggregate principal amount of College Student Loan Bonds; and

WHEREAS, the Board hereby finds it desirable to issue additional College Student Loan Bonds pursuant to such voted authorization under Section 50b-7, in order to provide the Board with the capability of making additional student loans; and

WHEREAS, the Board has previously authorized obtaining from the Texas Bond Review Board certificates of reservation for the purpose of confirming to the Board its authority to issue the College Student Loan Bonds herein authorized within the State ceiling pursuant to the terms of Chapter 1372, Texas Government Code, as amended; and

WHEREAS, the Board hereby finds and declares a public purpose and deems it advisable and in the best interests of the Board and the State to issue College Student Loan Bonds (defined in Section 1.02 hereof as the "Bonds") in one or more Series in an aggregate principal amount not to exceed \$240,000,000, to be used for the purpose of (i) refunding the Refunded Bonds, (ii) making additional student loans and (iii) paying all or a portion of the costs of issuing such Bonds; and

WHEREAS, the issuance of the maximum principal amount of Bonds authorized by this Resolution will not exceed the principal limits set forth in the Act (as defined herein) and in Section 50b-7 with respect to Bonds issued to make additional student loans and in the other applicable Constitutional Provisions (as defined herein) with respect to Bonds issued to refund the Refunded Bonds; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Resolution was passed was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

BE IT RESOLVED BY THE TEXAS HIGHER EDUCATION COORDINATING BOARD:

**ARTICLE I
DEFINITIONS AND OTHER PRELIMINARY MATTERS**

Section 1.01 **FINDINGS.** It is hereby found and determined that the matters and facts set out in the preamble to this Resolution are true and correct.

Section 1.02 **DEFINITIONS.** Unless otherwise expressly provided or unless the context clearly requires otherwise in this Resolution, the following terms shall have the meanings specified below:

"Act" means Chapter 52 of the Texas Education Code, as amended.

"Additional Bonds" means bonds issued after the Issuance Date by the Board payable from the same sources as the Bonds.

"Authorized Denomination" means \$5,000 and any integral multiple thereof.

"Authorized Representative" means one or more of the following officers of the Board: the Chair of the Board, the Vice Chair of the Board, the Chair of the Agency Operations Committee of the Board, the Commissioner, the Deputy Commissioner for Finance and Administration, and such other officer or employee of the Board authorized by the Board to act as an Authorized Representative.

"Bond Date" means the date designated as the date of the Bonds and set forth in Exhibit A to this Resolution.

"Bond Purchase Contract" means the Board's agreement with Underwriters providing for the sale of a Series of Bonds; provided that two or more Series of Bonds may be sold to the same Underwriters pursuant to the terms of a single Bond Purchase Contract.

"Bond Year" means the period beginning on August 2 of any calendar year and continuing through August 1 of the following calendar year; provided that, the first and last bond years may be short periods.

"Bonds" means any one or more, as the case may be, of the College Student Loan Bonds of each Series authorized to be issued pursuant to Section 2.01 of this Resolution.

"Book-Entry System" means the system maintained by the Securities Depository described in Section 2.06(g).

"Business Day" means any day other than (i) a Saturday, Sunday, legal holiday or any other day on which banking institutions in New York, New York, or Austin, Texas are generally authorized or obligated by law or executive order to close, or (ii) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

"College Student Loan Bonds" means general obligation bonds issued pursuant to the Constitutional Provision, including any refunding bonds attributable thereto.

"Commissioner" means the Commissioner of Higher Education.

"Comptroller" means the Comptroller of Public Accounts of the State.

"Constitutional Provision" means, collectively, as applicable, (i) Sections 50b, 50b-1, 50b-2 and 50b-3 of Article III of the Texas Constitution (which Sections were repealed "to eliminate duplicative, executed, obsolete, archaic and ineffective constitutional provisions" pursuant to Section 55 of H.J.R. No. 62 approved by the voters of the State on November 2, 1999), (ii) Section 50b-4, as amended, Section 50b-5 and Section 50b-6 of Article III of the Texas Constitution, and (iii) Section 50b-7 of Article III of the Texas Constitution.

"Defeased Bonds" shall have the meaning specified in Section 10.01(a) of this Resolution.

"Defeasance Securities" shall have the meaning specified in Section 10.01(c) of this Resolution.

"Depository Participant" means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf a Securities Depository was created to hold securities to facilitate the clearance and settlement of securities transactions among Depository Participants.

"DTC" means The Depository Trust Company of New York, New York, and its successors and assigns.

"Escrow Agent" means each entity serving in such capacity pursuant to Section 7.03 of this Resolution, or any successor thereto as provided in this Resolution.

"Escrow Agreement" means each Escrow Agreement by and between the Board and the Escrow Agent pertaining to any Refunded Bonds.

"Event of Default" means any event of default as defined in Section 9.01 of this Resolution.

"Financial Advisor" means First Southwest Company, or such other financial advisory firm designated by the Board as its financial advisor with respect to the Board's student loan programs authorized pursuant to the Act.

"Fiscal Year" means the period of time beginning in each calendar year on September 1st and ending August 31st of the calendar year next following, or any other 12-month period of time adopted by the State as its "fiscal year."

"Fixed Rate" shall have the meaning specified in the applicable Original Resolution.

"Future Escrow Agreement" shall have the meaning specified in Section 10.01(a) of this Resolution.

"Initial Bond" means the initial Bond of each Series authorized by Section 2.04(d) of this Resolution.

"Interest and Sinking Fund" means the interest and sinking fund described in Section 3.03 of this Resolution.

"Interest Payment Date" means each February 1 and August 1, commencing with the first such interest payment date set forth in Exhibit A to be attached hereto.

"Issuance Date" means the date of the initial delivery of and payment for each Series of Bonds.

"Maximum Rate" means the maximum per annum interest rate on the Bonds permitted by applicable law, currently 15% per annum.

"Moody's" means Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, or such other address provided by Moody's to the Board, its successors and assigns.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" shall have the meaning specified in Section 7.01 of this Resolution.

"Original Resolutions" means, collectively or individually, as applicable, the resolution approved by the Board on April 24, 2004 which authorized the Series 2004 Bonds and the resolution approved by the Board on May 19, 2006 which authorized the Series 2006 Bonds.

"Outstanding" means, when used to modify Bonds, Bonds issued, authenticated and delivered under this Resolution, excluding: (i) Bonds which have been exchanged or replaced or otherwise surrendered for cancellation; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Defeased Bonds.

"Owner" means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

"Paying Agent/Registrar" means the entity serving in such capacity pursuant to Section 5.01 of this Resolution, or any successor thereto as provided in this Resolution.

"Paying Agent/Registrar Agreement" means each Paying Agent/Registrar Agreement by and between the Board and the Paying Agent/Registrar, pertaining to the Bonds.

"Preliminary Official Statement" shall have the meaning specified in Section 7.01 of this Resolution.

"Previously Issued Bonds" means College Student Loan Bonds heretofore issued by the Board payable from the same sources as the Bonds and remaining unpaid.

"Record Date" means the close of business on the 15th calendar day of the month immediately preceding the Interest Payment Date.

"Refunded Bonds" means the Series 1999 Bonds, the Series 2003 Bonds, the Series 2004 Bonds, and the Series 2006 Bonds, if any, that the Commissioner, acting pursuant to Section 2.01 hereof, determines to be refunded by the Bonds. The Refunded Bonds shall be specified in Exhibit A to this Resolution, as appropriate.

"Register" means the Register specified in Section 2.06(a) of this Resolution.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"S&P" means Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., 55 Water Street, 38th Floor, New York, New York 10041, or such other address provided by S&P to the Board, its successors and assigns.

"SEC" means the United States Securities and Exchange Commission.

"Securities Depository" means a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended, including DTC, or its nominee, and the successors and assigns of any such entity.

"Series" means any designated series of Bonds issued pursuant to this Resolution.

"State" means the State of Texas.

"Student Loan Auxiliary Fund" shall have the meaning specified in Section 3.01 of this Resolution.

"Treasury Regulations" means regulations promulgated by the U. S. Department of the Treasury pursuant to the Code.

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of principal of, redemption premium, if any, or interest on the Bonds as the same come due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity, which moneys remain on deposit with the Paying Agent/Registrar following the date on which such payments are due.

"Underwriters" means the investment banking firm or firms that contract to purchase the Bonds of a Series pursuant to a Bond Purchase Contract in accordance with Section 2.01(c)(ii) of this Resolution; provided, that (i) the Underwriters shall be selected by the Commissioner from the list of investment banking firms previously approved by the Board to serve as underwriters for the Bonds, and (ii) the same Underwriters may contract to purchase two or more Series of such Bonds pursuant to a single Bond Purchase Contract.

Section 1.03 **OTHER DEFINITIONS.** Terms defined in the recitals to this Resolution shall have such assigned meanings unless otherwise expressly provided or unless the context clearly requires otherwise.

Section 1.04 **TABLE OF CONTENTS, TITLES AND HEADINGS.** The table of contents, titles and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.05 **INTERPRETATION.**

(a) *Unless the context requires otherwise, the provisions of this Resolution referring to a Bond or the Bonds shall be interpreted and construed as referring to a Bond or the Bonds of a particular Series issued pursuant to this Resolution.*

(b) Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(c) This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein.

Section 1.06 **RATIFICATION OF PRIOR ACTIONS.** All prior actions taken for or on behalf of the Board in connection with the Bonds are hereby ratified, confirmed and approved.

ARTICLE II
AUTHORIZATION; GENERAL TERMS

Section 2.01 **AUTHORIZATION; DELEGATION OF FINAL TERMS.**

(a) **Authorization.** Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State, including particularly, as applicable, the Constitutional Provision, the Act, Chapter 1371 of the Texas Government Code, as amended, and Chapter 1207, the Bonds are hereby authorized to be issued, in the maximum aggregate principal amount (calculated without regard to premium or discount affecting the sale price) of \$240,000,000 in one or more Series, for the purposes, one or more, of (i) refunding the Refunded Bonds, (ii) making additional student loans, and (iii) paying all or a portion of the costs of

issuing the Bonds, all in accordance with and subject to the terms, conditions and limitations contained herein.

(b) Delegation of Final Terms. As authorized by Sections 1207.007 and 1371.053(c)(2), Texas Government Code, the Commissioner is hereby authorized, appointed and designated as the officer of the Board authorized to act on behalf of the Board in the sale and delivery of the Bonds authorized by this Resolution and in carrying out the other procedures specified in this Resolution, including determining (i) the aggregate principal amount of the Bonds to be issued hereunder, subject to Section 2.01(a) hereof, (ii) the price at which the Bonds will be sold, (iii) the aggregate principal amount of each maturity of the Bonds, (iv) the rate or rates of interest to be borne by each maturity of the Bonds, (v) the due date of each maturity of the Bonds (provided that, the final maturity date thereof shall not occur later than 40 years after the Issuance Date), (vi) the Bond Date, (vii) the dates, prices and terms upon which the Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as the dates, prices and principal amounts at which the Bonds shall be subject to mandatory sinking fund redemption, if any, (viii) the Refunded Bonds, and (ix) all other matters relating to the issuance, sale and delivery of the Bonds. In addition, the Bonds issued to refund the Series 1999 Bonds maturing after August 1, 2013, must be sold on terms that produce a present value savings. The Commissioner, acting for and on behalf of the Board, is further authorized to revise, complete and attach Exhibit A to this Resolution for each Series of Bonds issued under this Resolution, containing a description of the final terms of the Bonds of such Series approved pursuant to the authority granted herein, and a list of the Refunded Bonds being refunded by the Bonds of such Series, as appropriate; provided that each Series of Bonds must be sold on terms that produce (i) interest rates that do not exceed the Maximum Rate and (ii) a sales price for the Bonds of such Series to the initial purchaser(s) thereof at not less than 95% of the par amount thereof, plus accrued interest, if any. It is further provided, however, that notwithstanding the foregoing provisions, the Bonds shall not be delivered unless, prior to delivery, the Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long term obligations, as required by Section 1371.001(5), Texas Government Code.

(c) Sale of Bonds.

(i) Manner of Sale. If prior to the time of anticipated sale of a Series of Bonds authorized to be issued pursuant to the terms of this Resolution the Financial Advisor advises the Commissioner in writing to the effect that, based upon then current market conditions, a negotiated sale of such Bonds is anticipated to result in a lower true interest cost to the Board as compared to a sale by competitive bid, then the Board hereby determines that a negotiated sale is a more efficient and economical method of selling such Bonds, and therefore such Bonds shall be sold by negotiated sale. If, however, the Commissioner does not receive such written advice from the Financial Advisor with respect to the anticipated sale of a Series of Bonds, then such Bonds shall be sold by competitive bid.

(ii) Negotiated Sales. For Bonds to be sold by negotiated sale, the Commissioner, acting for and on behalf of the Board, (i) shall designate a senior managing Underwriter for the Bonds and shall select such additional Underwriters as

deemed appropriate to assure that the Bonds are sold on advantageous terms, and (ii) is further authorized to approve, execute and deliver a Bond Purchase Contract, which is hereby approved in substantially the form presented herewith, with such changes as are acceptable to the Commissioner. The Commissioner's approval of a Bond Purchase Contract shall be conclusively evidenced by the Commissioner's execution thereof.

(iii) Competitive Bid. For Bonds to be sold by competitive bid, (i) each Authorized Representative, acting for and on behalf of the Board, is hereby severally authorized and directed to prepare and distribute a Notice of Sale and Bidding Instructions for the sale of such Bonds (which shall be distributed electronically using i-Deal Prospectus or such other electronic dissemination service deemed acceptable by an Authorized Representative), and (ii) the Commissioner, acting for and on behalf of the Board, is further authorized to approve and accept the winning bid from the bidder or bidders submitting the lowest true interest cost to the Board to evidence the Board's acceptance of the best bid or bids for such Bonds received as a result of competitive bidding.

(d) Conversion Authorization. In the event the Commissioner, in consultation with, and reliance upon the advice of the Board's Financial Advisor, determines that it is more efficient and cost effective to convert the Series 2004 Bonds and/or the Series 2006 Bonds from their current variable rates to a Fixed Rate pursuant to the provisions of the applicable Original Resolutions than to refund such bonds pursuant to the refunding authority set forth in Section 2.01(b) hereof, the Series 2004 and/or the Series 2006 Bonds to be so converted (the "Converted Bonds") shall be converted to a Fixed Rate pursuant to the terms of this Section 2.01(d) and the applicable Original Resolution. The Commissioner is hereby authorized, appointed and designated as the officer of the Board authorized to act on behalf of the Board in the conversion of the Converted Bonds authorized by this Section 2.01(d) and in carrying out the other procedures specified in this Resolution and the applicable Original Resolution, including determining (i) which maturities or the amount of any partial maturities of the Series 2004 Bonds and/or Series 2006 Bonds shall comprise the Converted Bonds, (ii) the rate or rates of interest to be borne by each maturity of the Converted Bonds, (iii) the dates, prices and terms upon which the Converted Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as the dates, prices and principal amounts at which the Bonds shall be subject to mandatory sinking fund redemption, if any, (iv) the date or dates of such conversion to Fixed Rate and (v) all other matters relating to the conversion of the Converted Bonds. The Commissioner, acting for and on behalf of the Board, is further authorized to revise, complete and attach Exhibit B to this Resolution for each series of Converted Bonds so converted pursuant to this Resolution and the applicable Original Resolution, containing a description of the final terms of the Converted Bonds of such series approved pursuant to the authority granted herein; provided that each series of Converted Bonds must be converted on terms that (i) produce interest rates that do not exceed the Maximum Rate and (ii) cause such Converted Bonds to have a market value equal to the principal amount thereof. This Resolution constitutes the written resolution contemplated by the applicable provisions of each Original Resolution authorizing the conversion of the Converted Bonds to a Fixed Rate. Each Authorized Representative hereunder is hereby authorized to act as an Authorized Representative under the applicable Original Resolution with respect to taking any actions necessary to effectuate the conversion of any Converted Bonds to a Fixed Rate. The Commissioner, acting for and on behalf of the Board, (i)

shall designate one or more qualified investment banking firms to act as Remarketing Agent for the Converted Bonds as deemed appropriate to assure that the Converted Bonds are remarketed on advantageous terms and (ii) is further authorized to approve, execute and deliver the Board's agreement with Remarketing Agent providing for the remarketing of any Converted Bonds (the "Remarketing Agreement"), which is hereby approved in substantially the form of the Bond Purchase Contract presented herewith, with such changes as necessary to accomplish the remarketing of any Converted Bonds as are acceptable to the Commissioner. The Commissioner's approval of a Remarketing Agreement shall be conclusively evidenced by the Commissioner's execution thereof. An Authorized Representative is hereby authorized to revise the Preliminary Official Statement and Official Statement authorized in Section 7.01 as necessary to accomplish the remarketing of any Converted Bonds. Each Authorized Representative is hereby severally authorized and directed for and on behalf of the Board to take all other actions that are reasonably necessary to provide for the conversion of any Converted Bonds to a Fixed Rate including, without limitation, executing and delivering for and on behalf of the Board all certificates, consents, receipts, requests and other documents as may be reasonably necessary to accomplish such conversion.

(e) Payment of Costs of Issuance. Notwithstanding any other provision of this Resolution to the contrary, to the extent not otherwise provided for, the proceeds of the Bonds may be used to pay the costs of issuance thereof.

(f) Expiration of Delegation Authority. The authority granted to the Commissioner as set forth in Section 2.01(b) to approve the final terms of the Bonds by completing and executing Exhibit A attached to this Resolution for each Series of Bonds issued under this Resolution and to convert Converted Bonds to a Fixed Rate as set forth in Section 2.01(b) by completing and executing Exhibit B attached to this Resolution shall expire at 5:00 P.M. on December 31, 2013. Bonds priced on or before December 31, 2013 may be delivered to the initial purchaser after such date.

(g) Delegation in Best Interests of the Board. In satisfaction of Section 1201.022(a)(3), Texas Government Code, the Board hereby determines that the delegation of the authority to the Commissioner to approve the method of sale and final terms and conditions of each Series of the Bonds as set forth in this Resolution is, and the decisions made by the Commissioner pursuant to such delegated authority and incorporated in Exhibit A to be attached hereto will be, in the Board's best interests and shall have the same force and effect as if such determinations were made by the Board, and the Commissioner is hereby authorized to make and include in Exhibit A to be attached hereto an appropriate finding to that effect.

Section 2.02 DESIGNATION, DATE, DENOMINATION, MATURITIES AND INTEREST.

(a) Each Series of Bonds shall be designated: "STATE OF TEXAS COLLEGE STUDENT LOAN BONDS, SERIES 2013," provided that (i) any Series of Bonds issued for the purposes of making student loans and refunding Refunded Bonds shall also have the words "AND REFUNDING" included in the designation of such Bonds before the word "BONDS", and (ii) any Series of Bonds issued for the purpose of refunding Refunded Bonds, but not for the purpose of making student loans, shall also have the word "REFUNDING" included in the

designation of such Bonds before the word "BONDS". Unless otherwise determined by the Commissioner, each Series of Bonds issued pursuant to this Resolution shall have a separate letter designation following "2013", starting with the letter "A" and proceeding alphabetically thereafter. Each Series of Bonds issued pursuant to this Resolution shall be numbered separately from R-1 upward in order of their authentication, except for the Initial Bond of each Series, which shall be numbered T-1.

(b) The Bonds shall be dated as of the Bond Date. The Bonds shall be issued hereunder in the principal amount and shall mature in each of the years and in the principal amounts, all as determined by the Commissioner pursuant to Section 2.01 hereof and as set forth in Exhibit A to be attached hereto. The Bonds shall be in fully registered form, without coupons and in Authorized Denominations.

(c) Interest on the Bonds shall be payable on each Interest Payment Date and shall accrue and be paid on each Bond respectively until its maturity or prior redemption from the later of the Issuance Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rate or rates per annum as specified in Exhibit A to be attached hereto. Unless otherwise determined by the Commissioner, interest on the Bonds shall be calculated on the basis of a 360-day year composed of 12 months of 30 days each.

Section 2.03 MEDIUM, METHOD AND PLACE OF PAYMENT.

(a) The principal of, redemption premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

(b) Interest on the Bonds shall be payable to the Owners as shown in the Register at the close of business on the Record Date.

(c) Principal and interest shall be paid by check, dated as of the Interest Payment Date, and sent by first-class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown in the Register, or by such other customary banking arrangement, such as by wire transfer, acceptable to the Paying Agent/Registrar at the request of and at the risk and expense of the Owner.

(d) The principal of each Bond shall be paid to the Owner thereof on the due date, whether at the maturity date or the date of prior redemption, only upon presentation and surrender of such Bond at the designated office of the Paying Agent/Registrar.

(e) If the date for the payment of the principal of or interest on the Bonds is not a Business Day, the date for such payment shall be the next succeeding Business Day, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in Section 2.02 of this Resolution, and no interest shall accrue on such payments in the interim.

(f) Unclaimed Payments that remain unclaimed by the Owners for 90 days after the applicable payment or redemption date shall be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owners of the Bonds to which the Unclaimed Payments pertain. Unclaimed Payments remaining unclaimed by the

Owners entitled thereto for three years after the applicable payment or redemption date shall be reported and disposed of by the Paying Agent/Registrar in accordance with the applicable provisions of Texas law, including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Section 2.04 EXECUTION AND REGISTRATION OF BOND.

(a) The Bonds shall be executed on behalf of the Board by the Chair and Secretary of the Board, by their manual or facsimile signatures, and the official seal of the Board shall be impressed or placed in facsimile form thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Board had been manually impressed upon each of the Bonds.

(b) If any officer of the Board whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond of each Series delivered on the Issuance Date shall have attached or affixed thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller, or by her duly authorized agent, which Certificate shall be evidence that such Initial Bond has been duly approved by the Attorney General of the State of Texas, and that it is a valid and binding obligation of the Board, and that it has been registered by the Comptroller.

(d) On the Issuance Date, one Initial Bond for each Series representing the entire principal amount of all Bonds of such Series, payable in stated installments to the respective initial purchaser, or its designee, executed by the manual or facsimile signature of the Chair and Secretary of the Board, approved by the Attorney General, and registered by the Comptroller by Registration Certificate attached or affixed thereto, will be delivered to the Paying Agent/Registrar on behalf of the respective initial purchaser or its designee. Upon payment for the Initial Bond of such Series, the Paying Agent/Registrar shall cancel each such Initial Bond and deliver to DTC on behalf of the respective initial purchaser a single registered, definitive Bond for each maturity of the Bonds of such Series, in the respective aggregate principal amount thereof, registered in the name of Cede & Co., as nominee of DTC.

Section 2.05 OWNERSHIP.

(a) The Board, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Owner of such Bond for the purpose of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (except interest shall be paid to the person in whose name the Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the Board nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of a Bond shall be valid and effectual and shall discharge the liability of the Board and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 2.06 REGISTRATION, TRANSFER AND EXCHANGE; BOOK-ENTRY SYSTEM.

(a) So long as any Bonds remain Outstanding, the Board shall cause the Paying Agent/Registrar to keep at its designated office the Register, in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Resolution.

(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the designated office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the designated office of the Paying Agent/Registrar for a Bond or Bonds of the same Series, maturity and interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) Neither the Board nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following Interest Payment Date, or (ii) called for redemption prior to maturity, in whole or in part, within 30 days prior to

the date fixed for redemption; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

(g) The Bonds may be issued or subsequently registered in the name of a Securities Depository or a nominee therefor, and held in the custody of the Securities Depository. In such event, a single Bond for each maturity will be issued and delivered to the Securities Depository for the Bonds, and neither the beneficial owners of such Bonds nor the Paying Agent/Registrar will receive physical delivery of Bonds except as provided herein, 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 Bonds will receive, hold or deliver any Bond certificate. The Board and the Paying Agent/Registrar will recognize the Securities Depository or its nominee as the Owner for all purposes, including notices and voting.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined through the books of the Securities Depository, (i) the Board covenants and agrees to meet the requirements of the Securities Depository with respect to required notices and other provisions of the letter of representations or agreement executed with respect to such Bonds and (ii) the requirements in this Resolution of holding, delivering or transferring such Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository with respect to such actions to produce the same effect. Any provisions hereof permitting or requiring delivery of such Bonds shall, while such Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable State law.

The Board and the Paying Agent/Registrar may rely conclusively upon (i) a certificate of the Securities Depository as to the identity of the Depository Participants in the Book-Entry System with respect to the Bonds and (ii) a certificate of any such Depository Participant as to the identity of, and the respective principal amount of Bonds owned by, the beneficial owners of the Bonds.

The Board may from time to time appoint a Securities Depository or a successor thereto and enter into a letter of representation or other agreement with such Securities Depository to establish procedures with respect to the Bonds.

Neither the Board nor the Paying Agent/Registrar will have any responsibility or obligation to any Securities Depository, any Depository Participant in the Book-Entry System or the beneficial owners of the Bonds with respect to (i) the accuracy of any records maintained by the Securities Depository or any Depository Participant; (ii) the payment by the Securities Depository or by any Depository Participant of any amount due to any beneficial owner of the Bonds in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Depository Participant; (iv) the selection of the beneficial owners of the Bonds to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Depository Participant.

Bond certificates are required to be delivered and registered in the name of the beneficial owner of the Bonds, under the following circumstances:

(i) a Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above; or

(ii) the Board determines not to continue the Book-Entry System through a Securities Depository.

If, at any time, the Securities Depository ceases to hold the Bonds, thereafter all references herein to the Securities Depository shall be of no further force or effect.

Neither the Board nor the Paying Agent/Registrar will have any responsibility or obligation to any Depository Participant for the Book-Entry System or to the beneficial owners of the Bonds with respect to the records delivered to the Board and the Paying Agent/Registrar in order to accomplish the delivery and registration in the names of the beneficial owners of the Bonds.

Section 2.07 **CANCELLATION.** All Bonds paid or redeemed before scheduled maturity in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution, shall be canceled and proper records made regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall destroy such canceled Bonds and periodically furnish the Board with certificates of destruction of such Bonds.

Section 2.08 **REPLACEMENT BONDS.**

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously Outstanding. The Board or the Paying Agent/Registrar, as applicable, may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) If any Bond is lost, apparently destroyed, or wrongfully taken, the Board, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authorize, and the Paying Agent/Registrar shall deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously Outstanding, provided that the Owner first:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the Board to save them harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the Board or the Paying Agent/Registrar.

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Board and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Board or the Paying Agent/Registrar in connection therewith.

(d) If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Board, in its discretion, instead of issuing a replacement Bond, may authorize the Paying Agent/Registrar to pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

ARTICLE III FUNDS AND INVESTMENTS

Section 3.01 **FUNDS.** There have been created in the State Treasury two funds designated respectively:

(1) "Student Loan Auxiliary Fund"; and

(2) "State of Texas College Student Loan Bonds Interest and Sinking Fund" herein called "Interest and Sinking Fund". The Interest and Sinking Fund constitutes the Interest and Sinking Fund for the Bonds, Previously Issued Bonds and any Additional Bonds.

Section 3.02 **STUDENT LOAN AUXILIARY FUND.** (a) There shall be deposited into the Student Loan Auxiliary Fund the following:

(1) Except as provided in Sections 2.01(e) and 3.10 hereof, all proceeds from the sale of the Bonds (excluding the proceeds of any Series required to be deposited in the Escrow Fund established by the Escrow Agreement, pursuant to Section 7.03 hereof) and Additional Bonds (other than Additional Bonds issued to refund outstanding College Student Loan Bonds), excluding any accrued interest on the Bonds and Additional Bonds which shall be deposited into the Interest and Sinking Fund pursuant to Section 3.03(a)(4) of this Resolution;

(2) Gifts or grants made to the Board for purposes of the Student Loan Auxiliary Fund; and

(3) All money received in any Fiscal Year from repayment of student loans granted under the Act which are made by the Board from funds on deposit in the Student Loan Auxiliary Fund, and interest thereon, which is in excess of the amount required to be deposited into the Interest and Sinking Fund pursuant to the provisions of Section 3.03(a) hereof.

(b) Money in the Student Loan Auxiliary Fund shall be used for the following purposes (provided, however, that in no event may funds deposited in the Student Loan Auxiliary Fund pursuant to Section 3.02(a)(1) hereof and, except as otherwise provided under Section 52.53 of the Act, Section 3.02(a)(2) hereof, be used for a purpose described in clause (2) below):

(1) to make loans to students as now or hereafter provided by the Constitution and laws of the State, particularly the Act;

(2) to pay administration and operating expenses, and to fund any other lawful purpose, related to the Board's student loan program operated pursuant to the Act;

(3) to the extent permitted by law, including Subchapter F of Chapter 52, Texas Education Code, as amended, to transfer funds to the Interest and Sinking Fund in the event funds on deposit in the Interest and Sinking Fund are insufficient to pay principal and interest on any of the Bonds, Previously Issued Bonds and Additional Bonds; and

(4) to the extent permitted by law, including Subchapter F of Chapter 52, Texas Education Code, as amended, to transfer to other funds and accounts established by the Board to comply with covenants related to maintaining the tax-exempt status of the Bonds, the Previously Issued Bonds and any Additional Bonds.

Section 3.03 **INTEREST AND SINKING FUND.** (a) There shall be deposited into the Interest and Sinking Fund the following:

(1) money received in each Fiscal Year as repayment of student loans granted under the Act and interest thereon sufficient to pay the interest on and principal of the Previously Issued Bonds, the Bonds and any Additional Bonds to become due during the ensuing Fiscal Year; provided, however, when all Previously Issued Bonds issued prior to June 1, 2004 have been defeased or are no longer outstanding, if permitted by law, the Board may reduce, in whole or in part, the amount required to be accumulated in the Interest and Sinking Fund to pay interest on and principal of the Previously Issued Bonds, the Bonds and any Additional Bonds to become due during the ensuing Fiscal Year; provided further that such action described above may not be exercised unless the Board has received written confirmation from each rating agency then maintaining a rating (at the request of the Board) on the Bonds, the Previously Issued Bonds and any Additional Bonds then outstanding that the exercise of such action will not cause a reduction or withdrawal of their respective ratings then applicable to any of the Bonds, Previously Issued Bonds or Additional Bonds and unless the Board has provided written notice of any such reduction to the Texas Bond Review Board;

(2) money required by the Constitutional Provision and the Act to be transferred into the Interest and Sinking Fund by the Comptroller out of first moneys coming into the Treasury of the State in each Fiscal Year not otherwise appropriated by the State Constitution;

(3) money transferred by the Board from the Student Loan Auxiliary Fund pursuant to Section 3.02(b)(3) and (4) hereof; and

(4) accrued interest on the Bonds, if any.

(b) Money in the Interest and Sinking Fund is hereby pledged to secure payment of principal of and interest on the Bonds, the Previously Issued Bonds and any Additional Bonds, and shall be used only for the purpose of paying interest on and principal of the Bonds, the Previously Issued Bonds and any Additional Bonds, and for transferring to other funds and accounts established by the Board to comply with covenants related to maintaining the tax-exempt status of the Bonds, the Previously Issued Bonds and any Additional Bonds.

(c) The Board hereby authorizes the use of any surplus funds in the Interest and Sinking Fund, as determined by an Authorized Representative, to defease and/or redeem, from time to time, certain outstanding College Student Loan Bonds previously issued by the Board in accordance with the applicable defeasance and redemption provisions in the respective resolutions authorizing such College Student Loan Bonds. Each Authorized Representative is hereby severally authorized on behalf of the Board to determine and retire, from time to time, the various portions of such outstanding College Student Loan Bonds which are economically advantageous for Board to retire by the defeasance and/or redemption of such debt. Each Authorized Representative is authorized to enter into one or more Escrow Agreements in substantially the form approved by the Board as necessary to accomplish such defeasances. In the event of such a defeasance, each Authorized Representative is authorized hereby to take such steps as may be necessary to purchase the escrowed securities identified in such Escrow Agreements on behalf of the Board and is authorized to create and fund the escrow funds contemplated by the Escrow Agreements through the use of such surplus funds in the Interest and Sinking Fund. Each Authorized Representative is authorized to call for redemption such College Student Loan Bonds to be redeemed pursuant to this section and is hereby authorized to provide and complete an appropriate notice of redemption to the paying agent(s) for such College Student Loan Bonds.

Section 3.04 PROVISION FOR PAYMENT OF BONDS.

(a) The Board recognizes the absolute and ultimate obligation of the State to provide during each Fiscal Year all money necessary for the payment of the principal of and interest on the Bonds, the Previously Issued Bonds and all Additional Bonds when such interest or principal and interest become due, out of the first moneys coming into the State Treasury in each Fiscal Year not otherwise appropriated by the State Constitution, less any amount in the Interest and Sinking Fund at the end of the preceding Fiscal Year, as set forth in the Constitutional Provision.

(b) All money received by the Board as principal and interest repayments of loans granted under the Act shall be deposited with the Comptroller in the Interest and Sinking Fund as

received until the amount contained in said fund shall be sufficient to pay the principal and interest to become due on the Bonds, the Previously Issued Bonds and any Additional Bonds during the ensuing Fiscal Year; provided, however, when all Previously Issued Bonds issued prior to June 1, 2004 have been defeased or are no longer outstanding, if permitted by law, the Board may reduce, in whole or in part, the amount required to be accumulated in the Interest and Sinking Fund to pay interest on and principal of the Previously Issued Bonds, the Bonds and any Additional Bonds to become due during the ensuing Fiscal Year; and provided further that such action described above may not be exercised unless the Board has received written confirmation from each rating agency then maintaining a rating (at the request of the Board) on the Bonds, the Previously Issued Bonds and any Additional Bonds then outstanding that the exercise of such action will not cause a reduction or withdrawal of their respective ratings then applicable to any of the Bonds, Previously Issued Bonds or Additional Bonds and unless the Board has provided written notice of any such reduction to the Texas Bond Review Board.

(c) As early as possible in each Fiscal Year the Board shall cause to be furnished to the Comptroller a statement showing:

(1) the amount of money and investments in the Interest and Sinking Fund at the close of the preceding Fiscal Year;

(2) the amount of interest or principal and interest which will become due during that Fiscal Year on the Bonds, the Previously Issued Bonds and the Additional Bonds; and

(3) the amount of money, if any, which should be transferred to the Interest and Sinking Fund from the first money coming into the Treasury of the State in that Fiscal Year not otherwise appropriated by the State Constitution.

Section 3.05 **TRANSFERS TO INTEREST AND SINKING FUND.** If the statement required by the foregoing Section shows that the amount of money and the value of investments contained in the Interest and Sinking Fund is less than the amount of interest or interest and principal scheduled to become due on the Bonds, the Previously Issued Bonds and the Additional Bonds during that Fiscal Year, the Comptroller shall (i) first, allocate available funds then on deposit in the Interest and Sinking Fund to pay the principal and interest on the Bonds, the Previously Issued Bonds and any Additional Bonds which will become due during that Fiscal Year, and (ii) second, transfer into the Interest and Sinking Fund out of the first money coming into the Treasury of the State in that Fiscal Year, not otherwise appropriated by the State Constitution, such additional amount as shall be required to pay the interest or interest and principal of the Bonds, the Previously Issued Bonds and Additional Bonds maturing and coming due during that Fiscal Year.

Section 3.06 **PREPARATION OF VOUCHERS AND ISSUANCE OF WARRANTS FOR DEBT SERVICE.**

(a) Prior to each interest payment date and/or maturity date while any of the Bonds, the Previously Issued Bonds or Additional Bonds remain outstanding or interest is due thereon, it shall be the duty of the officers and employees of the Board to prepare or cause to be prepared

and to file with the Comptroller a voucher (or other instrument required by the Comptroller) showing the amount of money required to pay the principal of and interest on all such bonds then to become due. Such voucher shall specify the paying agent to which remittance is to be made, and shall direct that a warrant or warrants for such amount or amounts be issued, payable to the order of such paying agent.

(b) Based on each such voucher it shall be the duty of the Comptroller after the filing with her of such voucher, to draw on the State Treasury a proper warrant in the amount shown in such voucher, payable to the order of the paying agent specified in the voucher. Such warrant shall be drawn against the Interest and Sinking Fund. The Comptroller shall forward the warrant to the principal office of the paying agent specified in the voucher. Such warrant shall be forwarded, so as to allow ample time for conversion of the warrant into current funds by the paying agent specified in the voucher by such principal and interest payment date. The Comptroller may utilize any other means of payment permitted under State law for purposes of this section.

Section 3.07 INVESTMENT OF FUNDS.

(a) Any moneys in the Student Loan Auxiliary Fund in excess of the amount necessary for student loans shall be invested by the Comptroller in any investments authorized pursuant to (1) Chapter 2256, Texas Government Code, as amended, (2) Section 404.024, Texas Government Code, as amended, or (3) any other statute which describes the types of investments in which the Comptroller, the Board or any other agency of the State can invest its funds. The foregoing notwithstanding, no proceeds of the Bonds (or repayments of student loans) deposited to such fund for a period longer than six months (or, in the case of repayments, three months) will be invested in obligations with a yield materially higher than the yield on the Bonds.

(b) Money in the Interest and Sinking Fund may be invested only in direct obligations of or unconditionally guaranteed by the United States which are scheduled to mature prior to the date money must be available for use for its intended purpose.

(c) The Comptroller, at the direction of the Board (or the Commissioner, as hereinafter authorized), may sell any investments owned in the Interest and Sinking Fund or in the Student Loan Auxiliary Fund at the prevailing market price. Except as may otherwise be required by Section 8.03 with respect to compliance with the rebate covenant therein described, income from such investments shall be deposited into the Interest and Sinking Fund.

(d) Notwithstanding any other provision of this Section 3.07 to the contrary (other than the last sentence of Section 3.07(a)), when all Previously Issued Bonds issued prior to June 1, 2004 have been defeased or are no longer outstanding, all moneys in the Interest and Sinking Fund and the Student Loan Auxiliary Fund in excess of the amount necessary for student loans shall be invested by the Comptroller in any investments authorized pursuant to (1) Chapter 2256, Texas Government Code, as amended, (2) Section 404.024 of the Texas Government Code, as amended, or (3) any other statute which describes the types of investments in which the Comptroller, the Board or any other agency of the State may invest its funds; provided, all such investments shall be scheduled to mature prior to the date such moneys must be available for use for its intended purpose. Each Authorized Representative and the Assistant

Commissioner for Business and Support Services are hereby expressly severally authorized, empowered and directed from time to time and at any time to take any action necessary to comply with the provisions of this Section 3.07 (and any other provision of this Resolution or of any Board resolution governing any Previously Issued Bonds with respect to the investment of moneys in the Interest and Sinking Fund, the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund (created in the State Treasury by the Constitutional Provision)), including, but not limited to, to direct the Comptroller or the Comptroller's designee, pursuant to an agreement therewith or otherwise, to invest such moneys in the investments authorized herein and in any Board resolution governing any Previously Issued Bonds.

Section 3.08 **COOPERATION WITH STATE OFFICERS.** It is the duty of the Board, its officers, employees and agents (who are hereby so authorized and directed) to cooperate with and aid the Comptroller in calculating the amounts to be deposited in, or transferred to, the appropriate funds, and in ascertaining the amounts to be remitted to the Paying Agent/Registrar to meet the requirements for the due and punctual payment of the principal and interest on the Previously Issued Bonds and the Bonds as such interest and principal become due and payable.

Section 3.09 **DEPOSIT AND TRANSFER OF FUNDS; DUTIES OF COMPTROLLER.** The Comptroller is hereby authorized and directed to make the deposits and transfers required under all provisions of this Resolution and the Board's resolutions authorizing Previously Issued Bonds and Additional Bonds. The Comptroller is further hereby authorized and directed to do all things necessary or convenient to make current funds available at the Paying Agent/Registrar to pay principal of and interest on all Bonds and Previously Issued Bonds as they mature, all in accordance with the respective authorizing resolutions.

Section 3.10 **ADDITIONAL BONDS.** The Board reserves the right to issue Additional Bonds from time to time, provided that the provisions for the issuance of such Additional Bonds will preserve the primary sources for the payment thereof and for the security thereof as set forth in the Constitutional Provision. Notwithstanding any other provision of this Resolution to the contrary, the proceeds of any Additional Bonds may be used to pay the costs of issuance thereof and to fund any reserves required by the Board resolution authorizing the issuance of such bonds to the extent not otherwise provided for.

Section 3.11 **INTEREST RATE SWAP AGREEMENT.**

(a) To the extent permitted by applicable law and subject to the condition in subsection (d) set forth below, the Board expressly reserves the right to enter into one or more interest rate swap agreements in connection with its interest obligation on any Previously Issued Bonds, Bonds or Additional Bonds. In which event, (i) the net amounts payable by the Board under such interest rate swap agreement(s) shall be deemed to be interest on the Previously Issued Bonds, Bonds or Additional Bonds subject to such agreement for all purposes of the Board's resolutions authorizing such bonds and (ii) the net amounts received by the Board under such interest rate swap agreement(s) shall be deposited and applied in the same manner as repayments of student loans granted under the Act for all purposes of such resolutions.

(b) Notwithstanding the provisions of subsection (a) set forth above, (i) money transferred to the Interest and Sinking Fund from the first money coming into the Treasury of the State pursuant to Section 3.05 of this Resolution (and similar provisions of the Board's resolutions authorizing Previously Issued Bonds and Additional Bonds), shall not be used to pay any amounts owed by the Board under an interest rate swap agreement and (ii) the Board shall separately account for such transferred money to the extent necessary to ensure that such money is not used to pay such amounts. To the extent that there are not sufficient funds in the Interest and Sinking Fund to pay the amounts owed by the Board under an interest rate swap agreement (as a result of the immediately preceding sentence or otherwise), the Board shall pay the deficiency from the Student Loan Auxiliary Fund.

(c) Notwithstanding the provisions of subsection (b) set forth above, the Board may pay the net amounts payable by the Board under an interest rate swap agreement from any lawfully available source, including from moneys transferred to the Interest and Sinking Fund from the first money coming into the Treasury of the State (as described above in subsection (b)(i)).

(d) As a condition to the Board's entering into an interest rate swap agreement pursuant to this Section 3.11, the Board must receive an opinion of its bond counsel to the effect that such action is permitted by law and is authorized pursuant to this Resolution and the Board's resolutions authorizing Previously Issued Bonds and Additional Bonds.

ARTICLE IV REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01 **LIMITATION ON REDEMPTION.** The Bonds shall be subject to redemption prior to scheduled maturity only as provided in this Article IV and Exhibit A hereto.

Section 4.02 **OPTIONAL REDEMPTION.**

(a) On the date or dates, if any, specified in Exhibit A hereto (after completion and execution by the Commissioner, as authorized by Section 2.01 hereof), the Bonds may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any lawfully available source, as a whole or in part (provided that a portion of a Bond may be redeemed only in an Authorized Denomination), at the redemption prices specified in Exhibit A hereto. The Board shall determine the maturity or maturities of the Bonds, and the principal amount of Bonds within each maturity, to be redeemed. If less than all the Bonds of a maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method for redemption. The Board shall deliver notice to the Paying Agent/Registrar of its intention to redeem Bonds at least 35 days prior to the redemption date.

(b) The Board shall deposit an amount sufficient to pay the redemption price of the Bonds to be redeemed with the Paying Agent/Registrar. Such moneys shall be invested in obligations, having maturities which coincide with the redemption date, and bearing the highest rating of Moody's if such entity is then providing a rating with respect to the Bonds, and S&P, if such entity is then providing a rating with respect to the Bonds.

Section 4.03 **MANDATORY SINKING FUND REDEMPTION.** The Bonds, if any, identified on Exhibit A hereto (after completion and execution by the Commissioner, as authorized by Section 2.01 hereof) shall be subject to mandatory sinking fund redemption prior to their scheduled maturities at the redemption prices, at the times and in the principal amounts shown on Exhibit A hereto. The principal amount of such Bonds required to be redeemed pursuant to the operation of such mandatory sinking fund redemption requirements may be reduced, at the option of the Board, by the principal amount of any such Bonds which, prior to the date of the mailing of notice of such mandatory redemption, shall have been (i) acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (ii) purchased and canceled by the Paying Agent/Registrar at the request of the Board, or (iii) redeemed pursuant to the optional redemption provisions described in Section 4.02(a) hereof and not theretofore credited against a mandatory sinking fund redemption requirement.

Section 4.04 **PARTIAL REDEMPTION.**

(a) A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed but only in a principal amount equal to an Authorized Denomination which will allow for the unredeemed portion thereof to remain in an Authorized Denomination. The Paying Agent/Registrar shall treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.

(b) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Section 4.05 **NOTICE OF REDEMPTION.**

(a) The Paying Agent/Registrar shall cause notice of redemption of any Bond to be redeemed in whole or in part to be mailed by first-class mail to S&P and Moody's and to the Owner thereof at the address of the Owner appearing in the Register at least 30 days prior to the redemption date.

(b) The notice of redemption shall identify the Bonds to be redeemed, and shall specify the numbers thereof, the redemption date and the redemption price. The notice shall state that (i) on the redemption date the Bonds called for redemption will be payable at the designated office of the Paying Agent/Registrar, and (ii) on and after the redemption date interest will cease to accrue.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Section 4.06 **PAYMENT UPON REDEMPTION.** Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of and accrued interest on such Bond to the date of redemption from the money provided for that purpose.

Section 4.07 **EFFECT OF REDEMPTION.**

(a) Notice of redemption having been given, and due provision having been made for payment, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption; thereafter, such Bonds or portions thereof shall cease to bear interest from the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the Board shall fail to make provision for the payment of all sums due on a redemption date, then any Bond or portion thereof called for redemption shall continue to bear interest until due provision is made with the Paying Agent/Registrar for the payment of same by the Board.

ARTICLE V
PAYING AGENT/REGISTRAR

Section 5.01 **APPOINTMENT OF INITIAL PAYING AGENT/REGISTRAR.** An Authorized Representative is hereby authorized to select an eligible entity to serve as Paying Agent/Registrar for the Bonds. The Paying Agent/Registrar shall signify its acceptance of the duties and obligations imposed on it hereunder by its execution of a Paying Agent/Registrar Agreement, which is hereby approved in substantially the form presented herewith. Each Authorized Representative is hereby severally authorized to approve any changes in the Paying Agent/Registrar Agreement and to execute and deliver the Paying Agent/Registrar Agreement in final form. The signature of any Authorized Representative may be attested by the Secretary of the Board. An Authorized Representative may determine to approve, execute and deliver a separate Paying Agent/Registrar Agreement with respect to each Series of Bonds issued under this Resolution.

Section 5.02 **QUALIFICATION.** Each Paying Agent/Registrar shall be a commercial bank, trust company organized under a law of the State, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 5.03 **MAINTAINING PAYING AGENT/REGISTRAR.**

(a) At all times while any Bonds are Outstanding, the Board shall maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Resolution.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the Board will promptly appoint a replacement.

Section 5.04 **TERMINATION.** The Board, upon not less than 30 days notice to the Paying Agent/Registrar, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering written notice of such termination.

Section 5.05 **NOTICE OF CHANGE TO OWNERS.** Promptly upon each change in the entity serving as Paying Agent/Registrar, the Board will cause notice of the change to be sent to each Owner by first-class United States mail, postage prepaid, at the address shown

in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06 **AGREEMENT TO PERFORM DUTIES AND FUNCTIONS.** By accepting the appointment as Paying Agent/Registrar and executing a Paying Agent/Registrar Agreement with the Board in substantially the form presented herewith, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Resolution and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07 **DELIVERY OF RECORDS TO SUCCESSOR.** If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereon) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE VI FORM OF THE BONDS

Section 6.01 **FORM GENERALLY.**

(a) The Bonds, including the Registration Certificate of the Comptroller, the Certificate of the Paying Agent/Registrar and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the form set forth in Exhibit C hereto, with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution, and (ii) may have such letters, numbers or other marks of identification and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the Board or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) The definitive Bonds shall be typewritten, photocopied or printed, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(c) The Initial Bond of each Series submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

(d) The Initial Bond of each Series shall be in the form set forth in paragraph (a) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and the reference to "CUSIP NO." shall be deleted; and

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above, the sum of _____ DOLLARS" shall be deleted and the following will be inserted: "on each of the maturity dates, in the principal amounts and bearing interest at the per annum rates set forth in the following schedule:

Maturity Date Principal Amount Interest Rate"

(Information to be inserted from Exhibit A to be completed and attached hereto by the Commissioner as described in, and as authorized by, Section 2.01(b) of this Resolution.)

Section 6.02 **CUSIP REGISTRATION.** The Board may secure identification numbers through the CUSIP Service Bureau Division of S&P, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the Board nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.03 **LEGAL OPINION.** The approving legal opinion of McCall, Parkhurst & Horton L.L.P., bond counsel, may accompany the Bonds, which may be executed in facsimile.

Section 6.04 **STATEMENT OF INSURANCE.** A statement relating to the issuance of a municipal bond insurance policy issued for the Bonds, if any, may be printed on or attached to each Bond.

ARTICLE VII
**APPROVAL OF OFFICIAL STATEMENT AND ESCROW AGREEMENT;
AUTHORITY TO REFUND REFUNDED BONDS AND EXECUTE OTHER
DOCUMENTS**

Section 7.01 **APPROVAL OF OFFICIAL STATEMENT.** The Preliminary Official Statement (the "Preliminary Official Statement"), substantially in the form presented to and considered at this meeting, with such changes as the Authorized Representatives may hereafter approve (including, but not limited to, any changes necessary to conform the Preliminary Official Statement and any related sale documents to the actual method of sale selected pursuant to Section 2.02(c) of this Resolution), is hereby in all respects approved, and each Authorized Representative is hereby severally authorized and directed to determine the date of sale of the Bonds, to deem the Preliminary Official Statement "final" for purposes of the Rule, to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement (the "Official Statement"), and to execute the Official Statement and deliver appropriate numbers of executed copies thereof to the initial purchaser(s) of the Bonds to use in connection with the sale of the Bonds. An Authorized Representative may determine to prepare, approve, execute and deliver a separate Preliminary Official Statement and Official Statement with respect to separate Series of Bonds.

Section 7.02 **CONTROL AND DELIVERY OF BONDS; AUTHORITY TO
EXECUTE ALL OTHER DOCUMENTS; APPROPRIATION OF FUNDS.**

(a) Each Authorized Representative is hereby severally authorized to have control of the Initial Bond of each Series and all necessary records and proceedings pertaining thereto

pending investigation, examination, and approval of the Attorney General of the State, registration by the Comptroller, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar. After registration by the Comptroller, delivery of the Bonds shall be made to the respective initial purchaser against receipt by the Board of all amounts due to the Board under the terms of sale.

(b) Each Authorized Representative shall be and is hereby expressly severally authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things, including conducting any required public hearings, and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Board all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bonds, the sale of the Bonds and the Preliminary Official Statement. Any such signature of an Authorized Representative may be attested by the Secretary of the Board.

(c) Each Authorized Representative is further authorized and directed, and there is hereby appropriated such moneys of the Board as are necessary, to (i) pay the costs of issuance of the Bonds to the extent not paid from Bond proceeds and (ii) make the deposits described in Section 7.03 hereof in amounts sufficient, together with Bond proceeds, to provide for the refunding of all or a portion of the Refunded Bonds.

Section 7.03 REDEMPTION OF CERTAIN REFUNDED BONDS; APPROVAL OF ESCROW AGREEMENT.

(a) Subject to the determination by the Commissioner of the particular bonds that shall constitute the Refunded Bonds, the Board irrevocably calls the Refunded Bonds for redemption prior to maturity on the first optional redemption date following delivery of the Series of Bonds issued to refund such Refunded Bonds, for which all of the notice requirements for redemption can reasonably be met, at a redemption price of par (plus accrued interest to the date fixed for redemption). Each Authorized Representative is hereby severally authorized to provide for notice of such redemption to be given in accordance with the resolution(s) of the Board authorizing such Refunded Bonds.

(b) Concurrently with the initial delivery of a Series of Bonds issued for the purpose of refunding Refunded Bonds, the Board shall deposit all or a portion of the proceeds from the sale of any such Series of Bonds, in the amount set forth in the Escrow Agreement for such Refunded Bonds, together with other available funds of the Board, if required, with the Escrow Agent aggregating an amount together with investment earnings thereon, sufficient to provide for the refunding of the respective Refunded Bonds identified in Exhibit A hereto, all in accordance with Chapter 1207. The Escrow Agreement is hereby approved in substantially the form presented herewith. Each Authorized Representative is hereby severally authorized, to approve any changes in the Escrow Agreement and to execute and deliver the Escrow Agreement in final form. An Authorized Representative is hereby authorized to select an eligible entity to serve as Escrow Agent and may approve, execute and deliver one or more Escrow Agreement(s) with any such Escrow Agent.

(c) To assure the purchase of the "Escrowed Securities" referred to in the Escrow Agreement for the Refunded Bonds, each Authorized Representative is hereby severally authorized to subscribe for, agree to purchase and purchase eligible defeasance securities authorized in the resolution(s) of the Board authorizing the Refunded Bonds, in such amounts and maturities and bearing interest at such rates as may be provided for in such Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and is authorized to create and fund the "Escrow Fund" contemplated by such Escrow Agreement through the use of the proceeds of the Series of Bonds issued to refund the Refunded Bonds, the moneys and investments held in the fund securing the Refunded Bonds, and other lawfully available moneys of the Board.

(d) To satisfy in a timely manner all of the Board's obligations under this Resolution and the Escrow Agreement(s), each Authorized Representative is hereby severally authorized and directed for and on behalf of the Board to take all other actions that are reasonably necessary to provide for the refunding of the Refunded Bonds including, without limitation, executing and delivering for and on behalf of the Board all certificates, consents, receipts, requests and other documents as may be reasonably necessary to satisfy the Board's obligations under the Escrow Agreement(s) and this Resolution and to direct the transfer and application of funds of the Board consistent with the provisions of the Escrow Agreement(s) and this Resolution.

ARTICLE VIII PARTICULAR REPRESENTATIONS AND COVENANTS

Section 8.01 **PAYMENT OF THE BONDS.** On or before each Interest Payment Date for the Bonds, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay such principal of, redemption premium, if any, and interest on the Bonds as will accrue or mature on the applicable Interest Payment Date or date of prior redemption.

Section 8.02 **OTHER REPRESENTATIONS AND COVENANTS.**

(a) The Board will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Resolution and in each Bond; the Board will promptly pay or cause to be paid the principal of, redemption premium, if any, and interest on each Bond on the dates and at the places and manner prescribed in such Bond; and the Board will, at the times and in the manner prescribed by this Resolution, deposit or cause to be deposited the amounts of money specified by this Resolution.

(b) The Board is duly authorized under the laws of the State to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Board in accordance with their terms.

Section 8.03 **COVENANTS REGARDING TAX EXEMPTION.** The Board intends that the interest on the Bonds will be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the

Code. The Board covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Board covenants and agrees to comply with each requirement of this Section 8.03; provided, however, that the Board will not be required to comply with any particular requirement of this Section 8.03 if the Board has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that (i) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (ii) compliance with some other requirement set forth in this Section 8.03 will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion will constitute compliance with the corresponding requirement specified in this Section 8.03 for federal income tax purposes. In particular, but not by way of limitation thereon, the Board covenants as follows:

(a) to use the proceeds of the Bonds in a manner such that the Bonds constitute "qualified student loan bonds" within the meaning of section 144(b) of the Code. To that end, the Board hereby covenants that the student loans made from the Student Loan Auxiliary Fund constitute a program or programs described in section 144(b)(1) of the Code because such program or programs either (i) meet the requirements of section 144(b)(1)(A) of the Code, or (ii) meet the requirements of section 144(b)(1)(B) of the Code in that such program is of general application, approved by the State, and no loan under such program exceeds the difference between the total cost of attendance and other forms of assistance (with certain statutory exceptions) for which the student borrower may be eligible;

(b) to take such action to assure that at least 95 percent of the net proceeds (as defined in section 150 of the Code) of the Bonds are used to make loans to students who either are -

(1) residents of the State, or

(2) enrolled at an educational institution located in the State;

Except to the extent of the foregoing, the Board shall not permit any discrimination in the making of the loans described in section 144(b)(1)(A) of the Code based on geographic location or educational institution;

(c) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(d) to refrain from taking any action that would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations thereunder;

(e) to make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code. Moreover, the Board will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of

the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code;

(f) to take such action including, but not limited to, making yield reduction payments in accordance with Section 1.148-5 of the Treasury Regulations, as is necessary to ensure that the yield on the loans to students financed with the proceeds of the Bonds will not exceed the yield on the Bonds by more than two percentage points, as more fully set forth in section 1.148-2 of the Treasury Regulations;

(g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, to satisfy the requirements of section 148 of the Code (relating to arbitrage);

(h) to rebate to the United States of America, as required by section 148(f) of the Code, (1) at least once every five-year period (beginning on the date of delivery of the Bonds) 90% of, and (2) within 60 days of the date on which the Bonds have been paid in full 100% of, the earnings received by the Board from the investment of the gross proceeds in obligations or securities, other than loans made to students, which have a yield in excess of the yield on the Bonds;

(i) to use no more than two percent of the proceeds of the Bonds within the meaning of section 147(g) of the Code for the payment of costs of issuance;

(j) to use no portion of the proceeds of the Bonds to provide any airplane, sky-box or other private luxury box, health club facility, facility primarily used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(k) no person or any related person, as defined in section 147(a)(2) of the Code, from whom the Board may acquire student loans shall, pursuant to any arrangement, formal or informal, purchase the Bonds in an amount related to the amount of the student loans to be acquired under the Program from such person by the Board; and

(l) to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in this Resolution on its books and records in accordance with the requirements of the Internal Revenue Code. The Board recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the date that the expenditure is made. The foregoing notwithstanding, the Board recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The Board agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the Board shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest; and

(m) to retain all pertinent and material records relating to the use and expenditure of the proceeds of the Bonds until six years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Board to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

It is the understanding of the Board that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. The Board acknowledges its execution and receipt of the "Federal Tax Certificate," which the Board understands is in furtherance of the covenants contained in this section. The Board agrees, subject to any changes made pursuant to this paragraph, to comply with the Federal Tax Certificate as if such instructions were included herein. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Board will not be required to comply with any covenants contained herein to the extent that such modification or expansion, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Board agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Board hereby authorizes and directs any Authorized Representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Board, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

In order to facilitate compliance with the above covenants set forth above and with the requirements of Section 148 of the Code, an Excess Earnings Account and a Rebate Account may be established in the Student Loan Auxiliary Fund by the Board for the sole benefit of the United States of America, and such accounts shall not be subject to the claim of any other person, including without limitation, the Owners. Funds may be deposited into, and withdrawn from, the Excess Earnings Account and the Rebate Account as set forth in the Federal Tax Certificate.

Notwithstanding any other provision of this Resolution to the contrary, the Board's obligations under the covenants and provisions of this Section 8.03 will survive the defeasance and discharge of the Bonds.

Section 8.04 **NOTICES TO S&P AND MOODY'S.** The Board covenants that it will give prior written notice to S&P and Moody's of (i) any amendment to this Resolution, or (ii) the redemption of all of the Outstanding Bonds of any Series. Unless notified by S&P or Moody's otherwise, such notices shall be sent to the following addresses:

Standard & Poor's
55 Water Street
38th Floor
New York, NY 10041
Attn: Municipal Structured Surveillance

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, NY 10007
Attn: Public Finance

ARTICLE IX DEFAULT AND REMEDIES

Section 9.01 **EVENTS OF DEFAULT.** Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an Event of Default:

- (i) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or
- (ii) default in the performance or observance of any other covenant, agreement, or obligation of the Board, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Board.

Section 9.02 **REMEDIES FOR DEFAULT.**

(a) Upon the happening of any Event of Default, any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the Board for the purpose of protecting and enforcing the rights of the Owners under this Resolution by mandamus or other suit, action or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) All such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then Outstanding.

Section 9.03 **REMEDIES NOT EXCLUSIVE.**

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE X DISCHARGE

Section 10.01 **DEFEASANCE OF BONDS.** (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities (hereinafter defined) that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the funds on deposit in the Interest and Sinking Fund provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in subsection (a)(i) or (ii) of this Section shall not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Board expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

(b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Board be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Board or deposited as directed in writing by the Board.

(c) The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the

United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law in existence on the date the Board adopts or approves any proceedings authorizing the financial arrangements that may be used to defease obligations such as the Bonds.

(d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Resolution.

(e) In the event that the Board elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

(f) Notwithstanding the provisions of this Section 10.01 to the contrary, (i) the Board may provide for the irrevocable deposit required by this Section 10.01 to be made with the Paying Agent/Registrar or with any other eligible bank or trust company then authorized by State law, and (ii) the Board may reserve the right to call any Defeased Bonds for redemption to the extent permitted and in the manner required by law.

ARTICLE XI CONTINUING DISCLOSURE UNDERTAKING

Section 11.01 **ANNUAL REPORTS.** The Board shall provide annually to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of each Fiscal Year ending in or after 2013, financial information and operating data with respect to the Board of the general type included in the final Official Statement authorized by this Resolution being the information described in Exhibit D hereto, together with audited financial statements of the Board for such Fiscal Year if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided; provided, however, if the Board commissions an audit of such statements and the audit is not completed within the period during which they must be provided, such audited financial statements shall be delivered to the MSRB, in an electronic format as prescribed by the MSRB, when and if they become available. Any financial information or audited financial statements so to be provided shall be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Board may be required to employ from time to time pursuant to State law or regulations.

If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this section.

The financial information and operating data to be provided pursuant to this section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet web site or filed with the SEC.

Section 11.02 **EVENT NOTICES.** As used in this Section 11.02, the term "obligated person" shall mean any person, including the Board, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). The Board shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, 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 material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, 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 obligated person;

Note to paragraph 12: For the purposes of the event identified in paragraph 12 of this Section 11.02, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the

U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of successor or additional trustee or the change of name of a trustee, if material.

In addition, the Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with Section 11.01 hereof by the time required by such Section.

Section 11.03 **LIMITATIONS, DISCLAIMERS AND AMENDMENTS.** The Board shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Board remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give notice required by paragraphs 8 and 9 of Section 11.02 above of any Bond calls and defeasances that cause the Board to be no longer such an "obligated person".

The provisions of this Article are for the sole benefit of the Owners and Beneficial Owners of the Bonds, and nothing in this Article, expressed or implied, shall give any benefit or any legal or equitable right, remedy or claim hereunder to any other person. The Board undertakes to provide only the financial information, operating data, financial statements and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Board's financial results, condition or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE XI, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Board in observing or performing its obligations under this Article shall comprise a breach of or default under the Resolution for purposes of any other provision of this Resolution.

Nothing in this Article is intended or shall act to disclaim, waive or otherwise limit the duties of the Board under federal and State securities laws.

The provisions of this Article may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status, or type of operations of the Board, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by another provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Board (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Owners and Beneficial Owners of the Bonds. If the Board so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with paragraph (a) of this Article an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

ARTICLE XII AMENDMENTS OF AND SUPPLEMENTS TO RESOLUTION

Section 12.01 **WITHOUT CONSENT OF OWNERS.** Without notice to or the consent of any Owner, the Board may, at any time, amend this Resolution to cure any ambiguity or cure, correct or supplement any defective or inconsistent provision contained in this Resolution or make any other change that does not in the opinion of bond counsel for the Board, in any respect, materially and adversely affect the interests of the Owners. Without limiting the foregoing, the Board may amend or supplement this Resolution without notice to or the consent of any Owner:

(a) to modify this Resolution or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;

(b) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to this Resolution regarding exchangeability of Bonds

of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(c) to increase or decrease the number of days specified for the giving of notices in Article IV and to make corresponding changes to the period for notice of redemption of the Bonds provided that no decreases in any such number of days shall become effective until 30 days after the Paying Agent/Registrar has given notice to the Owners of the Bonds; or

(d) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds.

Section 12.02 WITH CONSENT OF OWNERS. If an amendment of or supplement to this Resolution or the Bonds without any consent of Owners is not permitted by the preceding Section, the Board may enter into such amendment or supplement without prior notice to any Owners but with the consent of the Owners of at least a majority in principal amount of all the Bonds then Outstanding under this Resolution. However, nothing herein contained shall permit or be construed to permit the amendment of, without the consent of each Owner affected thereby, or supplement to the terms and conditions in this Resolution, so as to:

(a) change the sinking fund requirements, if any, Interest Payment Dates or the maturity or maturities of the Outstanding Bonds;

(b) reduce the rate of interest borne by any of the Outstanding Bonds;

(c) reduce the amount of the principal or purchase price of or premium, if any, payable on the Outstanding Bonds;

(d) modify the terms of payment of principal or purchase price of, premium, if any, or interest on the Outstanding Bonds, or impose any conditions with respect to such payments;

(e) affect the rights of the Owners of fewer than all of the Outstanding Bonds; or

(f) decrease the minimum percentage of the principal amount of Outstanding Bonds necessary for consent to any such amendment.

In addition, if moneys or investments have been deposited or set aside with the Paying Agent/Registrar pursuant to Article X for the payment of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of that Article shall be made without the consent of the Owner of each of those Bonds affected.

Section 12.03 EFFECT OF CONSENTS. Any consent received pursuant to Section 12.02 will bind each Owner delivering such consent and each subsequent Owner of a Bond or portion of a Bond evidencing the same debt as the consenting Owner's Bond.

Section 12.04 NOTATION ON OR EXCHANGE OF BONDS. If an amendment or supplement changes the terms of a Bond, the Paying Agent/Registrar may require the Owner to deliver it to the Paying Agent/Registrar. The Paying Agent/Registrar may place an appropriate notation on the Bond about the changed terms and return it to the Owner. Alternatively, if the

Paying Agent/Registrar and the Board determine, the Board in exchange for the Bond will issue and the Paying Agent/Registrar will authenticate a new Bond that reflects the changed terms.

Section 12.05 **NOTICE TO OWNERS.** The Paying Agent/Registrar shall cause notice of the execution of each supplement or amendment to this Resolution to be mailed to the Owners. The notice will at the option of the Paying Agent/Registrar, either (i) briefly state the nature of the amendment or supplement and that copies of it are on file with the Paying Agent/Registrar for inspection by Owners or (ii) enclose a copy of such amendment or supplement.

Section 12.06 **TECHNICAL AMENDMENTS.** Each Authorized Representative, the General Counsel to the Board and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by any bond rating agency as a condition to the granting of a rating on the Bonds, as may be required by the office of the Texas Attorney General as a condition to the approval of the Bonds and as may be required to assist the initial purchaser(s) of the Bonds in complying with the Rule.

Section 12.07 **PAYMENT OF ATTORNEY GENERAL FEE.** The Board hereby authorizes the disbursement of a fee equal to the lesser of (i) one-tenth of one percent of the principal amount of each Series of the Bonds or (ii) \$9,500 per Series, provided that such fee shall not be less than \$750, to the Attorney General of Texas Public Finance Division for payment of the examination fee charged by the State of Texas for the Attorney General's review and approval of public securities and credit agreements, as required by Section 1202.004 of the Texas Government Code. Each Authorized Representative is hereby instructed to take the necessary measures to make such payments. The Board is also authorized to reimburse the appropriate funds for such payment from proceeds of the Bonds.

[Remainder of this page intentionally left blank.]

ADOPTED AND APPROVED THIS 24th DAY OF JANUARY, 2013.

Secretary,
Texas Higher Education Coordinating Board

Chair
Texas Higher Education Coordinating Board

(Seal)

[SIGNATURE PAGE TO BOND RESOLUTION]

EXHIBIT A

FINAL TERMS OF THE BONDS

[Note: All capitalized terms used in this Exhibit A which are not otherwise defined herein shall have the same meanings as set forth in the resolution approved on January 24, 2013 (the "Bond Resolution") by the Texas Higher Education Coordinating Board which authorized the issuance of the Bonds.]

- (A) As provided in Section 2.01(b) of the Bond Resolution, the State of Texas College Student Loan [and Refunding] [Refunding]¹ Bonds, Series 2013[___]² (the "Bonds") which are authorized to be issued pursuant to the Bond Resolution, shall be dated _____, 2013 and shall be issued in the aggregate principal amount of \$ _____, to be used to _____.³
- (B) The Bonds shall (i) mature on each of the dates and in the respective principal amounts, and (ii) bear interest from the Issuance Date to their respective date of maturity or prior redemption at the respective interest rates, all as set forth below:

MATURITY DATE (AUGUST 1)	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY DATE (AUGUST 1)	PRINCIPAL AMOUNT	INTEREST RATE
	\$	%		\$	%

- (C) As provided in Section 2.02(b) of the Bond Resolution, interest on the Bonds shall be payable on each Interest Payment Date, commencing _____, until their maturity or prior redemption.
- (D) [_____ ("_____") has been designated as the senior managing Underwriter for the Bonds. _____ and the other Underwriters listed in the Bond Purchase Contract are included in the listing of investment banking firms that was previously approved by the Board. The Bonds shall be sold to the Underwriters pursuant to the Bond Purchase Contract at the prices specified therein. The aggregate price to be paid by the Underwriters for the Bonds is in excess of 95% of the aggregate principal amount thereof and none of the Bonds bear interest at a rate in excess of the Maximum Rate.]⁴

[As a result of competitive sale held on _____, 2013, the firm of _____ submitted the bid having the lowest true interest cost on the Bonds. Therefore, the Bonds shall be sold to and purchased by _____ at a price equal to \$_____, with no

¹ Select and include appropriate bracketed language, if necessary, depending on whether the Series of Bonds is being issued to make student loans *and* refund the Refunded Bonds, or solely to refund the Refunded Bonds.

² Unless otherwise determined by the Commissioner, include Series letter designation if two or more Series of Bonds are issued.

³ Complete depending upon whether the Series of Bonds is being issued to make student loans, to make student loans and refund Refunded Bonds or to refund Refunded Bonds.

⁴ Complete for Bonds sold by negotiated sale.

accrued interest. The aggregate price to be paid by _____ for the Bonds is in excess of 95% of the aggregate principal amount thereof and none of the Bonds bear interest at a rate in excess of the Maximum Rate.]⁵

- (E) Optional Redemption. On _____, or on any date thereafter, the Bonds may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any lawfully available source, as a whole or in part (provided that a portion of a Bond may be redeemed only in an Authorized Denomination), at a redemption price of ___% of the principal amount thereof called for redemption, plus accrued interest thereon to the date fixed for redemption. The Board shall determine the maturity or maturities, and the principal amount of Bonds within each maturity, to be redeemed. If less than all Bonds of a maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method for redemption.
- (F) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20__ and _____, 20__ are subject to mandatory sinking fund redemption prior to maturity at a price equal to ___% of the principal amount thereof plus accrued interest to the date fixed for redemption, on August 1 in the years and in the principal amounts shown below:

BONDS MATURING _____, 20__		BONDS MATURING _____, 20__	
<u>REDEMPTION</u> <u>DATE</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>REDEMPTION</u> <u>DATE</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>
_____, 20__	\$ _____	_____, 20__	\$ _____
_____, 20__	_____	_____, 20__	_____
_____, 20__ (maturity)	_____	_____, 20__	_____
		_____, 20__ (maturity)	_____

The principal amount of such Bonds required to be redeemed pursuant to the operation of such mandatory sinking fund redemption requirements may be reduced, at the option of the Board, by the principal amount of any such Bonds which, prior to the date of the mailing of notice of such mandatory redemption, shall have been (i) acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (ii) purchased and canceled by the Paying Agent/Registrar at the request of the Board, or (iii) redeemed pursuant to the optional redemption provisions described above and not theretofore credited against a mandatory sinking fund redemption requirement.

- (G) All other terms of the Bonds shall be as set forth in the Bond Resolution.

Note: Complete H only if the Series of Bonds is being issued to refund Refunded Bonds.

- (H) The Refunded Bonds to be refunded by the Bonds are identified on Schedule I hereto, and the present value savings requirement of Section 2.01(b) of the Bond Resolution

⁵ Complete for Bonds sold by competitive bid.

(which present value savings, as calculated by the Board's financial advisor, is approximately equal to _____) has been satisfied.

- (I) In consultation with, and reliance upon the advice of the Board's Financial Advisor, I hereby find that the terms and sale are the most advantageous reasonably available on the date and time of the pricing of the Bonds given the then existing market conditions and the stated terms of sale on such date and time.

**APPROVED BY THE COMMISSIONER OF THE TEXAS HIGHER
EDUCATION COORDINATING BOARD ON THE ____ DAY OF _____, 2013 IN
ACCORDANCE WITH SECTION 2.01(b) OF THE BOND RESOLUTION.**

COMMISSIONER
TEXAS HIGHER EDUCATION COORDINATING BOARD

EXHIBIT B

FINAL TERMS OF CONVERTED BONDS

[Note: All capitalized terms used in this Exhibit B which are not otherwise defined herein shall have the same meanings as set forth in the resolution approved on January 24, 2013 (the "Resolution") by the Texas Higher Education Coordinating Board which authorized the conversion of the issuance of the Converted Bonds.]

- (A) As provided in Section 2.01(d) of the Resolution and in accordance with the provisions of the applicable Original Resolution, the State of Texas College Student Loan and Refunding Bonds, Series [2004][2006]⁶ currently outstanding in the aggregate principal amount of \$ _____ (the "Converted Bonds") are converted to a Fixed Rate on _____, 2013 (the "Fixed Rate Conversion Date").
- (B) The Converted Bonds shall (i) mature on each of the dates and in the respective principal amounts, and (ii) bear interest from the Fixed Rate Conversion Date to their respective date of maturity or prior redemption at the respective interest rates, all as set forth below:

MATURITY DATE (AUGUST 1)	PRINCIPAL AMOUNT	INTEREST RATE	MATURITY DATE (AUGUST 1)	PRINCIPAL AMOUNT	INTEREST RATE
	\$	%		\$	%

- (C) As provided in Section 2.02(d) of the Resolution, interest on the Converted Bonds shall be payable on each February 1 and August 1, commencing ____, 201__, until their maturity or prior redemption.
- (D) _____ ("_____") has been designated as the remarketing agent for Converted Bonds. The Converted Bonds shall be sold at par pursuant to the provisions of the Remarketing Agreement such that (i) none of the Converted Bonds bear interest at a rate in excess of the Maximum Rate and (ii) the Converted Bonds have a market value equal to the principal amount thereof.
- (E) Optional Redemption. [On _____, or on any date thereafter, the Converted Bonds may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any lawfully available source, as a whole or in part (provided that a portion of a Converted Bond may be redeemed only in an Authorized Denomination), at a redemption price of ___% of the principal amount thereof called for redemption, plus accrued interest thereon to the date fixed for redemption. The Board shall determine the maturity or maturities, and the principal amount of Converted Bonds within each maturity, to be redeemed. If less than all Converted Bonds of a maturity are to be redeemed, the particular Converted Bonds to be redeemed shall be selected by the

⁶ Select and include appropriate bracketed language depending on which series is to be converted.

Paying Agent/Registrar by lot or other random method for redemption.] [The Converted Bonds are not subject to optional redemption.]⁷

- (F) Mandatory Sinking Fund Redemption. [The Converted Bonds maturing on _____, 20__ and _____, 20__ are subject to mandatory sinking fund redemption prior to maturity at a price equal to ___% of the principal amount thereof plus accrued interest to the date fixed for redemption, on August 1 in the years and in the principal amounts shown below:

BONDS MATURING _____, 20__		BONDS MATURING _____, 20__	
<u>REDEMPTION</u> <u>DATE</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>REDEMPTION</u> <u>DATE</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>
_____, 20__	\$ _____	_____, 20__	\$ _____
_____, 20__	_____	_____, 20__	_____
_____, 20__ (maturity)	_____	_____, 20__	_____
		_____, 20__ (maturity)	_____

The principal amount of such Converted Bonds required to be redeemed pursuant to the operation of such mandatory sinking fund redemption requirements may be reduced, at the option of the Board, by the principal amount of any such Converted Bonds which, prior to the date of the mailing of notice of such mandatory redemption, shall have been (i) acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (ii) purchased and canceled by the Paying Agent/Registrar at the request of the Board, or (iii) redeemed pursuant to the optional redemption provisions described above and not theretofore credited against a mandatory sinking fund redemption requirement.] [The Converted Bonds are not subject to mandatory sinking fund redemption.]⁸

- (G) All other terms of the Converted Bonds shall be as set forth in the applicable Original Resolution.
- (H) In consultation with, and reliance upon the advice of the Board's Financial Advisor, I hereby determine that it is more efficient and cost effective to convert the Converted Bonds from their current variable rate to a Fixed Rate pursuant to the provisions of the applicable Original Resolution than to refund such bonds pursuant to the refunding authority set forth in the Resolution.

⁷ Select and include appropriate bracketed language depending on whether the Converted Bonds are subject to optional redemption.

⁸ Select and include appropriate bracketed language depending on whether the Converted Bonds are subject to mandatory sinking fund redemption.

**APPROVED BY THE COMMISSIONER OF THE TEXAS HIGHER
EDUCATION COORDINATING BOARD ON THE ____ DAY OF _____, 2013 IN
ACCORDANCE WITH SECTION 2.01(d) OF THE BOND RESOLUTION.**

COMMISSIONER
TEXAS HIGHER EDUCATION COORDINATING BOARD

EXHIBIT C

I. FORM OF BOND

REGISTERED

REGISTERED

No. _____

\$ _____

CUSIP NO. _____

**UNITED STATES OF AMERICA
STATE OF TEXAS
COLLEGE STUDENT LOAN [AND REFUNDING] [REFUNDING]¹ BOND,
SERIES 2013[___]²**

**INTEREST
RATE**

**MATURITY
DATE**

**DATED
DATE**

_____%

August 1, 20__

_____, 2013

The **STATE OF TEXAS**, acting through the **TEXAS HIGHER EDUCATION COORDINATING BOARD** (the "Board"), for value received, hereby promises to pay to

or registered assigns, on the Maturity Date specified above, the sum of

_____ **DOLLARS**

and to pay interest on such principal amount on each Interest Payment Date (as defined herein) from the later of the Issuance Date (as defined in the hereinafter defined Resolution) or the most recent Interest Payment Date to which interest has been paid or provided for. The Dated Date of this Bond is _____, 2013, but interest shall accrue from the Issuance Date.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the resolution of the Board adopted on January 24, 2013, pursuant to which the Bonds (as defined herein) are issued (the "Resolution"). In the event of a conflict between the provisions of this Bond and the Resolution, the Resolution shall control.

Interest on this Bond is payable to the registered owner hereof by check, dated as of the Interest Payment Date, and sent by first-class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown on the Register or by such other customary banking arrangement, such as by wire transfer, acceptable to the Paying Agent/Registrar at the request of and at the risk and expense of the Owner. The principal hereof is payable upon

¹ Select and include appropriate bracketed language, if necessary, depending on whether the Series of Bonds is being issued to make student loans *and* refund the Refunded Bonds, or solely to refund the Refunded Bonds.

² Include Series letter designation if two or more Series of Bonds are issued pursuant to the Resolution.

presentation and surrender of this Bond at the designated office of _____, as Paying Agent/Registrar, or any successor Paying Agent/Registrar. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered on the "Record Date," which shall be the close of business on the 15th calendar day of the month immediately preceding such Interest Payment Date. As used herein, "Interest Payment Date" means each February 1 and August 1, commencing _____ **[insert the first interest payment date set forth in Exhibit A to the Resolution, as appropriate]**. The Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months.

Any payments required to be made hereunder on any day which is not a Business Day (as defined below) shall be made instead on the next succeeding Business Day and no interest shall accrue on such payments in the interim. A "Business Day" means any day other than a Saturday, Sunday, legal holiday or any other day on which banking institutions in New York, New York or Austin, Texas are authorized or obligated by law or executive order to close or a day on which the New York Stock Exchange is closed.

This Bond is one of series of fully registered bonds specified in the title hereof issued in the aggregate principal amount of \$_____ (herein referred to as the "Bonds"). The Bonds are being issued pursuant to the Resolution which authorized the issuance of bonds in one or more series during the period ending December 31, 2013, in an aggregate principal amount not to exceed \$240,000,000, for the purpose of [making student loans] [refunding a portion of the Board's outstanding College Student Loan Bonds].³

This Bond shall not be valid or obligatory for any purpose unless it is registered by the Comptroller of Public Accounts of Texas by certificate affixed or attached hereto or authenticated by the Paying Agent/Registrar by due execution of the Authentication Certificate provided herein.

Reference is hereby made to the Resolution and the Paying Agent/Registrar Agreement, copies of which are on file with the Board and available upon request, for the provisions, among others, with respect to the nature and extent of the duties and obligations of the Board, the Paying Agent/Registrar and the Owners. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms, conditions and provisions of the Resolution and the Paying Agent/Registrar Agreement.

REDEMPTION PROVISIONS

[Insert redemption provisions from Exhibit A to the Resolution.]

[PARTIAL REDEMPTION.] If less than all of the Bonds are to be redeemed, the Board shall direct the Paying Agent/Registrar to call Bonds or portions thereof by lot or other random method for redemption. A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed but only in a principal amount equal to an

³ Select and include appropriate bracketed language depending on whether the Series of Bonds is being issued to make student loans and/or refund the Refunded Bonds.

Authorized Denomination which will allow for the unredeemed portion thereof to remain in an Authorized Denomination. The Paying Agent/Registrar shall treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.

NOTICE OF REDEMPTION. A written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption to the Registered Owner of each Bond to be redeemed at its address as it appeared on the Registration Books maintained by the Paying Agent/Registrar on the day such notice of redemption is mailed. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner. By the date fixed for any such redemption, due provision shall be made by the Board with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is mailed and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being Outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination or Denominations, at the written request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Resolution.]⁴

GENERAL PROVISIONS

As provided in the Resolution, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the designated office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity and of Authorized Denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The series of Bonds of which this is one shall be and is hereby made a general obligation of the State, pursuant to the Constitutional Provision and the Act, and for the faithful performance of all covenants, recitals and stipulations herein contained, and for the faithful performance in proper time and manner of each official or other act required and necessary to provide for the prompt payment of principal of and interest on this Bond when due, the funds on deposit in the Interest and Sinking Fund and the full faith and credit of the State are hereby pledged.

A continuing appropriation has been made by the Constitutional Provision, effective so long as any of the Bonds, and other bonds issued under the Constitutional Provision, or interest

⁴ Include bracketed language only if Exhibit A to the Resolution provides for redemption of Bonds prior to maturity.

thereon, are outstanding and unpaid, from the first moneys coming into the State Treasury in each Fiscal Year, not otherwise appropriated by the Constitution, in an amount sufficient to pay the principal of and interest on the Bonds, and all other bonds issued under the Constitutional Provision, and due to be paid in such Fiscal Year. The principal of and interest on the Bonds are payable from such appropriated moneys and from such other moneys as are available to the Board for such purpose.

Subject to limitations now or hereafter contained in the Constitution and laws of the State, the Board reserves the right to issue Additional Bonds which will in all things be on a parity with the Bonds and other outstanding bonds heretofore issued pursuant to the Act and Article III, Sections 50b, 50b-1, 50b-2, 50b-3 (which Sections were repealed "to eliminate duplicative, executed, obsolete, archaic and ineffective constitutional provisions" pursuant to Section 55 of H.J.R. No. 62 approved by the voters of the State on November 2, 1999), and Article III, Sections 50b-4, 50b-5, 50b-6 and 50b-7 of the Texas Constitution.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond and the series of which it forms a part have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State and the Resolution, and that the series of Bonds of which this is a part does not exceed any constitutional or statutory limitation, and that provision has been made for the payment of the principal of and interest on this Bond and the series of which it is a part as such principal and interest become due by a continuing appropriation heretofore made by the Constitutional Provision and by a pledge of the credit of the State.

IN WITNESS WHEREOF, this Bond is executed with the lithographed or printed facsimile or manual signature of the Chair of the Board, the lithographed or printed facsimile or manual signature of the Secretary of the Board, and the seal of the Board is lithographed, printed, manually impressed or placed in facsimile form hereon.

Secretary,
Texas Higher Education Coordinating Board

Chair
Texas Higher Education Coordinating Board

[SEAL]

II.

Form of Comptroller's Registration Certificate

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS § REGISTER NO. _____
OF THE STATE OF TEXAS §

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that it is a valid and binding obligation of the Texas Higher Education Coordinating Board and that this Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

Comptroller of Public Accounts
of the State of Texas

[SEAL]

III.

Form of Authentication Certificate

[The following Authentication Certification may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.]

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of Bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Resolution.

_____,
_____,
as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

IV.

Assignment

FOR VALUE RECEIVED, the undersigned Registered Owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

/ _____ / _____
(Assignee's Social Security or Taxpayer Identification Number) (print or typewrite Assignee's name and address, including zip code)

and hereby irrevocably constitutes and appoints _____ attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature guarantee (pursuant to the Securities Transfer Association signature guarantee program).

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

EXHIBIT D

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Article XI of this Resolution.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Board to be provided annually in accordance with such Article are as specified (and included in the Appendix or under the headings of the Official Statement referred to) below:

1. All quantitative financial information and operating data with respect to the Board of the general type included in the Official Statement under Tables 2 through 5.

NEW ISSUE - Book-Entry-Only

Ratings:

Moody's: "Aaa"
S&P: "AA+"
See "OTHER RELEVANT
INFORMATION—Ratings"
herein

In the opinion of McCall, Parkhurst & Horton L.L.P. and Mahomes Bolden PC ("Co-Bond Counsel"), assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date thereof. Interest on the Bonds, however, is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a discussion of Co-Bond Counsel's opinion.

\$ _____ *
STATE OF TEXAS
(General Obligation Bonds)
COLLEGE STUDENT LOAN AND REFUNDING BONDS,
SERIES 2013

Dated _____ 1, 2013
(Interest accrues from date of delivery)

Due: August 1, as shown on
inside front cover

The \$_____ State of Texas College Student Loan and Refunding Bonds, Series 2013 (the "Bonds") will be issued by the Texas Higher Education Coordinating Board (the "Board") pursuant to a Resolution of the Board and under the authority of the Constitution and laws of the State of Texas (the "State"), particularly Chapter 52, Texas Education Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended. THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE PURSUANT TO THE CONSTITUTION OF THE STATE AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. Proceeds from the sale of the Bonds will be used (i) to fund an ongoing student loan program which provides low interest loans to eligible students at institutions of higher education in the State and (ii) to currently refund its currently outstanding College Student Loan Bonds (as defined herein), set forth on Schedule I hereto. See "PLAN OF FINANCE" herein.

Interest on the Bonds will accrue from their date of delivery and will be payable on February 1 and August 1 of each year, commencing _____, 201_ (each, an "Interest Payment Date"), and will be calculated on the basis of a 360-day year composed of 12 months of 30 days each. In the event any Interest Payment Date is not a Business Day (as defined herein), interest on the Bonds is payable on the next succeeding Business Day. See "THE BONDS" herein. The initial Paying Agent/Registrar for the Bonds will be _____, at its office in _____, _____. See "THE BONDS—Paying Agent/Registrar" herein.

Certain of the Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption of Bonds" herein.

CUSIP PREFIX: 882722

MATURITY SCHEDULE AND 9 DIGIT CUSIP

See inside front cover

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the owners thereof except as described herein.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "THE BONDS—Book-Entry-Only System" herein.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Austin, Texas, and Mahomes Bolden PC, Dallas, Texas, Co-Bond Counsel (see "APPENDIX D—Form of Opinion of Co-Bond Counsel"). Certain matters will be passed upon for the Underwriters by _____. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2013.

Underwriters

Underwriter

Underwriter

Underwriter

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

CUSIP Prefix: 882722

\$ _____^{*}
STATE OF TEXAS
(General Obligation Bonds)
COLLEGE STUDENT LOAN AND REFUNDING BONDS,
SERIES 2013

<u>Maturity Date</u> <u>(August 1)</u>	<u>Maturing Amount</u>	<u>Interest Rate</u>	<u>Initial Reoffering</u> <u>Yield</u>	<u>CUSIP No.</u> ⁽¹⁾
---	------------------------	----------------------	---	---------------------------------

\$ _____ % Term Bond due _____, _____, Priced to Yield _____ % CUSIP No. _____⁽¹⁾

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the Board or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

For purposes of compliance with Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “Rule”), this document constitutes an Official Statement of the Board with respect to the Bonds that has been deemed “final” by the Board as of its date except for the omission of no more than the information permitted by the Rule.

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

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 Board or the State of Texas since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds and in no instance may this Official Statement be reproduced or used for any other purpose.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION WILL NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon an exemption provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The Board assumes no responsibility for the registration or qualification for sale or other disposition of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

The statements contained in this Official Statement, and in other information provided by the Board, that are not purely historical, are forward-looking statements, including statements regarding the Board’s expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

The Underwriters and the Financial Advisor have provided the following sentence for inclusion in this Official Statement. The Underwriters and the Financial Advisor have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but neither the Underwriters nor the Financial Advisor guarantees the accuracy or completeness of such information.

None of the Board, the Underwriters or the Financial Advisor makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system under the caption “THE BONDS—Book-Entry-Only System” herein.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOARD AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

CERTAIN STATE ELECTED OFFICIALS

Rick Perry	Governor
David Dewhurst	Lieutenant Governor
Greg Abbott.....	Attorney General
Susan Combs	Comptroller of Public Accounts

BOARD MEMBERS

		<u>Expiration of Term</u>
Fred W. Heldenfels IV	Chair	August 31, 2013
Harold W. Hahn	Vice Chair	August 31, 2013
Dennis Golden	Secretary	August 31, 2015
Durga D. Agrawal	Member	August 31, 2015
Robert “Bobby” Jenkins, Jr.....	Member	August 31, 2017
Munir Abdul Lalani.....	Member	August 31, 2015
James H. Lee	Member	August 31, 2013
Wanda “Janelle” Shepard.....	Member	August 31, 2017
David D. Teuscher, M.D.	Member	August 31, 2017
Ryan T. Bridges ¹	Student Representative	May 31, 2013

SELECT STAFF MEMBERS

Dr. Raymund A. Paredes	Commissioner of Higher Education Alonzo	Dr. Arturo Deputy Commissioner for Finance and Administration/Chief Operating Officer
Dr. David Gardner.....	Deputy Commissioner – Academic Planning and Policy/Chief Academic Officer	
Linda Battles	Associate Commissioner/Chief of Staff	
Dan Weaver.....	Assistant Commissioner – Business and Support Services	
Susan Brown	Assistant Commissioner for Planning and Accountability	
Dr. MacGregor Stephenson	Assistant Commissioner for Workforce, Academic Affairs and Research	
Susan Carine	Deputy Assistant Commissioner for Business and Support Services	
Janie Miramontes	Director of Client Services	
William Franz.....	General Counsel	

CONSULTANTS

Co-Bond Counsel	McCall, Parkhurst & Horton L.L.P. Austin, Texas
	Mahomes Bolden PC Dallas, Texas
Financial Advisor	First Southwest Company Dallas, Texas

¹ Student Representative. State law does not allow the Student Representative to vote on any matter before the Board.

SUMMARY STATEMENT

\$-----*

**STATE OF TEXAS
(General Obligation Bonds)
COLLEGE STUDENT LOAN AND REFUNDING BONDS,
SERIES 2013**

The following Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. This summary page was prepared to present information concerning the Bonds to the purchasers of the Bonds, the sources pledged to payment of the Bonds and other pertinent data, all as more fully described herein. No person is authorized to detach this summary page from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS The \$ _____ * State of Texas College Student Loan and Refunding Bonds, Series 2013 (the "Bonds").

THE ISSUER The State of Texas, acting through the Texas Higher Education Coordinating Board. See "THE BOARD" herein.

AUTHORITY FOR ISSUANCE The Bonds are issued pursuant to a Resolution of the Board and under the authority of the Constitution and laws of the State of Texas (the "State"), particularly Chapter 52, Texas Education Code, as amended (the "Act") and Chapters 1207 and 1371, Texas Government Code, as amended. See "THE BONDS—Authority for Issuance" herein.

SECURITY FOR THE BONDS Money received by the Board in each fiscal year as repayment of student loans granted under the Act must first be deposited in the Interest and Sinking Fund (as hereinafter defined) in the amount required by the Act. Money in the Interest and Sinking Fund is pledged pursuant to the Resolution to secure payment of principal of and interest on the Bonds. IN ADDITION, THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE OF TEXAS PURSUANT TO THE CONSTITUTION OF THE STATE AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

REDEMPTION Certain of the Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption of Bonds" herein.

INITIAL PAYING AGENT/REGISTRAR _____, at its office in _____, _____. See "THE BONDS—Paying Agent/Registrar" herein.

TAX MATTERS In the opinion of McCall, Parkhurst & Horton L.L.P. and Mahomes Bolden PC ("Co-Bond Counsel"), assuming compliance with certain covenants and based on certain representations, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the Bonds, however, is an item of tax preference includable in alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on individuals and corporations. See "TAX MATTERS" herein for a discussion of Co-Bond Counsel's opinion.

USE OF BOND PROCEEDS Proceeds from the sale of the Bonds will be used (i) to fund an ongoing student loan program which provides low interest loans to eligible students at institutions of higher education in the State and (ii) to currently refund its currently outstanding College Student Loan Bonds (as defined herein), set forth on Schedule I hereto.

PAYMENT RECORD The Board has never defaulted.

RATINGS..... Moody's Investors Service: "Aaa" and Standard & Poor's Ratings Services: "AA+" See "OTHER RELEVANT INFORMATION—Ratings" herein.

LEGAL INVESTMENTS IN TEXAS The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. See "OTHER RELEVANT INFORMATION—Legal Investments and Eligibility to Secure Public Funds in Texas" herein.

For additional information concerning this offering, please contact:

Dr. Arturo Alonzo
Deputy Commissioner for Finance and Administration/Chief Operating Officer
Texas Higher Education Coordinating Board
1200 E. Anderson Lane
Austin, TX 78752
(512) 427-6135

Lee Donner
Managing Director
First Southwest Company
325 N. St. Paul Street, Suite 800
Dallas, TX 75201
(800) 678-3792

* Preliminary, subject to change.

OFFICIAL STATEMENT
pertaining to

\$ _____*
STATE OF TEXAS
(General Obligation Bonds)
COLLEGE STUDENT LOAN AND REFUNDING BONDS,
SERIES 2013

INTRODUCTION

At seven separate elections held between 1965 and 2007, the citizens of the State of Texas (the “State”) voted to approve seven separate amendments to Article III of the State Constitution (*i.e.*, Sections 50b, 50b-1, 50b-2, 50b-3, 50b-4, 50b-5, and 50b-6), which collectively authorized the Texas Higher Education Coordinating Board (the “Board”) to issue \$1,860,000,000 in aggregate principal amount of general obligation bonds of the State to be used to make loans to students attending higher education institutions within the State. The Board has issued \$1,559,729,483 in principal amount of “State of Texas College Student Loan Bonds” pursuant to the constitutional amendments referred to above. All State of Texas College Student Loan Bonds previously issued by the Board and which are currently outstanding are referred to herein as the “Previously Issued Bonds”.

At an election held on November 8, 2011, the citizens of the State voted to approve an additional amendment to Article III of the State Constitution (*i.e.*, Section 50b-7), which authorizes the Board to issue College Student Loan Bonds in an aggregate principal amount of outstanding bonds that at all times must be equal to or less than the \$1,860,000,000 in aggregate principal amount of College Student Loan Bonds previously authorized by any other provision or former provision of the State Constitution.

Terms not otherwise defined herein shall have the respective meanings as set forth in the resolution of the Board adopted on January 24, 2013 (the “Resolution”), authorizing the \$ _____* State of Texas College Student Loan and Refunding Bonds, Series 2013 (the “Bonds”), as set forth in APPENDIX B hereto. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds” herein.

The enabling act, Chapter 52, Texas Education Code, as amended (hereinafter referred to as the “Hinson-Hazlewood College Student Loan Act” or the “Act”), and Section 56.451 *et seq.* of the Texas Education Code provide for the administration of various student loan programs by the Board, consisting of nine voting members appointed by the Governor of the State. See “THE BOARD—Loan Demand and Financial Information” and “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS” herein.

Pursuant to the Act, the Board administers the State of Texas College Student Loan Bonds Interest and Sinking Fund (the “Interest and Sinking Fund”), which was established by the Act as a fund in the State Treasury. Money received by the Board in each Fiscal Year as repayment of student loans granted under the Act and interest thereon must first be deposited in the Interest and Sinking Fund in an amount sufficient to pay the interest on and principal of Previously Issued Bonds, the Bonds and any Additional Bonds to become due during the ensuing Fiscal Year. See “SELECTED PROVISIONS OF THE RESOLUTION—Funds—Interest and Sinking Fund” herein.

Money in the Interest and Sinking Fund is pledged pursuant to the Resolution to secure payment of principal of and interest on the Bonds, the Previously Issued Bonds and any Additional Bonds. IN ADDITION, THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE PURSUANT TO THE CONSTITUTION OF THE STATE AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE. The Constitutional Provision provides that while any of the Bonds or interest on the Bonds is outstanding and unpaid, there is appropriated out of the first money coming into the State Treasury in each Fiscal Year, not otherwise appropriated by the State Constitution, the amount sufficient to pay the principal of and interest on the Bonds that mature or become due during the Fiscal Year, less any amount in the Interest and Sinking Fund at the end of the preceding Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “SELECTED PROVISIONS OF THE RESOLUTION—Funds” and Table 3 and Table 4 under “THE BOARD—Loan Demand and Financial Information” herein. For a discussion of the State’s general and economic information, see APPENDIX A attached hereto, and see “OTHER RELEVANT INFORMATION—General Information Regarding the State of Texas” herein.

The Board also administers the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund, which were established by the Act and Article III, Section 50b of the State Constitution, respectively, as funds within the State Treasury. Pursuant to the Resolution and the resolutions of the Board authorizing the issuance of the Previously Issued

* Preliminary, subject to change.

Bonds, money received by the Board in each Fiscal Year as repayment of student loans granted under the Act and interest thereon *in excess* of the amount required to be deposited in the Interest and Sinking Fund must be deposited into either the Student Loan Auxiliary Fund or the Texas Opportunity Plan Fund. Such excess loan repayments on deposit in either the Student Loan Auxiliary Fund or the Texas Opportunity Plan Fund may be used, among other things, to make loans to students and to pay administration and operating expenses, and to fund any other lawful purpose, related to the Board's student loan programs. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Other Funds Administered by the Board," "SELECTED PROVISIONS OF THE RESOLUTION—Funds—Student Loan Auxiliary Fund" and Table 3 and Table 4 under "THE BOARD—Loan Demand and Financial Information" herein.

Historically, the Board's ongoing student loan programs have provided funds through the repayment of student loans and investment interest in amounts sufficient to meet debt service requirements and to pay direct expenses incurred by the Board in connection with the operation of its student loan programs without drawing on the State's General Revenue Fund.

PLAN OF FINANCE

Certain proceeds of the Bonds will be deposited by the Board in the Student Loan Auxiliary Fund and used to fund the various student loan programs authorized by the Act. Such loan programs provide low interest loans to eligible students seeking an undergraduate education and/or graduate or professional education through public and independent institutions of higher education in the State. Financial aid administrators in the institutions of higher education in the State determine the eligibility of applicants for assistance under the Board's various loan programs. See Table 1 in "THE BOARD- Loan Demand and Financial Information" herein. See also "SOURCES AND USES OF FUNDS" and "APPENDIX C-SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS" herein.

Other proceeds of the Bonds will be used to currently refund its currently outstanding College Student Loan Bonds (as defined herein), set forth on Schedule I hereto (collectively, the "Refunded Obligations"). See "SOURCES AND USES OF FUNDS" and "SCHEDULE I—REFUNDED OBLIGATIONS" herein.

The principal of and interest due on the Refunded Obligations is to be paid on the respective redemption dates of such Refunded Obligations (see Schedule I herein) from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the Board and _____, at its office in _____, _____ (the "Escrow Agent"). The Resolution provides that the Board will deposit with the Escrow Agent the proceeds of the Bonds in an amount necessary, together with additional funds of the Board, to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") in the form of cash. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the Board will have effected the defeasance of all of the Refunded Obligations in accordance with State law. It is the opinion of Bond Counsel that as a result of such defeasance, the Refunded Obligations will cease to be outstanding obligations of the Board except for the purpose of being paid from the funds provided therefor in the Escrow Agreement.

The Board has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balance on deposit or scheduled to be on deposit in the Escrow Fund is insufficient to make such payment.

The Board will pay the costs of issuance of the Bonds from other lawfully available funds of the Board.

(Remainder of page intentionally left blank)

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:

Par amount of the Bonds
Net Original Issue Discount/Premium

Total Sources

Uses of Funds:

Deposit to Escrow Fund
Deposit to Student Loan Auxiliary Fund

Total Uses

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the Resolution and under the authority of the Constitution and laws of the State, particularly the Act and Chapters 1207 and 1371, Texas Government Code, as amended.

General

The Bonds will be issued as fully-registered bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof, will be dated _____, 2013, will accrue interest from their date of delivery, and will bear interest at the per annum rates shown on the inside front cover hereof. Interest on the Bonds is payable on February 1 and August 1 of each year, commencing _____, 201_ (each, an "Interest Payment Date"), and will be calculated on the basis of a 360-day year comprised of 12 months of 30 days each. The Bonds mature on the dates and in the principal amounts set forth on the inside front cover hereof. The initial Paying Agent/Registrar for the Bonds will be _____, at its office in _____, _____. In the event any Interest Payment Date is not a Business Day, interest on the Bonds is payable on the next succeeding Business Day.

Redemption of Bonds*

Optional Redemption. On _____, or on any date thereafter, the Bonds maturing on and after _____ may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any lawfully available source, as a whole or in part (provided that a portion of a Bond may be redeemed only in an Authorized Denomination), at a redemption price of 100% of the principal amount thereof called for redemption, plus accrued interest thereon to the date fixed for redemption. The Board will determine the maturity or maturities of the Bonds, and the principal amount of the Bonds within each maturity, to be redeemed. If less than all the Bonds of a maturity are to be redeemed, the particular Bonds to be redeemed will be selected by the Paying Agent/Registrar by lot or other random method for redemption. The Board will deliver notice to the Paying Agent/Registrar of its intention to redeem Bonds at least 35 days prior to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on _____ shall be subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, on _____ in the years and in the principal amounts set forth below:

Bonds	
Maturing _____	
Redemption Date (August 1)	Principal Amount

* Preliminary, subject to change.

The principal amount of such Bonds required to be redeemed pursuant to the operation of such mandatory sinking fund redemption requirements may be reduced, at the option of the Board, by the principal amount of any such Bonds which, prior to the date of the mailing of notice of such mandatory redemption, shall have been (i) acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (ii) purchased and canceled by the Paying Agent/Registrar at the request of the Board.

Partial Redemption.

- (a) A portion of a single Bond of a denomination greater than an Authorized Denomination may be redeemed but only in a principal amount equal to an Authorized Denomination which will allow for the unredeemed portion thereof to remain in an Authorized Denomination. The Paying Agent/Registrar will treat each minimum Authorized Denomination of such Bond as though it were a single Bond for purposes of selection for redemption.
- (b) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar will authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption.

- (a) The Paying Agent/Registrar will cause notice of redemption of any Bond to be redeemed in whole or in part to be mailed by first-class mail to S&P and Moody's and to the Owner thereof at the address of the Owner appearing in the Register at least 30 days prior to the redemption date.
- (b) The notice of redemption will identify the Bonds to be redeemed, and will specify the numbers thereof, the redemption date and the redemption price. The notice will state that (i) on the redemption date the Bonds called for redemption will be payable at the designated office of the Paying Agent/Registrar, and (ii) on and after the redemption date interest will cease to accrue.
- (c) Any notice given as provided in this caption will be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Payment Upon Redemption. Upon presentation and surrender of any Bond called for redemption at the designated office of the Paying Agent/Registrar on or after the date fixed for redemption, the Paying Agent/Registrar will pay the principal of and accrued interest on such Bond to the date of redemption from the money provided for that purpose.

Effect of Redemption.

- (a) Notice of redemption having been given, and due provision having been made for payment, the Bonds or portions thereof called for redemption will become due and payable on the date fixed for redemption; thereafter, such Bonds or portions thereof will cease to bear interest from the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.
- (b) If the Board should fail to make provision for the payment of all sums due on a redemption date, then any Bond or portion thereof called for redemption would continue to bear interest until due provision is made with the Paying Agent/Registrar for the payment of same by the Board.

Events of Default

Events of Default. Each of the following occurrences or events is an Event of Default for purposes of the Resolution: (i) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement, or obligation of the Board, which default materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the Board.

Remedies.

- (a) Upon the happening of any Event of Default, any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the Board for the purpose of protecting and enforcing the rights of the Owners under the Resolution by mandamus or other suit, action or special proceeding in equity or at law in any court of competent jurisdiction for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Resolution, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners granted by the Resolution or any combination of such remedies.
- (b) All such proceedings will be instituted and maintained for the equal benefit of all Owners of Bonds then Outstanding.
- (c) No remedy conferred by or reserved in the Resolution is intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and will be in addition to every other remedy given in the Resolution or under the Bonds or otherwise existing at law or in equity; **provided, however, that the right to accelerate the debt evidenced by the Bonds will not be available as a remedy under the Resolution.**
- (d) The exercise of any remedy conferred by or reserved in the Resolution will not be deemed a waiver of any other available remedy.

Registration, Transfer and Exchange; Cancellation; Replacement

So long as any Bonds remain Outstanding, the Board will cause the Paying Agent/Registrar to keep at its designated office the Register, in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of Bonds in accordance with the Resolution.

The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the designated office of the Paying Agent/Registrar with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond will be effective until entered in the Register.

The Bonds will be exchangeable upon the presentation and surrender thereof at the designated office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denomination and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is authorized by the Resolution to authenticate and deliver Bonds exchanged for other Bonds in accordance with the provisions described in this caption.

Each exchange Bond delivered by the Paying Agent/Registrar in accordance with the provisions described in this caption will be entitled to the benefits and security of the Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

No service charge will be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, or exchange of a Bond.

Neither the Board nor the Paying Agent/Registrar will be required to issue, transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or (ii) called for redemption prior to maturity, in whole or in part, within 30 days prior to the date fixed for redemption; provided, however, such limitation will not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

The Bonds may be issued or subsequently registered in the name of a Securities Depository or a nominee therefor, and held in the custody of the Securities Depository. In such event, a single Bond for each maturity will be issued and delivered to the Securities Depository for the Bonds, and neither the beneficial owners of such Bonds nor the Paying Agent/Registrar will receive physical delivery of Bonds except as provided in the Resolution, 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 Bonds will receive, hold or deliver any Bond certificate. The Board and the Paying Agent/Registrar will recognize the Securities Depository or its nominee as the Owner for all purposes, including notices and voting.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined through the books of the Securities Depository, (i) the Board has covenanted and agreed in the Resolution to meet the requirements of the Securities Depository with respect to required notices and other provisions of the letter of representations or agreement executed with respect to such Bonds, and (ii) the requirements in the Resolution of holding, delivering or transferring such Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository with respect to such actions to produce the same effect. Any provisions hereof permitting or requiring delivery of such Bonds will, while such Bonds are in a Book-Entry System, be satisfied by the notation on the books of the Securities Depository in accordance with applicable State law.

The Board and the Paying Agent/Registrar may rely conclusively upon (i) a certificate of the Securities Depository as to the identity of the Depository Participants in the Book-Entry System with respect to the Bonds and (ii) a certificate of any such Depository Participant as to the identity of, and the respective principal amount of Bonds owned by, the beneficial owners of the Bonds.

The Board may from time to time appoint a Securities Depository or a successor thereto and enter into a letter of representation or other agreement with such Securities Depository to establish procedures with respect to the Bonds.

Neither the Board nor the Paying Agent/Registrar will have any responsibility or obligation to any Securities Depository, any Depository Participant in the Book-Entry System or the beneficial owners of the Bonds with respect to (i) the accuracy of any records maintained by the Securities Depository or any Depository Participant; (ii) the payment by the Securities Depository or by any Depository Participant of any amount due to any beneficial owner of the Bonds in respect of the principal amount or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Depository Participant; (iv) the selection of the beneficial owners of the Bonds to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Depository Participant.

Bond certificates are required to be delivered and registered in the name of the beneficial owner of the Bonds, under the following circumstances: (a) a Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above; or (b) the Board determines not to continue the Book-Entry System through a Securities Depository.

If, at any time, the Securities Depository ceases to hold the Bonds, thereafter all references in the Resolution to the Securities Depository will be of no further force or effect.

Neither the Board nor the Paying Agent/Registrar will have any responsibility or obligation to any Depository Participant for the Book-Entry System or to the beneficial owners of the Bonds with respect to the records delivered to the Board and the Paying Agent/Registrar in order to accomplish the delivery and registration in the names of the beneficial owners of the Bonds.

Cancellation. All Bonds paid or redeemed before scheduled maturity in accordance with the Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with the Resolution, will be canceled and proper records made regarding such payment, redemption, exchange, or replacement. The Paying Agent/Registrar will destroy such canceled Bonds and periodically furnish the Board with certificates of destruction of such Bonds.

Replacement Bonds.

- (a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar will authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously Outstanding. The Board or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.
- (b) If any Bond is lost, apparently destroyed, or wrongfully taken, the Board, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, will authorize, and the Paying Agent/Registrar will deliver, a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously Outstanding, provided that the Owner first:
 - (i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

- (ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar and the Board to save them harmless;
 - (iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and
 - (iv) satisfies any other reasonable requirements imposed by the Board or the Paying Agent/Registrar.
- (c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Board and the Paying Agent/Registrar will be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and will be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Board or the Paying Agent/Registrar in connection therewith.
- (d) If any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Board, in its discretion, instead of issuing a replacement Bond, may authorize the Paying Agent/Registrar to pay such Bond when it becomes due and payable.
- (e) Each replacement Bond delivered in accordance with the procedures described in this caption will be entitled to the benefits and security of the Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Book-Entry-Only System

This caption describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this caption concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The Board, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Board cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC participants, (2) DTC participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC participants are on file with DTC.

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

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Board or the Paying Agent/Registrar on 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Information concerning DTC and the book-entry-only system has been obtained from sources the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof, and it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Board, the Underwriters or the Financial Advisor.

NONE OF THE BOARD, THE UNDERWRITERS OR THE FINANCIAL ADVISOR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR

REDEMPTION PRICE OF OR INTEREST ON THE BONDS; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONTEST GIVEN OR OTHER ACTION TAKEN BY DTC OR ANY DTC PARTICIPANT.

In reading this Official Statement it should be understood that while the Bonds are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Medium, Method and Place of Payment

On or before each Interest Payment Date for the Bonds, there shall be made available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, money sufficient to pay such principal of and interest on the Bonds as will accrue or mature on the applicable Interest Payment Date or date of prior redemption.

The principal of and interest on the Bonds will be paid in lawful money of the United States of America. Interest on the Bonds will be payable to the Owners as shown in the Register at the close of business on the Record Date. Principal and interest will be paid by check, dated as of the Interest Payment Date, and sent by first class mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address shown in the Register, or by such other customary banking arrangement, such as by wire transfer, acceptable to the Paying Agent/Registrar at the request of and at the risk and expense of the Owner. The principal of each Bond will be paid to the Owner thereof on the due date, whether at the maturity date or the date of prior redemption, only upon presentation and surrender of such Bond at the designated office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds is not a Business Day, the date for such payment will be the next succeeding Business Day, and payment on such date will for all purposes be deemed to have been made on the due date thereof, and no interest will accrue on such payments in the interim.

Unclaimed Payments that remain unclaimed by the Owners for 90 days after the applicable payment or redemption date will be segregated in a special escrow account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owners of the Bonds to which the Unclaimed Payments pertain. Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date will be reported and disposed of by the Paying Agent/Registrar in accordance with the applicable provisions of State law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is Wells Fargo Bank, N.A., at its office in Minneapolis, Minnesota. In the Resolution, the Board retains the right to replace the Paying Agent/Registrar for the Bonds. The Board covenants to maintain and provide a Paying Agent/Registrar for the Bonds at all times while the Bonds are Outstanding. If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the Board will promptly appoint a replacement. The Paying Agent/Registrar for the Bonds shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds. The Board, upon not less than 30 days notice, reserves the right to terminate the appointment of the Paying Agent/Registrar for the Bonds by delivering to the Paying Agent/Registrar written notice of such termination. Promptly upon each change in the entity serving as Paying Agent/Registrar for the Bonds, the Board will cause notice of the change to be sent to each Owner of the Bonds by first class United States mail, postage prepaid, at the address shown in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar for the Bonds.

Defeasance

- (a) Any Bond and the interest thereon will be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond") within the meaning of the Resolution, except to the extent provided in clause (d) of this caption, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) will have been made or caused to be made in accordance with the terms thereof, or (ii) will have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities (as defined under clause (c) below) that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Board with the Paying

Agent/Registrar for the payment of its services until all Defeased Bonds will have become due and payable. At such time as a Bond will be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon will no longer be secured by, payable from, or entitled to the benefits of, the funds on deposit in the Interest and Sinking Fund, as described under the caption “SELECTED PROVISIONS OF THE RESOLUTION—Funds,” and such principal and interest will be payable solely from such money or Defeasance Securities. Notwithstanding any other provision of the Resolution to the contrary, any determination not to redeem Defeased Bonds that is made in conjunction with the payment arrangements specified in clause (a)(i) or (ii) of this caption will not be irrevocable, provided that: (1) in the proceedings providing for such payment arrangements, the Board expressly reserves the right to call the Defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the Defeased Bonds immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

- (b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Board be invested in Defeasance Securities, maturing in the amounts and times as set forth above, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be turned over to the Board, or deposited as directed in writing by the Board. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in clause (a)(i) or (ii) of this caption. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, will be remitted to the Board or deposited as directed in writing by the Board.
- (c) The term “Defeasance Securities” means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and (iv) any other then authorized securities or obligations under applicable State law in existence on the date the Board adopts or approves any proceedings authorizing the financial arrangements that may be used to defease obligations such as the Bonds. Because the Resolution provides that securities or obligations that may be authorized under future State law may also be used to defease Bonds, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities or any other Defeasance Securities that may be used to defease Bonds as described in this section will be maintained at any particular rating category.
- (d) Until all Defeased Bonds will have become due and payable, the Paying Agent/Registrar will perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board will make proper arrangements to provide and pay for such services as required by the Resolution.
- (e) In the event that the Board elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar will select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.
- (f) Notwithstanding any provision of the foregoing to the contrary, (i) the Board may provide for the irrevocable deposit required by this caption to be made with the Paying Agent/Registrar or with any other eligible bank or trust company then authorized by State law, and (ii) the Board may reserve the right to call any Defeased Bonds for redemption to the extent permitted and in the manner required by law.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligation Pledge

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE PURSUANT TO THE CONSTITUTION OF THE STATE AND ARE SECURED BY THE FULL FAITH AND CREDIT OF THE STATE. For a discussion of the State's general and economic information, see APPENDIX A hereto and see "OTHER RELEVANT INFORMATION—General Information Regarding the State of Texas" herein.

The Constitutional Provision provides that while any of the Bonds and the Previously Issued Bonds or interest on the Bonds and the Previously Issued Bonds are outstanding and unpaid, there is appropriated out of the first money coming into the State Treasury in each Fiscal Year, not otherwise appropriated by the State Constitution, the amount sufficient to pay the principal of and interest on the Bonds and the Previously Issued Bonds that mature or become due during the Fiscal Year, less any amount in the Interest and Sinking Fund at the end of the preceding Fiscal Year. Payment of the Bonds and the Previously Issued Bonds under the aforementioned constitutional appropriation is based upon a determination at the beginning of each Fiscal Year that the moneys on deposit in the Interest and Sinking Fund are sufficient to pay debt service on the Bonds and all Previously Issued Bonds for the ensuing Fiscal Year. If it is determined that such moneys are insufficient, the Board must present documentation to the Comptroller, and the Comptroller is required to (i) allocate available funds then on deposit in the Interest and Sinking Fund, to pay the principal of and interest on the Bonds and all Previously Issued Bonds which will become due during that Fiscal Year, and (ii) transfer into the Interest and Sinking Fund out of the first money coming into the State Treasury in that Fiscal Year not otherwise appropriated by the State Constitution, an amount sufficient to pay the debt service anticipated to be due on the Bonds and Previously Issued Bonds in the ensuing Fiscal Year. See "SELECTED PROVISIONS OF THE RESOLUTION—Funds" herein. The Board has never defaulted on its obligation to pay the principal of or interest on its State of Texas College Student Loan Bonds. Historically, the Board's ongoing student loan programs have provided funds through the repayment of student loans and investment interest in amounts sufficient to meet debt service and reserve requirements and to pay administrative costs of the student loan programs without drawing on the State's General Revenue Fund.

Pursuant to Section 49-j of Article III of the State Constitution (adopted on November 4, 1997), the State Legislature is prohibited from authorizing additional State debt payable from the State's General Revenue Fund if the resulting annual debt service exceeds five percent of an amount equal to the average of the amount of General Revenue Fund revenues, excluding revenues constitutionally dedicated for purposes other than payment of State debt, for the three preceding fiscal years. See "STATE DEBT—Recent Developments Affecting State Debt" and "—Selected Data Concerning State Debt" in the information referred to in APPENDIX A hereto. For purposes of such limitation, "State debt payable from the State's General Revenue Fund" does not include bonds that, although backed by the full faith or credit of the State, are reasonably expected to be paid from other revenue sources and that are not expected to create a general revenue draw. As discussed below, the Board anticipates that debt service on the Bonds will be self-supporting, and thus, the Bonds will not be subject to this limitation. Notwithstanding this limitation on the ability of the State Legislature to authorize additional State debt, the Bonds are general obligations of the State, as described above, and are payable from the sources described under this caption.

Interest and Sinking Fund

All student loans granted under the Act are made from moneys on deposit in the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund. See "—Other Funds Administered by the Board" herein. Pursuant to the Act, the Resolution and the resolutions of the Board authorizing the issuance of the Previously Issued Bonds, money received by the Board in each Fiscal Year as repayment of student loans granted under the Act and interest thereon must first be deposited in the Interest and Sinking Fund in an amount sufficient to pay the interest on and principal of Previously Issued Bonds, the Bonds and any Additional Bonds to become due during the ensuing Fiscal Year. Pursuant to the Resolution and the resolutions of the Board authorizing the issuance of the Previously Issued Bonds, money received by the Board in each Fiscal Year as repayment of student loans granted under the Act and interest thereon *in excess* of the amount required to be deposited in the Interest and Sinking Fund must be deposited in either the Student Loan Auxiliary Fund or the Texas Opportunity Plan Fund. See "—Other Funds Administered by the Board" herein.

Money in the Interest and Sinking Fund is pledged pursuant to the Resolution to secure payment of principal of and interest on the Bonds, the Previously Issued Bonds and any Additional Bonds, and shall be used only for the purpose of paying interest on and principal of the Bonds, the Previously Issued Bonds and any Additional Bonds, and for transferring to other funds and accounts established by the Board to comply with covenants related to maintaining the tax-exempt status of the Bonds, the Previously Issued Bonds and any Additional Bonds. In addition, the Board has reserved the right in the Resolution to enter into interest rate swap agreements and to pay the net amounts payable by the Board thereunder from moneys on deposit in the Interest and Sinking Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Interest Rate Swap Agreements" herein. For additional information with respect to the Interest and Sinking Fund, see "SELECTED PROVISIONS OF THE RESOLUTION—Interest and Sinking Fund" and Table 3 and Table 4

under “THE BOARD—Loan Demand and Financial Information” herein. Moneys in the Interest and Sinking Fund may be invested as described in “SELECTED PROVISIONS OF THE RESOLUTION—Funds—Investment of Funds.” See also, “OTHER RELEVANT INFORMATION—Investment Agreement” herein.

Pursuant to the Act, the Board is obligated from time to time to fix the interest rate to be charged for any student loan at a rate sufficient to pay the interest on outstanding State of Texas College Student Loan Bonds, any expenses incident to their issuance, sale and retirement, and all or a portion of the Board’s expenses related to the operation of the Board’s student loan programs authorized under the Act. The Board monitors the student loan repayments it receives from all outstanding loans made under the student loan programs authorized by the Act and changes the interest rates charged on new student loans from time to time in order to comply with such statutory obligation. For additional information with respect to the interest rates charged for the student loan programs authorized by the Act, see “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS.” Historically, the Board’s student loan programs have provided funds through the repayment of student loans and investment interest in amounts sufficient to meet debt service requirements and to pay direct expenses incurred by the Board in connection with the operation of its student loan programs without drawing on the State’s General Revenue Fund. No assurance, however, can be given that subsequent events, including, without limitation, changes in relevant constitutional or statutory provisions, will not cause the Board to draw on the State’s General Revenue Fund for the payment of debt service on the Bonds, the Previously Issued Bonds or any Additional Bonds.

Other Funds Administered by the Board

In addition to the Interest and Sinking Fund, the Board also administers the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund, which are funds within the State Treasury. As further described below, all moneys on deposit in such Funds may be utilized only to make student loans and for other lawful purposes related to the student loan programs authorized by the Act. See “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS” hereto. The Act also authorizes the Board to transfer moneys between the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund if the transfer is approved by the Board and is necessary to administer such Funds. For certain financial information relating to the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund, see Table 3 and Table 4 under “THE BOARD—Loan Demand and Financial Information” herein.

Student Loan Auxiliary Fund. Pursuant to amendments to the Act in 1991, the Student Loan Auxiliary Fund was established as a fund within the State Treasury, and the Board was required to begin depositing all proceeds of its State of Texas College Student Loan Bonds issued after such time in the Student Loan Auxiliary Fund to fund the student loan programs authorized by the Act. Pursuant to, and subject to certain exceptions contained in, the Resolution, proceeds of any Additional Bonds (other than Additional Bonds issued to refund outstanding State of Texas College Student Loan Bonds) must be deposited by the Board in the Student Loan Auxiliary Fund to fund the student loan programs authorized by the Act. See “SELECTED PROVISIONS OF THE RESOLUTION—Student Loan Auxiliary Fund” and “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS” herein.

In addition, the Board has provided in the Resolution (and in each Board resolution authorizing the issuance of Previously Issued Bonds issued after 1991) for the deposit into the Student Loan Auxiliary Fund of all money received in any Fiscal Year from repayment of student loans granted under the Act which are made by the Board from funds on deposit in the Student Loan Auxiliary Fund, and interest thereon, which is *in excess* of the amount required to be deposited in the Interest and Sinking Fund (see “—Interest and Sinking Fund” above). The Resolution authorizes the Board to use such excess loan repayments on deposit in the Student Loan Auxiliary Fund to (i) make loans to students, (ii) pay administration and operating expenses, and fund any other lawful purpose, related to the Board’s student loan programs and (iii) to the extent permitted by law, transfer to the Interest and Sinking Fund in the event funds on deposit in the Interest and Sinking Fund are insufficient to pay principal of and interest on any of the Bonds, the Previously Issued Bonds and Additional Bonds. See “SELECTED PROVISIONS OF THE RESOLUTION—Funds—Student Loan Auxiliary Fund” herein. Moneys in the Student Loan Auxiliary Fund may be invested as described in “SELECTED PROVISIONS OF THE RESOLUTION—Funds—Investment of Funds.” See also, “OTHER RELEVANT INFORMATION—Investment Agreement” herein.

Texas Opportunity Plan Fund. The Texas Opportunity Plan Fund was established as a fund within the State Treasury by Article III, Section 50b of the State Constitution (adopted on November 2, 1965). Prior to the establishment of the Student Loan Auxiliary Fund pursuant to amendments to the Act in 1991, the proceeds of the Board’s State of Texas College Student Loan Bonds were required by the Act to be deposited in the Texas Opportunity Plan Fund to fund the student loan programs authorized by the Act. Pursuant to a resolution adopted by the Board, the Board has provided for the deposit into the Texas Opportunity Plan Fund of all money received in any Fiscal Year from repayment of student loans granted under the Act which are made by the Board from funds on deposit in the Texas Opportunity Plan Fund, and interest thereon, which is *in excess* of the amount required to be deposited in the Interest and Sinking Fund (as described above under “—Interest and Sinking Fund”). Pursuant to such resolution, such excess loan repayments on deposit in the

Texas Opportunity Plan Fund may be used for the same purposes for which excess loan repayments on deposit in the Student Loan Auxiliary Fund may be utilized, as described above in “—Student Loan Auxiliary Fund.” Moneys in the Texas Opportunity Plan Fund may be invested in the same types of investments in which moneys in the Student Loan Auxiliary Fund may be invested, as described above in “—Student Loan Auxiliary Fund.” See “SELECTED PROVISIONS OF THE RESOLUTION—Funds—Investment of Funds” and “OTHER RELEVANT INFORMATION—Investment Agreement” herein.

Additional Bonds

The Board has reserved the right in the Resolution and in each Board resolution authorizing the issuance of the Previously Issued Bonds to issue Additional Bonds from time to time, provided that the provisions for the issuance of such Additional Bonds will preserve the primary sources for the payment thereof and for the security thereof as set forth in the Constitutional Provision.

Section 50b-7 provides that the State Legislature may authorize the Board to issue additional general obligation bonds of the State to finance educational loans to students in the manner provided by the Act provided that the principal amount of outstanding bonds issued under Section 50b-7 may not at any time exceed \$1.86 billion, the aggregate principal amount of all State of Texas College Student Loan Bonds authorized by prior provisions of the State Constitution. The portion of the Bonds issued to fund student loans constitutes the second issuance of general obligation bonds under Section 50b-7.

Section 50b-7 currently enables the State Legislature to authorize the Board to issue up to \$1.86 billion of additional general obligation bonds. However, the enabling legislation for Section 50b-7 enacted by the State Legislature in 2011 during the 82nd Legislature, Regular Session, amended the Act to require that all then outstanding general obligation bonds of the Board, regardless of which provision of the State Constitution such bonds were issued under, must be counted against the \$1.86 billion limit established by Section 50b-7. The Board currently has \$825,100,000 in aggregate principal amount of such general obligation bonds outstanding, excluding the Bonds. Accordingly, the Board is currently authorized by the Act to issue an additional \$1,034,900,000 in aggregate principal amount of general obligation bonds, excluding the Bonds. Additionally, the Act, as so amended, does not contemplate the issuance of the remaining unissued principal amount of approximately \$275.5 million of State of Texas College Student Loan Bonds authorized by prior provisions of the State Constitution. The State Legislature may amend the Act at any time to increase the amount of such additional general obligation bonds that the Board may issue up to the amount contemplated by Section 50b-7 as well as the remaining unissued principal amount authorized by prior provisions of the State Constitution.

The Board is also authorized to issue State of Texas College Student Loan Bonds pursuant to Section 56.451 *et seq.* of the Texas Education Code and Article III, Section 50b-7 of the State Constitution as general obligations of the State for the purpose of funding the “Texas B-On-time loan program” (the “BOT Program”). Such BOT Program bonds would be payable from moneys on deposit in the “B-On-Time Student Loan Account” (the “BOT Account”) and repayments of BOT Program loans made from the proceeds of such BOT Program bonds. Pursuant to the Act, the Resolution and the resolutions of the Board authorizing the issuance of the Previously Issued Bonds, the Board may not repay such BOT Program bonds using moneys collected as repayment for student loans granted under the Act, and thus, such BOT Program bonds would not be payable from moneys on deposit in the Interest and Sinking Fund and would not be on a parity with the Bonds, the Previously Issued Bonds or any Additional Bonds. To date, the Board has not issued any such BOT Program bonds. See “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS” for a description of the BOT Program and the BOT Account.

The Act currently authorizes the Board to issue State of Texas College Student Loan Bonds in a principal amount not to exceed \$350 million per State fiscal year.

Interest Rate Swap Agreements

The Board has reserved the right in the Resolution, to the extent permitted by law, to enter into one or more interest rate swap agreements in connection with its interest obligation on any Previously Issued Bonds, Bonds or Additional Bonds, and to pay the net amounts payable by the Board under any such interest rate swap agreement from moneys on deposit in the Interest and Sinking Fund. The net amounts received by the Board under any such interest rate swap agreement shall be deposited and applied in the same manner as repayments of student loans granted under the Act. See “SELECTED PROVISIONS OF THE RESOLUTION—Funds” herein. The Board is currently not a party to an interest rate swap agreement for the Bonds or the Previously Issued Bonds and does not currently intend to enter into any interest rate swap agreement with respect thereto, but the Board has the ability to enter into an interest rate swap agreement at any time.

SELECTED PROVISIONS OF THE RESOLUTION

The following provisions are summaries of certain sections of the Resolution. These provisions do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution; a copy of the Resolution may be obtained from the Board or its Financial Advisor.

Funds

There have been created in the State Treasury two funds designated respectively:

1. “Student Loan Auxiliary Fund”; and
2. “State of Texas College Student Loan Bonds Interest and Sinking Fund”, defined herein as the “Interest and Sinking Fund”. The Interest and Sinking Fund constitutes the Interest and Sinking Fund for the Bonds, Previously Issued Bonds and any Additional Bonds hereafter issued by the Board which are payable from the same sources.

Student Loan Auxiliary Fund.

- (a) There shall be deposited into the Student Loan Auxiliary Fund the following:
 - (i) except for any such proceeds used to pay costs of issuance or to fund any reserves, all proceeds from the sale of Additional Bonds (other than Additional Bonds issued to refund outstanding State of Texas College Student Loan Bonds) excluding any accrued interest on Additional Bonds which shall be deposited into the Interest and Sinking Fund;
 - (ii) gifts or grants made to the Board for purposes of the Student Loan Auxiliary Fund; and
 - (iii) all money received in any Fiscal Year from repayment of student loans granted under the Act which are made by the Board from funds on deposit in the Student Loan Auxiliary Fund, and interest thereon, which is in excess of the amount required to be deposited into the Interest and Sinking Fund pursuant to the provisions of the Resolution.
- (b) Money in the Student Loan Auxiliary Fund shall be used for the following purposes (provided, however, that in no event may funds deposited in the Student Loan Auxiliary Fund pursuant to clause (a)(i) above and, except as otherwise provided under Section 52.53 of the Act, clause (a)(ii) above, be used for a purpose described in clause (ii) below):
 - (i) to make loans to students as now or hereafter provided by the Constitution and laws of the State, particularly the Act;
 - (ii) to pay administration and operating expenses, and to fund any other lawful purpose, related to the Board’s student loan program operated pursuant to the Act;
 - (iii) to the extent permitted by law, including Subchapter F of the Act, to transfer funds to the Interest and Sinking Fund in the event funds on deposit in the Interest and Sinking Fund are insufficient to pay principal of and interest on any of the Bonds, Previously Issued Bonds and Additional Bonds; and
 - (iv) to the extent permitted by law, including Subchapter F of the Act, to transfer to other funds and accounts established by the Board to comply with covenants related to maintaining the tax-exempt status of the Bonds, the Previously Issued Bonds and any Additional Bonds.

Interest and Sinking Fund.

- (a) There shall be deposited into the Interest and Sinking Fund the following:
 - (i) money received in each Fiscal Year as repayment of student loans granted under the Act and interest thereon sufficient to pay the interest on and principal of the Previously Issued Bonds, the Bonds and any Additional Bonds to become due during the ensuing Fiscal Year; provided, however, when all Previously Issued Bonds issued prior to June 1, 2004 have been defeased or are no longer outstanding, if permitted by law, the Board may reduce, in whole or in part, the amount required to be accumulated in the Interest and Sinking Fund to pay interest on and principal of the Previously Issued Bonds, the Bonds and any Additional Bonds to become due

during the ensuing Fiscal Year; provided further that such action may not be exercised unless the Board has received written confirmation from each rating agency then maintaining a rating (at the request of the Board) on the Bonds, the Previously Issued Bonds and any Additional Bonds then outstanding that the exercise of such action will not cause a reduction or withdrawal of their respective ratings then applicable to any of the Bonds, Previously Issued Bonds or Additional Bonds (See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Interest and Sinking Fund” herein);

- (ii) money required by the Constitutional Provision and the Act to be transferred into the Interest and Sinking Fund by the Comptroller out of first moneys coming into the State Treasury in each Fiscal Year not otherwise appropriated by the State Constitution;
 - (iii) money transferred by the Board from the Student Loan Auxiliary Fund pursuant to clauses (b)(iii) and (b)(iv) under the caption “—Student Loan Auxiliary Fund” above; and
 - (iv) accrued interest on the Bonds, if any.
- (b) Money in the Interest and Sinking Fund is pledged pursuant to the Resolution to secure payment of principal of and interest on the Bonds, the Previously Issued Bonds and any Additional Bonds, and shall be used only for the purpose of paying interest on and principal of the Bonds, the Previously Issued Bonds and any Additional Bonds, and for transferring to other funds and accounts established by the Board to comply with covenants related to maintaining the tax-exempt status of the Bonds, the Previously Issued Bonds and any Additional Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Interest and Sinking Fund” and “—Interest Rate Swap Agreements” herein.

Provision for Payment of Bonds.

- (a) The Board recognizes the absolute and ultimate obligation of the State to provide during each Fiscal Year all money necessary for the payment of the principal of and interest on the Bonds, the Previously Issued Bonds and all Additional Bonds when such interest or principal and interest become due, out of the first moneys coming into the State Treasury in each Fiscal Year not otherwise appropriated by the State Constitution, less any amount in the Interest and Sinking Fund at the end of the preceding Fiscal Year, as set forth in the Constitutional Provision.
- (b) All money received by the Board as principal and interest repayments of loans granted under the Act shall be deposited with the Comptroller in the Interest and Sinking Fund as received until the amount contained in said fund shall be sufficient to pay the principal and interest to become due on the Bonds, the Previously Issued Bonds and on any Additional Bonds during the ensuing Fiscal Year; provided, however, when all Previously Issued Bonds issued prior to June 1, 2004 have been defeased or are no longer outstanding, if permitted by law, the Board may reduce, in whole or in part, the amount required to be accumulated in the Interest and Sinking Fund to pay interest on and principal of the Previously Issued Bonds, the Bonds and any Additional Bonds to become due during the ensuing Fiscal Year; and provided further that such action described above may not be exercised unless the Board has received written confirmation from each rating agency then maintaining a rating (at the request of the Board) on the Bonds, the Previously Issued Bonds and any Additional Bonds then outstanding that the exercise of such action will not cause a reduction or withdrawal of their respective ratings then applicable to any of the Bonds, Previously Issued Bonds or Additional Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Interest and Sinking Fund” and “—Interest Rate Swap Agreements” herein.
- (c) As early as possible in each Fiscal Year the Board shall cause to be furnished to the Comptroller a statement showing:
 - (i) the amount of money and investments in the Interest and Sinking Fund at the close of the preceding Fiscal Year;
 - (ii) the amount of interest or principal and interest which will become due during that Fiscal Year on the Bonds, the Previously Issued Bonds and the Additional Bonds; and
 - (iii) the amount of money, if any, which should be transferred to the Interest and Sinking Fund from the first money coming into the State Treasury in that Fiscal Year not otherwise appropriated by the State Constitution.

Transfers to Interest and Sinking Fund. If the statement required by the foregoing caption shows that the amount of money and the value of investments contained in the Interest and Sinking Fund is less than the amount of interest or interest and principal scheduled to become due on the Bonds, the Previously Issued Bonds and the Additional Bonds during that Fiscal Year, the Comptroller shall (i) first allocate available funds then on deposit in the Interest and Sinking Fund the amount determined by the Board as described in clause (c)(iii) immediately above which will be required to pay the principal and interest on the Bonds, the Previously Issued Bonds and any Additional Bonds which will become due during that Fiscal Year, and (ii) second, transfer into the Interest and Sinking Fund out of the first money coming into the State Treasury in that Fiscal Year, not otherwise appropriated by the State Constitution, such additional amount as shall be required to pay the interest or interest and principal of the Bonds, the Previously Issued Bonds, and Additional Bonds maturing and coming due during that Fiscal Year. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Interest and Sinking Fund” and “—Interest Rate Swap Agreements” herein.

Preparation of Vouchers and Issuance of Warrants for Debt Service.

- (a) Prior to each interest payment date and/or maturity date while any of the Bonds, the Previously Issued Bonds or Additional Bonds remain outstanding or interest is due thereon, it shall be the duty of the officers and employees of the Board to prepare or cause to be prepared and to file with the Comptroller a voucher (or other instrument required by the Comptroller) showing the amount of money required to pay the principal of and interest on all such bonds then to become due. Such voucher shall specify the paying agent to which remittance is to be made, and shall direct that a warrant or warrants for such amount or amounts be issued, payable to the order of such paying agent.
- (b) Based on each such voucher it shall be the duty of the Comptroller after the filing with her of such voucher, to draw on the State Treasury a proper warrant in the amount shown in such voucher, payable to the order of the paying agent specified in the voucher. Such warrant shall be drawn against the Interest and Sinking Fund. The Comptroller shall forward the warrant to the principal office of the paying agent specified in the voucher. Such warrant shall be forwarded, so as to allow ample time for conversion of the warrant into current funds by the paying agent specified in the voucher by such principal and interest payment date.

The Comptroller’s current practice is to remit moneys via electronic wire transfer.

Investment of Funds.

- (a) Any moneys in the Student Loan Auxiliary Fund in excess of the amount necessary for student loans shall be invested by the Comptroller in any investments authorized pursuant to (1) Chapter 2256, Texas Government Code, as amended, (2) Section 404.024, Texas Government Code, as amended, or (3) any other statute which describes the types of investments in which the Comptroller, the Board or any other agency of the State can invest its funds. The foregoing notwithstanding, no proceeds of the Bonds (or repayments of student loans) deposited to such fund for a period longer than six months (or, in the case of repayments, three months) will be invested in obligations with a yield materially higher than the yield on the Bonds.
- (b) Money in the Interest and Sinking Fund shall be invested only in direct obligations of or unconditionally guaranteed by the United States of America which are scheduled to mature prior to the date money must be available for use for its intended purpose.
- (c) The Comptroller, at the direction of the Board (or the Commissioner, as authorized in the Resolution as described below), may sell any investments owned in the Interest and Sinking Fund or in the Student Loan Auxiliary Fund at the prevailing market price. Except as may otherwise be required by the Resolution with respect to compliance with the rebate covenant therein described, income from such investments shall be deposited into the Interest and Sinking Fund.
- (d) Notwithstanding any other provision of the Resolution described under this caption to the contrary (other than the last sentence of paragraph (a) above), when all Previously Issued Bonds issued prior to June 1, 2004 have been defeased or are no longer outstanding, all moneys in the Interest and Sinking Fund and the Student Loan Auxiliary Fund in excess of the amount necessary for student loans shall be invested by the Comptroller in any investments authorized pursuant to (1) Chapter 2256, Texas Government Code, as amended, (2) Section 404.024 of the Texas Government Code, as amended, or (3) any other statute which describes the types of investments in which the Comptroller, the Board or any other agency of the State may invest its funds; provided, all such investments shall be scheduled to mature prior to the date such moneys must be available for use for its intended purpose. Pursuant to the Resolution and a separate resolution adopted by the Board, the Board has delegated to the

Commissioner and other officers and employees of the Board the authority to take any action necessary to comply with the foregoing provisions of the Resolution (and any other provision of the Resolution or of any Board resolution governing any Previously Issued Bonds with respect to the investment of moneys in the Interest and Sinking Fund, the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund), including, but not limited to, the authority to direct the Comptroller or the Comptroller's designee, pursuant to an agreement or otherwise, to invest such moneys in the investments authorized in the Resolution and in any Board resolution governing any Previously Issued Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Other Funds Administered by the Board" and "OTHER RELEVANT INFORMATION—Investment Agreement" herein.

Covenants of the Board

The Board has covenanted in the Resolution that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Resolution and in each Bond; the Board will promptly pay or cause to be paid the principal of and interest on each Bond on the dates and at the places and manner prescribed in such Bond; the Board will, at the times and in the manner prescribed by the Resolution, deposit or cause to be deposited the amounts of money specified by the Resolution; and the Board will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes.

The Board has covenanted in the Resolution that it will give prior written notice to S&P and Moody's of (i) any amendment to the Resolution, or (ii) redemption of all of the Outstanding Bonds.

Deposit and Transfer of Funds; Duties of Comptroller

The Comptroller is authorized and directed to make the deposits and transfers required under all provisions of the Resolution and the Board's resolutions authorizing Previously Issued Bonds and Additional Bonds. The Comptroller is further authorized and directed to do all things necessary or convenient to make current funds available at the Paying Agent/Registrar to pay principal of and interest on all Bonds and Previously Issued Bonds as they mature, all in accordance with the respective authorizing resolutions.

Amendments of and Supplements to the Resolution

Without Consent of Owners. Without notice to or the consent of any Owner, the Board may, at any time, amend the Resolution to cure any ambiguity or cure, correct or supplement any defective or inconsistent provision contained in the Resolution or make any other change that does not in the opinion of bond counsel for the Board, in any respect, materially and adversely affect the interests of the Owners. Without limiting the foregoing, the Board may amend or supplement the Resolution without notice to or the consent of any Owner:

- (a) to modify the Resolution or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States;
- (b) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Resolution regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;
- (c) to increase or decrease the number of days specified for the giving of notices in the Resolution and to make corresponding changes to the period for notice of redemption of the Bonds provided that no decreases in any such number of days shall become effective until 30 days after the Paying Agent/Registrar has given notice to the Owners of the Bonds; or
- (d) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds.

With Consent of Owners. If an amendment of or supplement to the Resolution or the Bonds without any consent of Owners is not permitted by the preceding caption, the Board may enter into such amendment or supplement without prior notice to any Owners but with the consent of the Owners of at least a majority in principal amount of all the Bonds then Outstanding under the Resolution. However, nothing contained in the Resolution shall permit or be construed to permit the amendment of, without the consent of each Owner: affected thereby, or supplement to the terms and conditions in the Resolution, so as to:

- (a) change the sinking fund requirements, if any, Interest Payment Dates, rights to tender or the maturity or maturities of the Outstanding Bonds;
- (b) reduce the rate of interest borne by any of the Outstanding Bonds;
- (c) reduce the amount of the principal or purchase price of or premium, if any, payable on the Outstanding Bonds;
- (d) modify the terms of payment of principal or purchase price of, premium, if any, or interest on the Outstanding Bonds, or impose any conditions with respect to such payments;
- (e) affect the rights of the Owners of fewer than all of the Outstanding Bonds; or
- (f) decrease the minimum percentage of the principal amount of Outstanding Bonds necessary for consent to any such amendment.

In addition, if moneys or investments have been deposited or set aside with the Paying Agent/Registrar pursuant to the Resolution for the payment of Bonds and those Bonds shall not have in fact been actually paid in full, no amendment to the provisions of the Resolution providing for the depositing or setting aside of such moneys or investments shall be made without the consent of the Owner of each of those Bonds affected.

Effect of Consents. Any consent received pursuant to the provisions described in the immediately preceding caption will bind each Owner delivering such consent and each subsequent Owner of a Bond or portion of a Bond evidencing the same debt as the consenting Owner's Bond.

THE BOARD

General

The Board is a state agency created and organized pursuant to the State Constitution and the Texas Education Code. The Board currently consists of nine voting members appointed by the Governor to provide representation from all areas of the State, with the advice and consent of the State Senate. The Governor appoints members for six-year terms. No member of the Board may be employed professionally for remuneration in the field of education during the term of office. The Chair and Vice Chair of the Board are designated by the Governor and the Board appoints a Secretary. Members of the Board serve without pay but are reimbursed for actual expenses incurred in attending meetings of the Board or in performing other work of the Board when such work is approved by the Chair of the Board. Minutes of all meetings of the Board are available in the Board's office in Austin, Texas for public inspection. In addition to its student loan programs, the Board has substantial duties and powers relating to public and private institutions of higher education in the State.

Sunset Review of the Board

In 1977, the State Legislature enacted the Texas Sunset Act (Chapter 325, Texas Government Code, as amended), which provides that virtually all agencies of the State, including the Board, are subject to periodic review of the Legislature and that each agency subject to sunset review will be abolished unless the Legislature specifically determines to continue its existence. The next sunset review of the Board is scheduled to occur during the next regular Texas legislative session in 2013. If the Board is not continued in existence at that time, the Board will cease to exist as of September 1, 2013; however, the Texas Sunset Act provides that the Board will exist until September 1 of the following year (September 1, 2014) in order to conclude its business. In the event the Board is abolished pursuant to the Texas Sunset Act, the Governor is required to designate an appropriate State agency to carry out the Board's covenants contained in the Bonds and in the Resolution.

Loan Demand and Financial Information

The Board administers various student loan programs authorized by the Act and other provisions of the Texas Education Code. Such loan programs may be funded with the proceeds of State of Texas College Student Loan Bonds and certain other moneys on deposit in the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Other Funds Administered by the Board" herein. Such loan programs authorized by the Act include State loan programs that are not guaranteed by either the State or the federal government and federally insured loan programs.

As a result of a change in federal law, effective June 30, 2010, the Board is no longer permitted to originate any new loans under any federally insured loan program authorized by the Act. The Board does not, however, expect that such change in law will adversely affect the State loan programs administered by the Board pursuant to the Act or the Board's ability to

pay debt service on the Bonds or any Previously Issued Bonds. For the Fiscal Year ending August 31, 2010, the Board originated approximately \$1.8 million in aggregate principal amount of federally insured loans, which represents approximately 1.4% of the total principal amount of student loans originated by the Board under all loan programs authorized by the Act during such Fiscal Year. As of May 31, 2013, approximately 1.4 % of the Board's total student loan principal receivable balance consists of loans made under federally insured loan programs authorized by the Act. See footnote 4 to Table 4.

The Texas B-On-time loan program (the "BOT Program"), which began in Fiscal Year 2003, is one of the non-guaranteed State loan programs administered by the Board. BOT Program loans bear no interest and the entire loan amount will be forgiven if upon graduation the student meets specified goals relating to efficiency and academic success. If the student does not meet such specified goals upon graduation, the BOT Program loan continues to bear no interest but the student must repay the principal amount thereof. BOT Program loans may be funded from (i) the proceeds of State of Texas College Student Loan Bonds that are designated for such purpose, (ii) moneys in the BOT Account, and (iii) certain excess loan repayments on deposit in the Student Loan Auxiliary Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS— Other Funds Administered by the Board—Student Loan Auxiliary Fund," "– Additional Bonds" and "APPENDIX C – SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS." Pursuant to the Act, the original proceeds of the Bonds to be deposited in the Student Loan Auxiliary Fund may not be used to fund the BOT Program. For a description of the outstanding principal amount of BOT Program loans as of August 31, 2011 and August 31, 2010 that were made from certain excess loan repayments on deposit in the Student Loan Auxiliary Fund, see footnote 2 to Table 4 herein.

As described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Interest and Sinking Fund," historically, the Board has not relied on general revenue or general revenue-dedicated funds of the State to fund any direct expenses incurred by the Board in connection with its operation of the student loan programs authorized by the Act or to meet debt service requirements. The Act currently requires that the Board from time to time fix the interest rate to be charged for any student loan authorized by the Act at a rate sufficient to pay the interest on outstanding State of Texas College Student Loan Bonds, any expenses incident to their issuance, sale and retirement, and all or a portion of the Board's expenses related to the operation of the student loan programs authorized by the Act.

Set forth below is certain financial information and estimates relating to the student loan programs administered by the Board. See "APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS" for a description of such loan programs. Historical data and trends presented below are not intended to predict future events or continuing trends, and no representation is made that past experience will continue in the future. No assurance can be provided that revenues from the Board's student loan programs will be sufficient to pay the debt service on the Bonds or any Previously Issued Bonds, or to fund the direct expenses incurred by the Board in connection with its operation of the student loan programs authorized by the Act. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "OTHER RELEVANT INFORMATION—Forward Looking Statements" herein.

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Table 1 – Estimated Loan Demand For Fiscal Years Ending August 31, 2013 and 2014⁽¹⁾

<u>Number</u>	<u>Type of Institution</u>	<u>August 31, 2013</u>		<u>August 31, 2014</u>	
		<u>Amount</u>	<u>Number of Loans</u>	<u>Amount</u>	<u>Number of Loans</u>
34	Public Senior Colleges and Universities	\$79,660,000	8,211	\$	
36	Independent Senior Colleges and Universities	85,729,000	6,884		
39	Public Junior Colleges and Universities	4,296,000	581		
8	Medical Schools	13,091,000	583		
22	Alternative Teacher Certification Centers	1,130,000	283		
<u>3</u>	Public Technical Colleges	1,094,000	<u>108</u>	—	—
142	Totals	\$ ⁽¹⁾			

⁽¹⁾ Amounts represent the Board’s student loan allocations provided to all eligible educational institutions in the State prior to the commencement of each of the Fiscal Years shown. Based upon the actual principal amount of loans made by the Board through June 1, 2013, the Board estimates that approximately \$115 million in aggregate principal amount of student loans will be made by the Board for the Fiscal Year ending August 31, 2013. The Board estimates all student loans to be made by the Board during Fiscal Years ending August 31, 2013 and August 31, 2014 will consist of loans to be made under the College Access Loan (CAL) Program. CAL loans are not guaranteed by either the State or the federal government. For a description of the Board’s various student loan programs, including the CAL Program, see “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS.” See also, “OTHER RELEVANT INFORMATION—Forward Looking Statements” herein.

Source: Texas Higher Education Coordinating Board.

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Table 2 – Historical Loan Demand (Unaudited)⁽¹⁾

<u>Year</u>	<u>Amount</u>	<u>Number of Loans</u>	<u>Average Loan</u>	<u>Number of Students</u>	<u>Average Borrowed</u>
2001	\$74,407,594	\$34,070	\$2,184	\$14,640	\$5,082
2002	52,796,291	21,584	2,446	10,733	4,901
2003	43,294,903	16,278	2,660	8,234	5,258
2004 ⁽²⁾	51,765,984	19,478	2,658	10,513	4,924
2005 ⁽²⁾	70,673,456	27,647	2,556	15,556	4,543
2006 ⁽²⁾	103,935,106	32,829	3,166	18,450	5,633
2007 ⁽²⁾	95,816,418	23,288	4,114	16,682	6,446
2008 ⁽³⁾ (4)	97,825,142	12,174	8,036	9,727	10,057
2009 ⁽⁴⁾	86,788,588	10,570	8,211	8,662	10,019
2010	74,953,988	9,033	8,298	7,648	9,800
2011	101,547,713	10,564	9,613	8,684	11,694
2012	104,563,240	10,244	10,227	8,548	12,232

⁽¹⁾ Unaudited, based on Fiscal Year ending August 31. The foregoing table represents all student loans authorized by the Act that were made by the Board for each of the Fiscal Years indicated from moneys on deposit in the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Other Funds Administered by the Board” and “OTHER RELEVANT INFORMATION—Board Financial Information” herein.

⁽²⁾ During Fiscal Years 2004-2007, inclusive, the Board made approximately \$67.8 million in aggregate principal amount of BOT Program loans from certain excess loan repayments on deposit in the Student Loan Auxiliary Fund. Numbers shown include such BOT Program loans made from such moneys on deposit in the Student Loan Auxiliary Fund during the respective Fiscal Year. See footnote 2 to Table 4 herein for a description of the outstanding principal amount of BOT Program loans as of August 31, 2012 and August 31, 2011, which were originated from such moneys. See also, “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS.”

⁽³⁾ During Fiscal Year 2008, the Board made BOT Program loans in the approximate aggregate principal amount of \$18.04 million from certain excess loan repayments on deposit in the Student Loan Auxiliary Fund; numbers shown for Fiscal Year 2008 include such BOT Program loans. All such BOT Program loans were transferred to the BOT Account subsequent to August 31, 2008 in exchange for cash. The Board does not presently intend to make additional BOT Program loans from such moneys on deposit in the Student Loan Auxiliary Fund, but the Board has the ability to make additional BOT Program loans from such moneys at any time. For a description of the BOT Program and the BOT Account, see “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS.”

⁽⁴⁾ During Fiscal Year 2007, the Board converted to a new student loan management system known as the Higher Education Loan Management (HELM) System. The previous loan management system utilized by the Board counted each disbursement to a borrower during an academic year as a separate loan, while the HELM System combines multiple disbursements made to a borrower during an academic year as a single loan.

Source: Texas Higher Education Coordinating Board.

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Table 3 - Loan Program Cash Flows (Unaudited)⁽¹⁾

(in millions)

	<u>2013⁽²⁾</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Beginning Balance	304.0	298.0	\$272.2	\$251.0	\$316.4	\$294.9	\$248.1	\$318.0	\$366.0
Bond Proceeds	125.0	99.5	125.0	124.0	75.0	74.7	74.7	-	-
Loan Repayments	105.0	103.0	93.4	81.5	78.3	90.8 ⁽³⁾	103.9 ⁽³⁾	87.5	87.7
Investment Earnings	1.2	1.2	1.6	2.3	6.5	11.6	11.9	13.0	8.8
Lender's Fees	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.5</u>	<u>0.9</u>	<u>1.7</u>
Available Funds	535.2	501.7	<u>\$492.2</u>	<u>\$459.0</u>	<u>\$476.4</u>	<u>\$472.2</u>	<u>\$439.1</u>	<u>\$419.4</u>	<u>\$464.2</u>
Cash Disbursed for:	115.0	96.1							
Loans			\$94.2	\$ 78.4	\$ 81.6	\$101.5	\$ 90.4	\$100.0	\$ 68.8
Debt Service ⁽⁴⁾	100.7	91.0	91.1	98.5	132.6	44.0	42.8	57.2	65.1
Lender's Expenses ⁽⁵⁾	<u>10.5</u>	<u>10.6</u>	<u>8.9</u>	<u>9.9</u>	<u>11.2</u>	<u>10.3</u>	<u>11.0</u>	<u>14.1</u>	<u>12.3</u>
Total Expenditures	<u>226.2</u>	<u>197.7</u>	<u>\$194.2</u>	<u>\$186.8</u>	<u>\$225.4</u>	<u>\$155.8</u>	<u>\$144.2</u>	<u>\$171.3</u>	<u>\$146.2</u>
Ending Balance	<u>309.0</u>	<u>304.0</u>	<u>\$298.0</u>	<u>\$272.2</u>	<u>\$251.0</u>	<u>\$316.4</u>	<u>\$294.9</u>	<u>\$248.1</u>	<u>\$318.0</u>

(1) Unaudited, based on Fiscal Year ending August 31. The foregoing table represents combined net cashflows for the Interest and Sinking Fund, the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund for each of the Fiscal Years indicated. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Interest and Sinking Fund," "—Other Funds Administered by the Board" and "OTHER RELEVANT INFORMATION—Board Financial Information" herein.

(2) Estimated. See "OTHER RELEVANT INFORMATION—Forward Looking Statements" herein.

(3) The total loan repayments for Fiscal Years 2007 and 2008 include approximately \$19.1 million and \$18.0 million, respectively, in moneys that were transferred from the BOT Account into the Student Loan Auxiliary Fund in exchange for approximately \$19.1 million and \$18.0 million, respectively, in principal amount of BOT Program loans. The Board does not presently intend to transfer any additional BOT Program loans from the Student Loan Auxiliary Fund to the BOT Account. For a description of the BOT Account and the BOT Program, see "APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS."

(4) As described under "INTRODUCTION," the Board is authorized to issue its State of Texas College Student Loan Bonds as general obligations of the State pursuant to the Constitutional Provision. In an effort to preserve this authorization, the Board refunded current maturities of such bonds during Fiscal Years 2003-2008, which had the effect of decreasing the amount of debt service due on such bonds during such years, and increasing the amount of debt service due in future years.

(5) Amounts shown for Lender's Expenses include administration and operating expenses of the Board related to its student loan programs.

(6) For illustrative purposes, amount shown includes interest on the Board's Series 2003, Series 2004 and Series 2006 Variable Rate College Student Loan Bonds, calculated at an assumed rate of 8.00% per annum.

Source: Texas Higher Education Coordinating Board.

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Table 4 – Cash and Loan Principal & Interest Receivable Balances as of August 31, 2012 and August 31, 2011 (Unaudited)⁽¹⁾

	<u>Fiscal Year Ended</u> <u>August 31, 2012</u>	<u>Fiscal Year Ended</u> <u>August 31, 2011</u>
Cash Balances		
Interest and Sinking Fund	\$115,570,317	\$108,387,719
Student Loan Auxiliary Fund	149,137,639	152,776,922
Texas Opportunity Plan Fund	<u>39,102,104</u>	<u>36,899,303</u>
Total Cash Balance	\$303,810,061	\$298,063,944
Aggregate Student Loan Principal & Interest Receivable Balance	\$1,031,395,738	\$986,217,710 ⁽²⁾⁽³⁾
Less: Allowance for Doubtful Accounts ⁽⁴⁾	<u>(155,306,809)</u>	<u>(145,012,045)</u>
Net Student Loan Principal & Interest Receivable Balance	\$876,088,929	\$841,205,665

⁽¹⁾ Unaudited. Such financial information was derived from the Board’s Unaudited Financial Report for the Fiscal Year ended August 31, 2012 and August 31, 2011, respectively. For a description of the authorized uses of moneys on deposit in the Interest and Sinking Fund, the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Interest and Sinking Fund” and “—Other Funds Administered by the Board”. See also, “OTHER RELEVANT INFORMATION—Board Financial Information” herein.

⁽²⁾ Represents the aggregate student loan principal and interest receivable balance as of August 31, 2012 and August 31, 2011, respectively, accounted for by the Board in the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Other Funds Administered by the Board” herein. Includes approximately \$16.6 million and \$20.1 million in outstanding principal amount of BOT Program loans as of August 31, 2012 and August 31, 2011, respectively that were originated from certain excess loan repayments on deposit in the Student Loan Auxiliary Fund. For a description of the BOT Program, see “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS” herein.

⁽³⁾ As of August 31, 2012 and August 31, 2011, approximately 98.5% of the total student loan principal receivable balance consists of loans made under various State loan programs authorized by the Act, none of which are guaranteed by either the State or the federal government, and approximately 1.5% of such total student loan principal receivable balance consists of loans made under federally insured loan programs authorized by the Act. For a description of the Board’s various student loan programs, see “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS.”

⁽⁴⁾ The allowance for doubtful accounts in this Table 4 is based on three criteria: a real time determination of the portfolio default rate, an analysis of historical trends, and an assessment by Board staff of any significant economic changes that would positively or negatively impact the predicted repayment performance of student loan receivables. BOT Program loans are accounted for by the Board at 100% of the principal amount thereof, with a corresponding allowance for doubtful accounts equal to 30% of the principal amount thereof (because BOT Program loans may be forgiven if certain conditions are satisfied) plus 5.0% of the remaining principal amount for potentially uncollectible amounts.

Source: Texas Higher Education Coordinating Board.

The Board reports a cumulative, life-of-the-program, default rate to the Texas Legislative Budget Board each quarter for all loans extended under the Board’s student loan programs. This historic rate is approximately 10.72% as of May 31, 2013, and is determined by dividing the principal and accrued interest amounts of all loans that have ever been, by their terms, in default, by the total principal and accrued interest amounts of every loan disbursed by the board since the inception of the loan program in 1965. For a description of the default terms of the Board’s student loan programs, see “APPENDIX C—SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS.”

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Table 5 - Debt Service Requirements

Fiscal Year Ending 8/31	Previously Issued Bonds			The Bonds ⁽²⁾			Total Outstanding Debt Service ⁽²⁾
	Principal	Interest ⁽¹⁾	Total	Principal	Interest	Total	
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
Total							

⁽¹⁾ For illustrative purposes, interest on the Board's Series 2003, Series 2004 and Series 2006 Variable Rate College Student Loan Bonds has been calculated at an assumed rate of 8.00% per annum.

⁽²⁾ Preliminary, subject to change.

Totals may not add due to rounding.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, and Mahomes Bolden PC, Dallas, Texas, Co-Bond Counsel to the Board, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), for federal income tax purposes, interest on the Bonds will be excludable from the "gross income" of the holders thereof. Co-Bond Counsel's opinion will note that interest on the Bonds is an item of tax preference, as defined in section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"), for purposes of determining the alternative minimum tax imposed on individuals and corporations by section 55 of the Code. Except as stated above, Co-Bond Counsel to the Board will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX D—Form of Opinion of Co-Bond Counsel".

In rendering the foregoing opinion, Co-Bond Counsel to the Board will rely upon representations and certifications of the Board made in a certificate delivered on the date the Bonds are delivered to the Underwriters pertaining to the use, expenditure, and investment of the proceeds of the Bonds and has assumed continuing compliance with the provisions of the Resolution by the Board subsequent to the issuance of the Bonds. The Resolution contains covenants by the Board with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Co-Bond Counsel's opinion represents their legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Co-Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Board with respect to the Bonds. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Co-Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Board as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond

in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Future and Proposed Legislation

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 Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Board has made the following agreement for the benefit of the Owners and Beneficial Owners of the Bonds. The Board is required to observe the agreement for so long as it remains an “obligated person” with respect to the Bonds within the meaning of the Rule. Under the agreement, the Board will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This information will be available to the public at no charge using the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System via the MSRB’s internet website, www.emma.msrb.org.

Annual Reports

The Board will provide annually to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB, within six months after the end of each Fiscal Year ending in or after 2012, certain financial information and operating data with respect to the Board of the general type included in this Official Statement under the Tables numbered 2 through 5, together with audited financial statements of the Board for such Fiscal Year if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided; provided, however, if the Board commissions an audit of such statements and the audit is not completed within the period during which they must be provided, such audited financial statements shall be delivered to the MSRB, in an electronic format as prescribed by the MSRB, when and if they become available. Any financial information or audited financial statements so to be provided will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Board may be required to employ from time to time pursuant to State law or regulation.

If the Board changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this caption.

The financial information and operating data to be provided pursuant to this caption may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet website or filed with the SEC.

Event Notices

As used in this “Event Notices” caption, the term “obligated person” shall mean any person, including the Board, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). The Board will notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, 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 material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, 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 obligated person;

Note to paragraph 12.: For the purposes of the event identified in paragraph 12 of this caption, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of successor or additional trustee or the change of name of a trustee, if material.

Neither the Bonds nor the Resolution make any provision for a debt service reserve or credit enhancement. In addition, the Board will provide timely notice to the MSRB of any failure by the Board to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports".

Continuing Disclosure Undertaking of the Comptroller

General. The Comptroller currently provides and intends to continue to provide current information concerning the financial condition of State government, and the Comptroller has agreed for the benefit of the holders of the Bonds to provide certain updated information and notices while the Bonds remain outstanding. The Board and the legal and beneficial owners of the Bonds are third-party beneficiaries of the Comptroller's agreement. The Comptroller is required to observe this agreement for so long as the Bonds may be paid from money drawn on the State's General Revenue Fund. Under the agreement, the Comptroller will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB, in an electronic format as prescribed by the MSRB. This information will be available to the public at no charge using the MSRB's Electronic Municipal Market Access System via the MSRB's internet website, www.emma.msrb.org.

In addition to the information that the Comptroller has agreed to provide annually as described below, the Comptroller currently prepares an updated disclosure appendix quarterly for use in State agency securities offerings. This disclosure appendix, dated as of _____ 20__, is attached hereto as APPENDIX A. The Comptroller intends to continue to prepare or supplement such an appendix quarterly, with the next quarterly update expected _____ 20__, and to provide annual information in accordance with her disclosure agreement. In addition, the Comptroller currently publishes, but is not obligated to publish, a monthly publication, *Fiscal Notes*, which includes key economic indicators for the State's economy as well as monthly statements of cash condition, revenues, and expenses for State government funds on a combined basis. Owners may subscribe to *Fiscal Notes* by writing to Fiscal Notes, Comptroller of Public Accounts, P. O. Box 13528, Austin, Texas 78711-3528 or online at www.window.state.tx.us/fnotes/fnmail.html. Information about State

government may also be obtained by contacting the Comptroller's website, Window on State Government, online at www.cpa.state.tx.us or at www.window.state.tx.us.

Annual Reports. The Comptroller will annually provide certain updated financial information and operating data to the MSRB, in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the State of the general type incorporated in APPENDIX A to this Official Statement in Tables A-1 through A-15 and A-32 (however, only actual tax collections and revenues in Table A-10 will be updated) and under the headings "EDUCATION" and "RETIREMENT SYSTEMS". The Comptroller will update and provide this information within 195 days after the end of each Fiscal Year ending in or after 2011.

The Comptroller may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information provided by the Comptroller will be provided on a cash basis and will not be audited, but the Comptroller will provide audited financial statements of the State prepared in accordance with generally accepted accounting principles for governmental entities when the State Auditor completes its statutorily required audit of such financial statements. The accounting principles pursuant to which such financial statements must be prepared may be changed from time to time to comply with State law.

The State's current Fiscal Year end is August 31. Accordingly, it must provide updated information by March 15 in each year unless the State changes its Fiscal Year. If the State changes its Fiscal Year, the Comptroller will notify the MSRB of the change.

Event Notices. The Comptroller will also provide timely notice of any failure by it to provide information, data, or financial statements in accordance with its agreement described above under "Continuing Disclosure Undertaking of the Comptroller—Annual Reports". Each notice described in this paragraph will be provided to the MSRB, in an electronic format as prescribed by the MSRB.

Limitations and Amendments

The Board and the Comptroller have agreed to update information and to provide notices of certain events only as described above. Neither has agreed to provide other information that may be relevant or material to a complete presentation of the Board's or the State's financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of such person's continuing disclosure agreement or from any statement made pursuant to such person's agreement, although holders of Bonds may seek a writ of mandamus to compel the Board and the Comptroller to comply with their agreements.

The Board and the Comptroller may amend their continuing disclosure agreements to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the Board or the State if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the Owners of a majority in aggregate principal amount of Outstanding Bonds consent to such amendment or (b) any person unaffiliated with the Board, the Comptroller and the State (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Owners and Beneficial Owners of the Bonds. If the Board or the Comptroller so amends such person's agreement, such person must include with the next financial information and operating data provided in accordance with such person's agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data provided.

Compliance with Prior Undertakings

The Board became obligated to make annual disclosure of certain financial information in accordance with the Rule in an offering that took place in 1996. The Board has been in compliance with its continuing disclosure obligations each year in accordance with the Rule except for the filing of certain financial information due February 29, 2008. Due to an administrative oversight, the required filing due February 29, 2008 was not timely filed with the required information vendors. Such financial information was filed on March 10, 2008 and a Notice of Late Filing was also filed. The Board has implemented procedures to ensure timely filing of all future financial information.

The Comptroller has not failed to comply in any material respect with any continuing disclosure agreement made by the Comptroller in accordance with the Rule.

OTHER RELEVANT INFORMATION

Ratings

The Bonds have received ratings of “Aaa” by Moody’s and “AA+” by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. Generally, rating companies base their ratings on information and materials obtained by, and on investigations and studies performed by, the rating companies. The ratings reflect only the respective views of such rating companies and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

Legal Opinions and No-Litigation Certificate

The Board will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds have been issued in accordance with law and are valid and binding obligations of the Board, and based upon examination of such transcript of proceedings, the approving legal opinion of Co-Bond Counsel, whose approving opinion is expected to be in the form attached hereto as APPENDIX D.

McCall, Parkhurst & Horton L.L.P. (“McCall”) has been retained by the Board to serve as bond counsel to the Board. McCall has retained Mahomes Bolden PC (“Mahomes”) pursuant to a subcontract whereby McCall and Mahomes have agreed to assume joint responsibility in representing the Board as Co-Bond Counsel and McCall has agreed to pay a portion of the compensation received from the Board for the issuance of the Bonds to Mahomes. A portion of the fee to be paid to McCall by the Board is contingent upon the sale and delivery of the Bonds.

In connection with the transactions described in this Official Statement, Co-Bond Counsel represents only the Board. The customary closing papers, including a certificate of the Board to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Except as noted below, Co-Bond Counsel have not verified, and have not passed upon and does not assume any responsibility for the accuracy, completeness or fairness of the statements contained in this Official Statement. Co-Bond Counsel have, however, reviewed the statements contained in this Official Statement under the captions “SUMMARY STATEMENT,” “INTRODUCTION,” “PLAN OF FINANCE,” “THE BONDS” (but excluding the information set forth under the subheading “—Book-Entry-Only System”), “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “SELECTED PROVISIONS OF THE RESOLUTION,” “CONTINUING DISCLOSURE OF INFORMATION” (but excluding the information set forth under the subheadings “—Continuing Disclosure Undertaking of the Comptroller” and “—Compliance with Prior Undertakings”), “OTHER RELEVANT INFORMATION—Legal Opinions and No-Litigation Certificate” (but excluding the information in the third and fourth paragraphs thereof) and “APPENDIX B—CERTAIN DEFINITIONS CONTAINED IN THE RESOLUTION,” and such firms are of the opinion that the information relating to the Bonds and the Resolution contained under such captions or appendix is a fair and accurate summary of the information purported to be shown therein. In addition, Co-Bond Counsel have reviewed the information under the captions “TAX MATTERS” and “OTHER RELEVANT INFORMATION—Legal Investments and Eligibility to Secure Public Funds in Texas,” and such firms are of the opinion that such information is correct as to matters of law and fairly and accurately presents the information therein.

Certain legal matters will be passed upon for the Underwriters by their counsel, -----.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

General Information Regarding the State of Texas

The Comptroller prepares a quarterly appendix (the “Bond Appendix”) which sets forth certain information regarding the State including its government, finances, economic profile, and other matters for use by State entities when issuing debt. The Bond Appendix is dated _____ 20__, and is attached hereto as APPENDIX A. The next quarterly update of APPENDIX A is expected _____ 20__. With respect to evaluating the ability of the State to make timely payment of debt service on the Bonds based on the information contained in the Bond Appendix, no representation is made that

such information contains all factors material to such an evaluation or that any specific information should be accorded any particular significance.

The Texas 2011 Comprehensive Annual Financial Report for the year ended August 31, 2011 (the “2011 CAFR”) is currently on file with the MSRB and is incorporated by reference and made a part of this Official Statement as if set forth herein. The 2011 CAFR may be found (i) using the MSRB’s Internet website, www.emma.msrb.org, by using the Muni Search function and entering the term “Texas Comptroller,” and (ii) at www.window.state.tx.us/fm/pubs/cafr.

Section 49-j of Article III of the State Constitution prohibits the State Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000, if the resulting annual debt service exceeds 5% of an amount equal to the average amount of general revenue for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. See APPENDIX A and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—General Obligation Pledge” herein.

Board Financial Information

The Board maintains its financial records on the basis of a Fiscal Year ending August 31. The Board has provided certain unaudited financial information regarding the Board’s historical student loan demand and regarding the Interest and Sinking Fund, the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund in Table 2, Table 3 and Table 4 under “THE BOARD—Loan Demand and Financial Information” herein. Such financial information (except for the estimated financial information shown in Table 3 for the Fiscal Year ending August 31, 2013) was derived from the Board’s Unaudited Financial Reports and other unaudited financial information of the Board for the Fiscal Years indicated therein, and such financial information has been prepared in accordance with State requirements for State agencies and has been reviewed by the State Auditors as part of the reviews done in compiling the Comprehensive Annual Financial Report for the State. The scope of the agency reviews do not constitute overall agency audits and therefore the information is considered unaudited at the agency level.

Although all such financial information presented in this Official Statement is unaudited, the Board has commissioned an audit of its financial statements for the Fiscal Year ending August 31, 2012 to be performed by KPMG LLP. As described under “CONTINUING DISCLOSURE OF INFORMATION—Annual Reports” herein, the Resolution obligates the Board to file such audited financial statements with the MSRB, when and if such audited financial statements become available.

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the Board’s records, the State’s financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Investment Agreement

The Board has entered into an Investment Agreement with the Comptroller and the Texas Treasury Safekeeping Trust Company (the “Trust Company”), acting by and through the Comptroller, for the purpose of setting forth such parties’ obligations with respect to the investment of certain of the Board’s funds in accordance with the provisions of the Resolution described under “SELECTED PROVISIONS OF THE RESOLUTION—Funds—Investment of Funds” and the resolutions of the Board authorizing the issuance of Previously Issued Bonds. The Trust Company is a special-purpose trust company organized under the laws of the State, the sole officer, director and shareholder of which is the Comptroller. Pursuant to State law, the Comptroller is obligated to invest moneys in the Interest and Sinking Fund, the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund in the investments prescribed by the Resolution and the resolutions of the Board authorizing the issuance of the Previously Issued Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Other Funds Administered by the Board” and “SELECTED PROVISIONS OF THE RESOLUTION—Funds—Investment of Funds” herein. A copy of such Investment Agreement may be obtained from the Board.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code

applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. The Texas Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended) provides that a municipality, a county, a public school district, a hospital district, a fresh water supply district, a district or authority created under Article III, Section 52(b)(1) or (2), or Article XVI, Section 59, of the State Constitution, any political subdivision, authority, public corporation, body politic or instrumentality of the State, a State agency or any nonprofit corporation acting on behalf of any of those entities may invest in the Bonds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The Board has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The Board has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Financial Advisor

First Southwest Company is serving as Financial Advisor to the Board in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company in its capacity as Financial Advisor has not verified and 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 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Underwriting

_____ is acting on behalf of itself and the other underwriters listed on the front cover page hereof (collectively, the "Underwriters"). The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the principal amount thereof, plus a net original issue premium of \$_____. The Board will pay the Underwriters a fee of \$_____ from moneys contributed by the Board. The purchase obligations of the Underwriters are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriters of the Bonds.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Board, that are not purely historical, are forward-looking statements, including statements regarding the Board's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Board on the date hereof, and the Board assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

The Resolution authorizing the issuance of the Bonds approved the form and content of this Official Statement and authorized any addenda, supplement or amendment hereto and its distribution in accordance with the provisions of the Rule.

TEXAS HIGHER EDUCATION COORDINATING BOARD

Commissioner of Higher Education

SCHEDULE I*

REFUNDED OBLIGATIONS

The Refunded Obligations will be called for redemption at a redemption price of par plus accrued interest on _____, 201_

*Preliminary, subject to change.

APPENDIX A

THE STATE OF TEXAS
GENERAL AND ECONOMIC INFORMATION

APPENDIX B

CERTAIN DEFINITIONS CONTAINED IN THE RESOLUTION

The following statements summarize certain defined terms contained in the Resolution. These statements do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the Resolution; copies of which may be obtained from the Board or its Financial Advisor.

“*Additional Bonds*” – bonds issued after the Issuance Date by the Board payable from the same sources as the Bonds.

“*Authorized Denomination*” – \$5,000 and any integral multiple thereof.

“*Authorized Representative*” – one or more of the following officers of the Board: the Chair of the Board, the Vice Chair of the Board, the Chair of the Agency Operations Committee, the Commissioner, the Deputy Commissioner for Finance and Administration/Chief Operating Officer and such other officer or employee of the Board authorized by the Board to act as an Authorized Representative.

“*Book-Entry System*” – the system maintained by the Securities Depository.

“*Business Day*” – any day other than (i) a Saturday, Sunday, legal holiday or any other day on which banking institutions in New York, New York, or Austin, Texas are generally authorized or obligated by law or executive order to close, or (ii) a day on which the New York Stock Exchange is closed.

“*Code*” – the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions.

“*College Student Loan Bonds*” – general obligation bonds issued pursuant to the Constitutional Provision, including any refunding bonds attributable thereto.

“*Commissioner*” – the Commissioner of Higher Education.

“*Comptroller*” – the Comptroller of Public Accounts of the State.

“*Constitutional Provision*” – collectively, as applicable, (i) Sections 50b, 50b-1, 50b-2 and 50b-3 of Article III of the Texas Constitution (which Sections were repealed “to eliminate duplicative, executed, obsolete, archaic and ineffective constitutional provisions” pursuant to Section 55 of H.J.R. No. 62 approved by the voters of the State on November 2, 1999), and (ii) Section 50b-4, as amended, Section 50b-5 and Section 50b-6 of Article III of the Texas Constitution, and (iii) Section 50b-7 of Article III of the Texas Constitution.

“*Depository Participant*” – the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf a Securities Depository was created to hold securities to facilitate the clearance and settlement of securities transactions among Depository Participants

“*Event of Default*” – any event of default as defined in the Resolution (see “THE BONDS—Events of Default”).

“*Fiscal Year*” – the period of time beginning in each calendar year on September 1st and ending August 31st of the calendar year next following, or any other 12-month period of time adopted by the State as its “fiscal year.”

“*Issuance Date*” – means the date of the initial delivery of and payment for each Series of Bonds.

“*Moody’s*” – means Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, or such other address provided by Moody’s to the Board, its successors and assigns.

“*MSRB*” – the Municipal Securities Rulemaking Board.

“*Outstanding*” – when used to modify Bonds, Bonds issued, authenticated and delivered under the Resolution, excluding: (i) Bonds which have been exchanged or replaced or otherwise surrendered for cancellation; (ii) Bonds which have been paid; (iii) Bonds which have become due and for the payment of which moneys have been duly provided; and (iv) Bonds with respect to which the Resolution has been discharged pursuant to the provisions of “THE BONDS—Defeasance”.

“*Owner*” – the person who is the registered owner of a Bond or Bonds, as shown in the Register.

“*Paying Agent/Registrar*” – initially, _____, _____, _____, or any successor thereto as provided in the Resolution.

“*Record Date*” – the close of business on the 15th calendar day of the month immediately preceding the Interest Payment Date.

“*Register*” – the Register specified in the Resolution.

“*Rule*” – SEC Rule 15c2-12, as amended from time to time.

“*S&P*” – means Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc., 55 Water Street, 38th Floor, New York, New York 10041, or such other address provided by S&P to the Board, its successors and assigns.

“*SEC*” – the United States Securities and Exchange Commission.

“*Securities Depository*” – a “clearing agency” registered under Section 17A of the Securities Exchange Act of 1934, as amended, including The Depository Trust Company, New York, New York, or its nominee, and the successors and assigns of any such entity.

“*Treasury Regulations*” – regulations promulgated by the U.S. Department of the Treasury pursuant to the Code.

“*Unclaimed Payments*” – money deposited with the Paying Agent/Registrar for the payment of principal of, redemption premium, if any, or interest on the Bonds as the same come due and payable or money set aside for the payment of Bonds duly called for redemption prior to maturity, which moneys remain on deposit with the Paying Agent/Registrar following the date on which such payments are due.

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APPENDIX C

SUMMARY OF VARIOUS STUDENT LOAN PROGRAMS

This APPENDIX C is a summary, as of the date hereof, of various student loan programs authorized by Chapter 52, Texas Education Code (the “Hinson-Hazlewood College Student Loan Act” or the “Act”) and other provisions of the Texas Education Code, as may be amended from time to time. Such loan programs may be funded with the proceeds of State of Texas College Student Loan Bonds and certain other moneys on deposit in the Student Loan Auxiliary Fund and the Texas Opportunity Plan Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Other Funds Administered by the Board” herein.

I. Non-Guaranteed Loan Programs.

A. The Programs:

- i. The College Access Loan (CAL) Program provides non-guaranteed loans to qualified students at eligible institutions. This loan may be made to students to replace the expected family contribution (EFC) as calculated by using the Free Application for Federal Student Aid (FAFSA). Borrowers with approved credit in this program will be given a lower origination fee if they secure a credit-worthy co-signer. Individuals enrolled in Alternative Educator Certification Programs approved by the State Board of Educator Certification may also qualify for CAL loans.
- ii. Authorized during Fiscal Year 2003, the B-On-time loan program (BOT Program) provides non-guaranteed loans, which bear no interest, to eligible Texas students to enable them to attend colleges and universities in Texas. If upon graduation, the student meets specified goals relating to efficiency and academic success, the entire loan amount will be forgiven. If the student does not meet such specified goals upon graduation, the BOT Program loan continues to bear no interest but the student must repay the principal amount thereof.

B. Authority:

- i. CAL loans are extended under this program by authority of the Act and the administrative rules of the Texas Higher Education Coordinating Board (Board), found at 19 Texas Administrative Code, Sections 21.51 – 21.100, as amended from time to time. Copies of the state statutes and rules named in this section are on file in the offices of the Board.
- ii. The BOT Program is authorized by the Texas Education Code, § 56.451, *et seq.*, which authorizes BOT Program loans to be made from moneys on deposit in the “B-On-Time Student Loan Account” (BOT Account), which is an account within the State’s General Revenue Fund, and consists of gifts, grants, and certain moneys appropriated thereto by the State Legislature. Repayments of BOT Program loans made from the BOT Account are deposited into the BOT Account, and thus, are not available to pay debt service on the Bonds, the Previously Issued Bonds or any Additional Bonds.

As described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS— Other Funds Administered by the Board—Student Loan Auxiliary Fund” herein, all repayments of student loans made from moneys on deposit in the Student Loan Auxiliary Fund which are *in excess* of the amounts to be deposited in the Interest and Sinking Fund must be deposited into the Student Loan Auxiliary Fund. Pursuant to the Act, BOT Program loans may also be made from such excess loan repayments on deposit in the Student Loan Auxiliary Fund (but not from the Texas Opportunity Plan Fund). Repayments, if any, of BOT Program loans made from such excess loan repayments on deposit in the Student Loan Auxiliary Fund must be deposited in the Interest and Sinking Fund. For a description of the outstanding principal amount of BOT Program loans as of August 31, 2010 and August 31, 2011 that were made from such excess loan repayments on deposit in the Student Loan Auxiliary Fund, see footnote 2 to Table 4 under “THE BOARD—Loan Demand and Financial Information” herein. The Board does not presently intend to make additional BOT Program loans from such excess loan repayments on deposit in the Student Loan Auxiliary Fund, but the Board has the ability to make additional BOT Program loans from such moneys at any time.

The Board is also authorized to issue State of Texas College Student Loan Bonds pursuant to Section 56.451 *et seq.* of the Texas Education Code and Article III, Section 50b-7 of the State

Constitution as general obligations of the State to fund the BOT Program. Such BOT Program bonds would not be on a parity with the Bonds, the Previously Issued Bonds or any Additional Bonds. To date, the Board has not issued any such BOT Program bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

C. Loan Limits: The amount of loan shall not exceed the amount that the student needs in order to meet reasonable expenses as a student. Prior to certifying the loan, the authorized student financial aid official at the postsecondary institution shall make certain that the student is properly utilizing his or her eligibility for all other forms of student assistance.

- i. CAL: In the case of a CAL loan, the program officer may rely on documentation provided by the student borrower and/or documentation in the student's financial aid file.
- ii. BOT: In January of each year, the BOT Program's annual loan limits for the following academic year shall be posted on the Board's web site.
- iii. Annual Loan Limits: The amount of a CAL loan plus other student financial aid may not exceed the cost of attendance. Annual BOT Program loan amounts for 2012-2013 academic year at (i) 4-year public and private institutions is \$7,400, (ii) 2-year public and private junior colleges is \$2,400, and (iii) public technical colleges is \$4,400.
- iv. Aggregate Loan Limit: CAL loans may not exceed a student's cost of attendance. A student may not receive a BOT Program loan for more than 150 semester credit hours or the equivalent.

D. Borrower Information: With the application, the Board shall provide information on the rights and responsibilities of the borrower. The borrower shall certify on the application that he or she has read and understood his or her responsibilities.

- i. The borrower and the institution shall notify the Board immediately when a CAL loan borrower through the program ceases to be enrolled at least one-half time.
- ii. The borrower and the institution shall notify the Board immediately when a BOT loan borrower through the program ceases to be enrolled full time.
- iii. Information on each student borrower shall be obtained in a form prescribed by the Commissioner.

E. Disbursements to Students: No disbursement shall be made to any student until he or she, and, if applicable, a co-signer, has executed a promissory note payable to the program for the full amount of any authorized loan plus any interest, applicable origination charges and other fees relating to governing provisions of loans. The original of such executed promissory note shall be forwarded to the Commissioner immediately. For the purposes of any contract executed by a borrower, the defense that he or she was a minor at the time he or she executed a note shall not be available to him or her in any action arising on the note.

F. Loan Origination Fees: The loan origination fee is set from time to time by the Commissioner. It is deducted from the loan proceeds at the time of disbursement.

- i. The CAL origination fee is 3% if both the borrower and cosigner have a good credit standing. A 5% origination fee will be deducted from the proceeds of each loan if either the borrower or cosigner, but not both, has a good credit standing.
- ii. The BOT loan origination fee is set from time to time by the Commissioner. It is deducted from the loan proceeds at the time of disbursement. The current origination fee is 3%.

G. Loan Interest:

- i. Pursuant to the Act, the Board is obligated from time to time to fix the interest to be charged for any student loan at a rate sufficient to pay the interest on outstanding Bonds, Previously Issued Bonds and Additional Bonds, any expenses incident to their issuance, sale and retirement, and all or a portion of the Board's expenses related to the operation of the Board's student loan programs authorized under the Act. The Board's rules related to its student loan programs authorize the Commissioner to set interest rates on CAL loans.

- ii. The interest rate charged for CAL loans shall be set from time to time by the Commissioner (currently, 5.25%, effective as of June, 1 2011), shall be simple interest, and shall accrue on the outstanding principal balance from the date of disbursement. Principal and interest becomes due and payable in monthly installments six months after the student ceases to be enrolled at least half time as determined by the institution. These loans are not eligible for interest subsidy. In 2003 the Board retroactively changed the interest rates on all outstanding CAL loans for all borrowers in good standing to 5.25%.
- iii. There shall be no interest charged for BOT Program loans unless a judgment is obtained against the borrower for default in payment. If a judgment should be taken, the interest rate shall be the amount specified in §304.003 of the Texas Finance Code, (relating to Judgment Interest Rate: Interest Rate or Time Price Differential Not in Contract).

H. Deceased or Disabled Borrowers:

- i. All loans through the program are discharged in the event of death or in the event of permanent and total disability of the borrower.
- ii. Verification of death and determination of permanent and total disability of a borrower through both the CAL and BOT loan programs shall be made in accordance with the governing provisions of the Federal Family Education Loan Program (FFELP).
- iii. The final verification of death and determination of permanent and total disability of a borrower for both CAL and BOT Program loans shall be made by the Commissioner.
- iv. Loans upon which a judgment has been obtained are not eligible for cancellation in the event of death or total and permanent disability of the borrower.

I. Repayment of Loans:

i. CAL Loans:

- 1. The principal amount of all authorized loans shall be repaid in installments over a period of up to ten years if the principal balance is less than \$30,000, or up to twenty years if the principal balance is \$30,000 or more.
- 2. The repayment period shall begin not more than six months after the date on which the student ceases to carry at least one half the normal full-time academic workload as determined by the institution.
- 3. The Board shall provide a repayment schedule calling for the minimum payment amount sufficient to repay all CAL loans over the maximum authorized period. In no case will the minimum annual repayment be less than \$600 on any CAL account.

ii. BOT Loans:

- 1. The principal amount of all authorized loans shall be repaid in installments over a period of not more than 15 years from the beginning of the repayment period.
- 2. The repayment period shall begin no earlier than six months after the date on which the student ceases to be enrolled continuously in an eligible institution, as determined by the institution.
- 3. The Board shall provide a repayment schedule calling for the minimum payment amount sufficient to repay all BOT loans over the maximum authorized period. In no case will the minimum annual repayment be less than \$900 on any BOT account.

J. Prepayment: Any CAL or BOT Program loans may be prepaid without penalty.

K. Deferments: Authorized deferments for CAL and BOT Program loans shall extend the maximum repayment period.

- L. Forbearance:** The Commissioner may grant periods of forbearance on all loans under certain circumstances in accordance with the applicable federal or state laws and regulations.
- M. Late Charges:** A charge of five percent (5%) of the scheduled monthly payment or five dollars (\$5.00), whichever is less, shall be assessed on both CAL and BOT Program loans if the past due amount is not received within 20 days of the scheduled due date. These charges shall be collected out of the first payments made.
- N. Collection Charges:** In the case of delinquent accounts, the Commissioner may authorize the assessment of charges necessary to collect the loan which may include court costs, attorney fees, and skip-trace fees.
- O. Cosigner:** The cosigner shall not be held responsible for repayment of the loan, accrued interest and other charges if the Board receives official certification of the borrower's death or total and permanent disability.
- P. Cancellation of Repayment:** The Commissioner may cancel the repayment of a loan received by a doctor of medicine, a doctor of psychology or an elementary or secondary teacher who qualifies for such cancellation under the provisions of Chapter 52, Texas Education Code, as awarded in an amount not to exceed, in any year, the amount appropriated for that purpose from general revenue funds.
- Q. Enforcement of Collection; Default:** When any person who has received a CAL or BOT Program loan fails or refuses to make as many as six monthly payments due in accordance with the promissory note, the full amount of remaining principal, accrued interest and other charges shall become due and payable immediately.

R. Collection

- i. When a borrower has defaulted in payment on a CAL or BOT Program loan, the Attorney General, at the request of the Commissioner, will file suit against the borrower and, if applicable, his or her co-signer. If a judgment is entered, it will be abstracted in each county with which the judgment creditor is known to be associated, and an execution of judgment will be served within twenty years. The Board makes every effort to maintain active judgment liens in the county of residence.
- ii. After judgments are obtained, CAL and BOT Program loans are no longer eligible for cancellation upon the borrower's death or total and permanent disability.

II. Discontinued Non-Guaranteed State Loan Programs

- A. The Health Education Loan Program (HELP).** The Health Education Loan Program provided non-guaranteed loans to eligible students in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, pharmacy, nursing or allied health. Loan origination through this program ceased in 2010, but the Board continues to service loans that it made through this program. As of May 31, 2013, approximately 5.8% of the Board's total student loan principal receivable balance consists of loans made under the Health Education Loan Program. The terms of the Board's outstanding HELP loans are substantially similar to the terms of the CAL loans, as described in this Appendix C. Consistent with CAL program loans, in 2003 the Board retroactively changed the interest rates on all outstanding HELP loans for all borrowers in good standing to 5.25%.

III. Discontinued Federally Insured Programs

As described under "THE BOARD—Loan Demand and Financial Information," (i) effective June 30, 2010, the Board is no longer permitted to originate loans under any federally insured loan program authorized by the Act, and (ii) as of May 31, 2012, approximately 1.4% of the Board's total student loan principal receivable balance consists of loans made under federally insured loan programs authorized by the Act.

Federally insured programs that the Board previously originated loans under, and continues to service, are described below.

A. U.S. Department of Education Guaranteed Loan Programs (FFELP).

- i. Subsidized Stafford Loan Program (FSL): The Board extended student loans to established borrowers under this program authorized by the Higher Education Act. The program provided guarantees (reimbursement) to state agencies or private lenders that administered this student lending program, and interest subsidy payments and Special Allowance Payments to the holders of

qualifying student loans made pursuant to the Federal Family Education Loan Program. The guarantee covered losses sustained by the holders due to borrowers' default, death, discharge in bankruptcy, or total and permanent disability. The Board continues to service loans that it made through this program.

- ii. Unsubsidized Federal Student Loan Program (FUSL): The Board extended loans to student borrowers under the FUSL. Lenders who participated in the FUSL program were required to meet the servicing rules and regulations, promulgated under 20 U.S.C. Section 1078-1, in order to receive federal reimbursement payments for the borrower's default. FUSL loans were eligible for Special Allowance Payments, but not for interest subsidy payments. The guarantee covered losses sustained by the holders due to borrowers' default, death, discharge in bankruptcy, or total permanent disability. The Board continues to service loans that it made through this program.

B. U.S. Department of Health and Human Services Guaranteed Loan Program. The Health Education Assistance Loan Program (HEAL): The Board extended loans under this federally insured loan program for eligible graduate students in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, pharmacy, chiropractic, or in programs in health administration, clinical psychology or allied health. Under the HEAL Program, the Board is insured against the borrower's default, death, total and partial disability or bankruptcy on both unpaid principal and interest. In the event of default by a borrower, the federal insurance covers the amount of interest and principal due on the HEAL loans until the claim is paid. To receive HEAL insurance, the Board must comply with all insurability requirements imposed by the Secretary of Health and Human Services. Loan origination through this program ceased in 1993, but the Board continues to service loans that it made through this program.

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APPENDIX D

FORM OF OPINION OF CO-BOND COUNSEL

*[An opinion in substantially the following form will be delivered by
McCall, Parkhurst & Horton L.L.P. and Mahomes Bolden PC, Co-Bond Counsel,
upon the delivery of the Bonds, assuming no material changes in facts or law.]*

**STATE OF TEXAS
COLLEGE STUDENT LOAN AND REFUNDING BONDS, SERIES 2013
DATED _____, 2013
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS CO-BOND COUNSEL for the TEXAS HIGHER EDUCATION COORDINATING BOARD (the "Issuer"), the issuer of the bonds described above (the "Bonds"), we have examined the legality and validity of the Bonds, which bear interest from the date and mature on the dates specified on the face of the Bonds, and being subject to redemption, all in accordance with the resolution of the Issuer which authorized the issuance of the Bonds (the "Resolution"). Terms used herein and not otherwise defined shall have the meaning given in the Resolution.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer relating to the issuance of the Bonds, including the Resolution, and other pertinent instruments authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized and issued in accordance with the Constitution and laws of the State of Texas, and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights, or by sovereign immunity or general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and binding general obligations of the State of Texas, pursuant to Section 50b-7 of Article III of the Constitution of the State of Texas, which made a continuing appropriation, without the necessity of subsequent legislative appropriation, of the first monies not otherwise appropriated by the Constitution, coming into the Treasury in each fiscal year, in an amount sufficient to pay the principal of and interest on the Bonds scheduled to mature during such fiscal year; and that all official actions have been taken to render fully effective for the Bonds such source of payment and other sources prescribed in the cited provision of the Constitution and in the enabling act; and that the full faith and credit of the State of Texas are pledged to the payment of principal of and interest on the Bonds.

THE ISSUER reserves the right to issue additional parity bonds in all things on a parity with the Bonds and payable from the same sources.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds will be excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. The exceptions are as follows:

- (1) interest on the Bonds will be included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code; and
- (2) interest on the Bonds will be included as an item of tax preference in determining the alternative minimum taxable income of the owner under section 57(a)(5) of the Code.

IN EXPRESSING THE AFOREMENTIONED OPINIONS as to the exclusion of interest from federal income taxes, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Co-Bond Counsel for the Issuer, and, in that capacity, we have been engaged for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the availability and sufficiency of monies available for the payment of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of _____, 2013 (this “Agreement”), by and between the *Texas Higher Education Coordinating Board* (the “Issuer”), and _____ (the “Bank”), a limited purpose national banking association with trust powers duly organized and operating under the laws of the United States of America.

WHEREAS, the Issuer has duly authorized and provided for the issuance of its State of Texas College Student Loan [and Refunding] [Refunding] Bonds [2013]¹, in an aggregate principal amount of \$ _____ (the “Securities” or each, a “Security”); and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on the Securities and with respect to the registration, transfer, and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE I APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01 **APPOINTMENT**. The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities. As Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof, all in accordance with this Agreement and the “Resolution” (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities. As Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Resolution, a copy of which books and records shall be maintained at the office of the Bank located in the State of Texas or shall be available to be accessed from such office located in the State of Texas.

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

Section 1.02 **COMPENSATION**. As compensation for the Bank’s services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the annual administration fee in the amount set forth in Schedule A attached hereto, payable annually in advance.

¹ Pursuant to Section 2.02(a) of the Bond Resolution, the name of the Bonds will be determined by the purpose for which such bonds are issued and may be designated with a letter designation if more than one series of bonds is issued during the calendar year.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE II DEFINITIONS

Section 2.01 **DEFINITIONS.** For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

“Bank Office” means the corporate trust office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

“Fiscal Year” means the fiscal year of the Issuer, currently ending on August 31 of each year.

“Holder” and “Security Holder” each means the Person in whose name a Security is registered in the Security Register.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Predecessor Securities” of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Resolution).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Resolution.

“Resolution” means the resolution of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary, Vice Chair or any other officer of the Issuer and delivered to the Bank.

“Responsible Officer” when used with respect to the Bank means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of each series of the Securities.

“Stated Maturity” means the date specified in the Resolution the principal of a Security is scheduled to be due and payable.

Section 2.02 **OTHER DEFINITIONS.** The terms “Bank,” “Issuer,” and “Securities (Security)” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE III PAYING AGENT

Section 3.01 **DUTIES OF PAYING AGENT.** (a) As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity or Redemption Date, to the Holder upon surrender of the Security to the Bank at the Bank Office.

(b) As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class, postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the respective Record Date, to the address appearing on the Security Register or by such other method, acceptable to the Bank, such as by wire transfer, requested in writing by the Holder at the Holder’s risk and expense. Notwithstanding the foregoing, in computing the amount of interest to be paid to each Holder, the Paying Agent shall notify the Issuer of such amount no later than 3:00 p.m., New York City time, on the day preceding the payment date for which interest on the Securities is due.

(c) To the extent required by the Internal Revenue Code of 1986 and the regulations promulgated thereunder, the Bank shall report to the Holders and the Internal Revenue Service (i) the amount of “reportable payments”, if any, subject to backup withholding during each year and the amount of tax withheld, if any, with respect to payments of the Securities and (ii) the amount of interest or amount treated as interest on the Securities and required to be included in gross income of the Holder thereof.

(d) The Bank shall perform such services, as directed by the Issuer, in connection with the delivery of the Securities to the initial purchasers thereof.

(e) The Bank shall promptly notify the Issuer in writing of any change in name of the Bank, by merger, consolidation or otherwise.

Section 3.02 **PAYMENT DATES.** The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Resolution.

ARTICLE IV REGISTRAR

Section 4.01 **SECURITY REGISTER – TRANSFERS AND EXCHANGES.** The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the “Security Register”) for recording the names and addresses of the Holders of each series of the Securities, the transfer, exchange, and replacement of the Securities, and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges, and replacement of Securities shall be noted in the Security Register. The Bank agrees further to keep and maintain a copy of the Security Register at its office located in the State of Texas or provide for such Security Register to be available to be accessed from such office located in the State of Texas.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it deems necessary to effect a reregistration, transfer, or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three business days after the receipt of the Securities to be canceled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02 **SECURITIES.** In the event that the use of book-entry transfers for the Securities is discontinued, the Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other political subdivisions or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03 **FORM OF SECURITY REGISTER.** The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer, and exchange of each series of the Securities in accordance with the Bank’s general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04 **LIST OF SECURITY HOLDERS**. The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

Unless required by law, the Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a Court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

Section 4.05 **RETURN OF CANCELED SECURITIES**. The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 4.06 **MUTILATED, DESTROYED, LOST, OR STOLEN SECURITIES**. The Issuer hereby instructs the Bank, subject to the applicable provisions of the Resolution, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an over issuance.

In case any Security shall be mutilated, or destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same series and denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed, lost, or stolen Security, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss, or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, or destroyed, lost, or stolen.

Section 4.07 **TRANSACTION INFORMATION TO ISSUER**. The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

**ARTICLE V
THE BANK**

Section 5.01 **DUTIES OF BANK**. The Bank undertakes to perform the duties set forth herein and in the Resolution and agrees to use reasonable care in the performance thereof.

The net proceeds of the sale of the Bonds shall be deposited with the Paying Agent via wire transfer of immediately available funds. The Paying Agent shall disburse such funds as provided in the closing memorandum approved by the Issuer and provided to the Paying Agent by the Issuer, its financial advisor or other agent, or as directed in writing by the Issuer. Such funds shall not be invested. Any funds remaining on deposit with the Paying Agent thirty (30) days after the issuance of the Bonds shall be paid over to the Issuer.

Section 5.02 **RELIANCE ON DOCUMENTS, ETC.** (a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.03 **RECITALS OF ISSUER**. The recitals contained herein with respect to the Issuer and the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.04 **MAY HOLD SECURITIES.** The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05 **MONEY HELD BY BANK.** The Bank shall deposit any money received from the Issuer into a trust account to be held in a fiduciary capacity for the payment of each series of the Securities, with such money in the account that exceeds the deposit insurance, available to the Issuer, provided by the Federal Deposit Insurance Corporation to be fully collateralized with securities or obligations that are eligible under the laws of the State of Texas to secure and be pledged as collateral for trust accounts until the principal and interest on such Securities have been presented for payment and paid to the owner thereof. Payments made from such trust account shall be made by check drawn on such trust account.

All funds at any time and from time to time provided to or held by the Bank hereunder shall be deemed, construed, and considered for all purposes as being provided to or held by the Bank in trust for the benefit of the Security Holders. The Bank acknowledges, covenants, and represents that it is acting herein in a fiduciary capacity in relation to such funds, and is not accepting, holding, administering, or applying such funds as a banking depository, but solely as Paying Agent for and on behalf of the Securities pursuant to the terms of this Agreement. The Holders shall be entitled to the same preferred claim and first lien on the funds so provided as are enjoyed by the beneficiaries of trust funds generally. The funds provided to the Bank hereunder shall not be subject to warrants, drafts, or checks drawn by the Issuer and, except as expressly provided herein, shall not be subject to compromise, setoff, or other charge or diminution by the Bank.

The Bank shall be under no liability for interest on any money received by it hereunder.

Subject to the unclaimed property laws of the State of Texas and any provisions in the Resolution to the contrary, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be paid by the Bank to the Issuer, and the Holder of such Security shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such money shall thereupon cease.

Section 5.06 **INDEMNIFICATION.** To the extent permitted by law, the Issuer agrees to indemnify the Bank for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 5.07 **INTERPLEADER.** The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the County of the State of Texas

where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction located in a County of the State of Texas where either the Bank Office or the administrative offices of the Issuer is located to determine the rights of any Person claiming any interest herein.

Section 5.08 **DISPUTE RESOLUTION.** (a) The dispute resolution process provided for in Chapter 2260, Texas Government Code, as amended (“Chapter 2260”), shall be used, as further described herein, by the Issuer and the Bank to attempt to resolve any claim for breach of contract made by the Bank hereunder.

(1) A Bank’s claim for breach of this Agreement that the parties cannot resolve in the ordinary course of business shall be submitted to the negotiation process provided in Subchapter B of Chapter 2260 (“Subchapter B”). To initiate the process, the Bank shall submit written notice, as required by Subchapter B, to the Issuer’s General Counsel and the Commissioner of Higher Education. Said notice shall specifically state that the provisions of Subchapter B are being invoked. A copy of the notice shall also be given to all other representatives of the Issuer and the Bank otherwise entitled to the notice under this Agreement. Compliance by the Bank with Subchapter B is a condition precedent to the filing of a contested case proceeding under Subchapter C of Chapter 2260 (“Subchapter C”).

(2) The contested case process provided in Subchapter C is the Bank’s sole and exclusive process for seeking a remedy for any and all alleged breaches of contract by the Issuer if the parties are unable to resolve their disputes under subparagraph (a)(1) of this Section.

(3) Compliance with the contested case process provided in Subchapter C is a condition precedent to seeking consent to sue from the Texas Legislature under Chapter 107, Texas Civil Practices and Remedies Code. Neither the execution of this Agreement by the Issuer nor any other conduct of any representative of the Issuer relating to this Agreement shall be considered a waiver of sovereign immunity to suit.

(b) The submission, processing and resolution of the Bank’s claim is governed by the published rules adopted by the Issuer pursuant to Chapter 2260, as may be amended from time to time. These rules are currently found at 19 T.A.C. 1.

(c) Neither the occurrence of an event nor the pendency of a claim constitute grounds for the suspension of performance by the Bank, in whole or in part.

Section 5.09 **DEPOSITORY TRUST COMPANY SERVICES.** It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the “Operational Arrangements,” effective from time to time, which establishes requirements for securities to be

eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE VI MISCELLANEOUS PROVISIONS

Section 6.01 **AMENDMENT**. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02 **ASSIGNMENT**. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03 **NOTICES**. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 6.04 **EFFECT OF HEADINGS**. The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05 **SUCCESSORS AND ASSIGNS**. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06 **SEVERABILITY**. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.07 **BENEFITS OF AGREEMENT**. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08 **ENTIRE AGREEMENT**. This Agreement and the Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between his Agreement and the Resolution, the Resolution shall govern.

Section 6.09 **COUNTERPARTS**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10 **TERMINATION**. This Agreement will terminate on the date of final payment of the principal of and interest on the Securities to the Holders thereof or may be earlier terminated by either party upon 30 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an

early termination of this Agreement shall not occur at any time which would disrupt, delay, or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11 **GOVERNING LAW**. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

By _____
Title _____

Address: _____

Attn: _____

**TEXAS HIGHER EDUCATION
COORDINATING BOARD**

By _____
Arturo Alonzo, Jr.,
Deputy Commissioner for Finance &
Administration/COO

Address: 1200 East Anderson Lane
Suite 3.110
Austin, Texas 78752
Attn: Patrick Krishock

SCHEDULE A

PAYING AGENT/REGISTRAR FEE SCHEDULE

\$___ Annual Administration Fee

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of _____, 2013 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the Texas Higher Education Coordinating Board (herein called the "Issuer") and _____, a _____, having a corporate trust office in _____, _____ and authorized to do business in the State of Texas, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Issuer and the Escrow Agent are shown on Exhibit "A" attached hereto and made a part hereof.

W I T N E S S E T H:

WHEREAS, the Issuer heretofore has issued and there presently remain outstanding the obligations (the "Refunded Obligations") described in the Verification Report of _____, attached hereto as Exhibit "B" and made a part hereof (the "Report"); and

WHEREAS, the Refunded Obligations are scheduled to be redeemed and come due on such dates, bear interest at such rates, and be payable at such times and in such amounts as are set forth in the Report; and

WHEREAS, when firm banking arrangements have been made for the payment of all principal and interest of the Refunded Obligations when due, then the Refunded Obligations shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, Chapter 1207, Texas Government Code (herein "Chapter 1207"), authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a qualified trust company or commercial bank, including any place of payment (paying agent) for any of the Refunded Obligations, and such deposit, if made before such payment dates and in sufficient amounts, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 further authorizes the Issuer to enter into an escrow agreement with any such trust company or commercial bank with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such trust company or commercial bank may agree, provided that such deposits may be invested only as provided in Section 1207.062(b) and (c) and in accordance with the Supplemental Resolution(s) authorizing the issuance of the Refunded Obligations in obligations which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of principal and interest on the Refunded Obligations when due; and

WHEREAS, the Escrow Agent is a qualified trust company or commercial bank under Chapter 1207 and does not act as a depository for the Issuer, and this Agreement constitutes an escrow agreement of the kind authorized and required by Chapter 1207; and

WHEREAS, Chapter 1207 makes it the duty of the Escrow Agent to comply with the terms of this Agreement and to provide to the paying agents for the Refunded Obligations amounts sufficient to pay the principal of, premium, if any, and interest on the Refunded Obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement; and

WHEREAS, the State of Texas College Student Loan [and] Refunding Bonds, Series 2013 (the "Refunding Obligations") have been duly authorized to be issued, sold, and delivered for the purpose, among others, of obtaining the funds required to provide for the payment of the principal of, premium, if any, and interest on the Refunded Obligations when due on their respective redemption or maturity date(s) as set forth in the Report; and

WHEREAS, the Issuer intends that, concurrently with the delivery of the Refunding Obligations to the purchasers thereof, certain proceeds of the Refunding Obligations, together with certain other available funds of the Issuer, if applicable, shall be deposited into the Escrow Fund created in this Agreement in the amount sufficient to pay the principal of and interest on the Refunded Obligations to their respective redemption or maturity date(s) as set forth in the Report and desires that such funds be applied to purchase the "Escrowed Securities" for deposit to the credit of the Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Obligations as it accrues and becomes payable and the principal of the Refunded Obligations as it becomes due and payable on their respective redemption or maturity dates as set forth in the Report; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Issuer desires to establish the Escrow Fund at the corporate trust office of the Escrow Agent in Dallas, Texas; and

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of, premium, if any, and the interest on the Refunded Obligations, the Issuer and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Code" means the Internal Revenue Code of 1986, as amended, or to the extent applicable the Internal Revenue Code of 1954, together with any other applicable provisions of any successor federal income tax laws.

"Escrow Fund" means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

"Escrowed Securities" means (1) the direct, noncallable obligations of the United States of America and the noncallable obligations of an agency or instrumentality of the United States of America described in Exhibit "B" attached to this Agreement or (2) other (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Issuer adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, substituted therefor pursuant to Article IV of this Agreement.

"Paying Agent" means _____ with respect to the Refunded Obligations.

Section 1.02. Other Definitions. The terms "Agreement", "Issuer", "Escrow Agent", "Refunded Obligations", "Refunding Obligations" and "Report", when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.03. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Obligations in accordance with applicable law.

ARTICLE II

DEPOSIT OF FUNDS AND
ESCROWED SECURITIES

Section 2.01. Deposits in the Escrow Fund. Concurrently with the sale and delivery of the Refunding Obligations the Issuer shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and Escrowed Securities described in the Report, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Issuer in writing.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the "State of Texas College Student Loan [and] Refunding Bonds, Series 2013 Proceeds Escrow Fund" (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in the Report. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer to the respective Paying Agent for the Refunded Obligations from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Obligations at their respective redemption or maturity dates as set forth in the Report and interest thereon to such dates in the amounts and at the times shown in the Report.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents that cash balances in the Escrow Fund and the successive receipts of the principal of and interest on the Escrowed Securities if acquired will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Obligations as such interest comes due and the principal of and redemption premium, if any, on the Refunded Obligations on the respective redemption or maturity dates as set forth in the Report for the Refunded Obligations, all as more fully set forth in the Report. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by each Paying Agent for the Refunded Obligations to make the payments set forth in Section 3.02 hereof, the Issuer shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the

amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Issuer's failure to make additional deposits thereto.

Section 3.04. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Obligations; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets within the Escrow Fund to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except as a constructive trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or, except to the extent expressly herein provided, by the Paying Agent.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor or otherwise invested pursuant to Article IV, be secured in the manner and to the fullest extent required by law for the security of funds of the Issuer.

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Investments. Except as provided in Sections 3.02, 4.02, 4.03 and 4.04 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 4.02. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in the Report, the Escrow Agent shall reinvest cash balances shown in the Report in United States Treasury Obligations - State and Local Government Series with an interest rate equal to zero percent (0%) at such times and in such amounts as shown in the Report to the extent such Obligations are available from the Department of the Treasury. All such re-investments shall be made only from the portion of cash balances derived from the maturing principal of and interest on Escrowed Securities. All such re-investments shall be acquired on and shall mature on the dates shown in the Report.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the Issuer.

Section 4.03. Substitutions and Reinvestments. In addition to the reinvestments authorized by Section 4.02, at the discretion of the Issuer, the Escrow Agent shall reinvest cash balances when directed by the Issuer in writing representing receipts from the Escrowed Securities, make substitutions of the Escrowed Securities or redeem the Escrowed Securities and reinvest the proceeds thereof or hold such proceeds as cash, together with other moneys or securities held in the Escrow Fund provided that the Issuer delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant that after such substitution or reinvestment the principal amount of the securities in the Escrow Fund (which shall be noncallable, not pre-payable Escrowed Securities) together with the interest thereon and other available moneys, will be sufficient to pay, without further investment or reinvestment, as the same become due in accordance with the Report, the principal of, interest on and premium, if any, on the Refunded Obligations which have not previously been paid, and

(2) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such substitution or reinvestment will not cause the Refunded Obligations to be "arbitrage bonds" within the meaning of Section 103 of the Code or the regulations thereunder in effect on the date of such substitution or reinvestment, or otherwise make the interest on the Refunded Obligations subject to federal income taxation, and (b) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Obligations.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the Issuer.

Section 4.04. Substitution for Escrowed Securities. Concurrently with the initial deposit by the Issuer with the Escrow Agent, but not thereafter, the Issuer, at its option, may substitute cash or direct noncallable and not pre-payable obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) (the "Substitute Obligations") for Escrowed Securities, if any, but only if such Substitute Obligations

(a) are in an amount, and/or mature in an amount, which is equal to or greater than the amount payable on the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted,

(b) mature on or before the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted, and

(c) produce the amount necessary to pay the interest on and principal of the Refunded Obligations, as set forth in the Report, as verified by a certified public accountant or a firm of certified public accountants.

If, concurrently with the initial deposit by the Issuer with the Escrow Agent, any such Substitute Obligations are so substituted for any Escrowed Securities, the Issuer may, at any time thereafter, substitute for such Substitute Obligations the same Escrowed Securities for which such Substitute Obligations originally were substituted.

Section 4.05. Arbitrage. The Issuer hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Obligations or Refunded Obligations to be an "arbitrage bond" within the meaning of the Code.

ARTICLE V

APPLICATION OF CASH BALANCES

Section 5.01. In General. Except as provided in Sections 3.02, 4.02, 4.03, and 4.04 hereof, no withdrawals, transfers, investments, or reinvestment shall be made of cash balances in the Escrow Fund.

ARTICLE VI

RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and the owners of the Refunded Obligations.

Section 6.02. Reports. While this Agreement remains in effect, the Escrow Agent monthly shall prepare and send to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding month, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Obligations or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VII

CONCERNING THE PAYING AGENTS AND ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability and Indemnification. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor the Paying Agent shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Obligations shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Refunding Obligations or the Refunded Obligations and is not responsible for or bound by any of the provisions thereof (except as a place of payment and paying agent and/or a Paying Agent/Registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith. In addition, to the extent permitted by law, the Issuer agrees to indemnify the Escrow Agent and its employees, directors, officers and agents and hold each harmless against any and all losses, liabilities, litigation costs and expenses (including reasonable counsel fees and expenses), that may arise out of any action or inaction of the Escrow Agent under this Agreement other than any action or inaction resulting from the Escrow Agent's negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence and shall be entitled to advice of counsel concerning its duties hereunder. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation. (a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$____, the sufficiency of which is hereby acknowledged by the Escrow Agent for services hereunder; and the Escrow Agent warrants that such sum is sufficient for such purpose. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees and expenses to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, including counsel fees and expenses, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

[(b) _____ is also the place of payment (paying agent) for the Refunded Obligations. Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Paying Agent, the sum of \$____, the sufficiency of which is hereby acknowledged by _____, for all future paying agency services with respect to the Refunded Obligations; and _____, warrants that such sum is sufficient for such purpose.]

(c) Upon receipt of the aforesaid specific sums stated in subsections (a) and (b) of this Section 7.03 for Escrow Agent and paying agency fees, expenses, and services, the Escrow Agent shall acknowledge such receipt to the Issuer in writing.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event, the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy.

If no successor Escrow Agent shall have been appointed by the Issuer within 120 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Texas, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$25,000,000, subject to the supervision or examination by Federal or State authority and qualified to act as Escrow Agent under Chapter 1207.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Issuer or the Escrow Agent at the address shown on Exhibit "A" attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof. Moody's Investors Service is to receive prior written notice and draft legal documents of any contemplated amendment at the address specified in Section 8.04.

Section 8.02. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Issuer, the owners of the Refunded Obligations or to any other person or persons in connection with this Agreement.

Section 8.03. Binding Agreement. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives, and shall inure solely

to the benefit of the owners of the Refunded Obligations, the Issuer, the Escrow Agent and their respective successors and legal representatives.

Section 8.04. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. Immediate written notice is to be sent by the Issuer to Moody's Investors Service after any incidence of severance. Such notice should be sent to Moody's Investors Service, Attention: Public Finance Rating Desk/Refunded Bonds, 99 Church Street, New York, New York, 10007.

Section 8.05. Texas Law Governs. This Agreement shall be deemed to be an agreement made under the laws of the State of Texas.

Section 8.06. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.07. Effective Date of Agreement. This Agreement shall be effective upon receipt by the Escrow Agent of the funds described in the Report and the Escrowed Securities, together with the specific sums stated in Section 7.03 for Escrow Agent and paying agency fees, expenses, and services.

Section 8.08. Amendments. This Agreement is made for the benefit of the Issuer, the Escrow Agent and the holders or owners from time to time of the Refunded Obligations, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders or owners and the written consent of the Escrow Agent; provided, however, that the Issuer and the Escrow Agent may, without the consent of, or notice to, such holders or owners and as shall not be inconsistent with the terms and provisions of this Agreement amend this Agreement to cure any ambiguity or formal defect or omission in this Agreement; but provided further that no amendment to or alteration of this Agreement shall conflict with the requirements for firm banking and financial arrangements in accordance with Chapter 1207. No such amendment shall adversely affect the rights of the holders of the Refunded Obligations. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. The Escrow Agent shall provide Moody's Investors Service with documents relating to any proposed amendment to this Agreement prior to execution of any such amendment. All notices to Moody's shall be sent at the address set forth in Section 8.04 of this Agreement.

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EXECUTED as of the date first written above.

**TEXAS HIGHER EDUCATION
COORDINATING BOARD**

By _____
Arturo Alonzo, Jr.,
Deputy Commissioner for Finance &
Administration/COO

as Escrow Agent

By: _____

Title: _____

INDEX TO EXHIBITS

Exhibit "A"	Addresses of the Issuer and the Escrow Agent
Exhibit "B"	Verification Report of _____, relating to the Refunded Obligations

EXHIBIT "A"

ADDRESSES OF
THE ISSUER AND ESCROW AGENT

ISSUER

1200 East Anderson Lane
Suite 3.110
Austin, Texas 78752
Attn: Patrick Krishock

ESCROW AGENT

Attention: _____

EXHIBIT "B"

VERIFICATION REPORT

BOND PURCHASE AGREEMENT

Austin, Texas
_____, 2013

Texas Higher Education Coordinating Board
1200 E. Anderson Lane, Suite 3.110
Austin, Texas 78752

Ladies and Gentlemen:

The undersigned _____ (the “Representative”), acting for and on behalf of itself and the syndicate of Underwriters named on Schedule I hereto (collectively, the “Underwriters”), offers to enter into this Bond Purchase Agreement (the “Agreement”) with the Texas Higher Education Coordinating Board, an agency of the State of Texas (the “Board”), which, upon the Board’s acceptance of this offer, will be binding upon the Board and upon the Underwriters. The Underwriters have designated the Representative to act on their behalf and the Representative hereby represents that it has been duly authorized to execute this Agreement for and on behalf of the Underwriters. This offer is made subject to acceptance by the Board pursuant to the Resolution (hereinafter defined), execution of this Agreement by the Board, and delivery of this Agreement to the Underwriters on or before 5:00 p.m., Austin, Texas time, on _____, 2013, and if not so accepted will be subject to withdrawal by the Underwriters upon written notice delivered to you by the Underwriters at any time prior to your acceptance hereof.

1. **Agreement to Purchase and Sell.** Upon the terms and conditions and upon the basis of the representations and warranties set forth herein, the Underwriters hereby agree to purchase from the Board and the Board hereby agrees to sell to the Underwriters, all (but not less than all) of the State of Texas College Student Loan [and Refunding] [Refunding] Bonds, Series [2013]¹ in the aggregate principal amount of \$_____ (the “Bonds”) with the terms as set forth on the attached Schedule II. The Underwriters will purchase the Bonds at a price of \$_____ (representing the par amount of \$_____, plus an original issue premium in the amount of \$_____), and shall be paid \$_____ separately by the Board, which includes expenses and the Underwriters’ counsel fee. Inasmuch as this purchase and sale represents a negotiated transaction, the Board understands, and hereby confirms, that (i) the purchase and sale of the Bonds pursuant to this Agreement is an arm’s length commercial transaction between the Board and the Underwriters; (ii) in connection therewith and with the discussions, undertakings, and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as a principal and not as the agent or fiduciary of the Board; (iii) the

¹ Pursuant to Section 2.02(a) of the Bond Resolution, the name of the Bonds will be determined by the purpose for which such bonds are issued and may be designated with a letter designation if more than one series of bonds is issued during the calendar year.

Underwriters have not assumed an advisory or fiduciary responsibility in favor of the Board with respect to the offering contemplated hereby or the discussions, undertakings, and procedures leading thereto (irrespective of whether the Underwriters have provided other services or is currently providing other services to the Board on other matters) and the Underwriters have no obligation to the Board with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement; and (iv) the Board has consulted its own legal, financial, and other advisors to the extent it has deemed appropriate in connection with the purchase and sale of the Bonds.

2. **Terms and Purpose of Bonds.** The Bonds shall mature in the years and amounts, shall bear interest at the per annum rate and be payable, shall be subject to redemption, and shall have such other terms and characteristics as set forth in Schedule II. The Bonds shall be issued and secured pursuant to and under the resolution adopted by the Board on January 24, 2013 (the "Resolution") authorizing the issuance of the Bonds and shall be in the form and subject to the provisions prescribed by and set forth in the Resolution. All capitalized terms not otherwise defined herein shall have the same meaning as in the Resolution.

3. **Offering.** The Underwriters agree to make a bona fide offering of all the Bonds at the prices set forth on the inside front cover of the Final Official Statement (hereinafter defined). The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing such Bonds into investment trusts or mutual funds) at prices lower than such public offering price. The Underwriters reserve the right to make such changes in such price or yield as the Underwriters shall deem necessary in connection with the offering of the Bonds.

4. **Conditions Precedent to Entering into this Agreement.** Prior to the execution of this Agreement (or, in the sole discretion of the Representative, prior to delivery of the Bonds), the Board shall deliver to the Representative:

a. a copy of the Preliminary Official Statement (hereinafter defined) of the Board, relating to the Bonds executed on behalf of the Board by the Commissioner;

b. a certified copy of the Resolution adopting, accepting, approving, ratifying or authorizing approval by officers of the Board of: (i) this Agreement; (ii) the delivery of the Bonds to the Underwriters; (iii) the form of the Final Official Statement; (iv) the maturity amount, interest rate and other provisions of the Bonds; and (v) the Paying Agent/Registrar Agreement (the "Paying Agent Agreement") dated as of _____, 2013, between the Board and _____, as the Paying Agent/Registrar. The foregoing items (i) and (v), collectively, as the "Program Documents.

5. **Good Faith Check and Liquidated Damages.** Delivered herewith to the Board is a corporate check of the Representative, payable to the Board, in the amount of 1% of the aggregate principal amount of the Bonds as security for the performance by the Underwriters of their obligation to accept and pay for the Bonds at the Closing in accordance with the provisions of this Agreement. Said check shall be held by the Board uncashed until the Closing and at the Closing shall be returned to the Representative upon receipt by or on behalf of the Board of the purchase price for the Bonds set forth in paragraph 1. In the event the Board does not accept this

offer, or upon its failure to deliver the Bonds at the Closing, or if it shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Agreement, or if such obligations shall be terminated for any reason permitted by this Agreement, such check shall be immediately returned to the Representative. In the event that the Underwriters fail (other than for a reason permitted under this Agreement) to accept and pay for the Bonds at the Closing, such check shall be retained and may be cashed by the Board as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and the cashing of such check and retention of such proceeds shall constitute a full release and discharge of all claims and rights hereunder against the Underwriters, except for the Underwriters' obligations set forth in paragraph 11.

6. **Official Statement.** The Board hereby authorizes, approves, and ratifies the Preliminary Official Statement, dated _____, 2013 (the "Preliminary Official Statement"), and the Preliminary Official Statement is "deemed final" as of such date by the Board within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (the "Rule"), except for the omission of pricing and related information as permitted by the Rule. The Board also authorizes and approves the final Official Statement, dated the date hereof (the "Final Official Statement," and, together with the Preliminary Official Statement and any amendments or supplements that may be authorized for use with respect to the Bonds, the "Official Statement"), and consents to distribution and use of the Official Statement by the Underwriters, and authorizes the execution of the Official Statement by a duly authorized officer of the Board.

The Board agrees to deliver to the Underwriters, without charge, and at such addresses as the Representative shall specify, a reasonable number of copies of the Final Official Statement relating to the Bonds and so many additional copies as the Representative shall reasonably request as necessary to comply with paragraph (b)(4) of the Rule and with Municipal Securities Rulemaking Board ("MSRB") Rule G-32 and all other applicable rules of the MSRB. The Final Official Statement shall be in such printed or electronic form as may be required by the Rule and the rules of the MSRB. The Board agrees and covenants to deliver such copies of the Final Official Statement within seven business days after the execution of this Agreement or, in any event, in sufficient time to accompany confirms requesting payment.

Unless otherwise notified in writing by the Representative by the Closing Date, the Board can assume that the "end of the underwriting period" for purposes of the Rule shall be the Closing Date (as hereinafter defined). In the event such notice is so given in writing by the Representative, the Representative agrees to notify the Board in writing following the occurrence of the "end of the underwriting period" as defined in the Rule. The "end of the underwriting period" as used in this Agreement shall mean the Closing Date or such later date as to which notice is given by the Representative in accordance with the preceding sentence.

7. **Representations of the Underwriters.** The Underwriters represent and warrant that:

a. Each Underwriter, respectively, has full power and authority to take all action required to be taken by it by or under, and to perform and observe the covenants and agreements on its part contained in, this Agreement;

b. Each Underwriter, respectively, has, on or before the date hereof, duly taken all action necessary to be taken by it prior to such date for the execution, delivery and performance of this Agreement and the carrying out, giving effect to, consummation and performance of the transactions and obligations contemplated hereby;

c. This Agreement when executed and delivered by the parties hereto, will constitute a valid and binding obligation on its part, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); and

d. The execution and delivery of this Agreement, the compliance with the terms, conditions or provisions hereof, and the consummation of the transactions herein contemplated do not, upon the date of execution and delivery hereof, and will not violate any presently existing material law, regulation, order, writ, injunction or decree of any court or governmental instrumentality applicable to it.

8. **Representations, Warranties and Agreements of the Board.** The Board represents and warrants to, and agrees with, the Underwriters and Underwriters' counsel, as follows:

a. The Board is an agency of the State of Texas duly organized and validly existing under the laws of the State of Texas.

b. The Board has complied with Chapter 52 of the Texas Education Code and [Chapter 1371] [Chapters 1207 and 1371] of the Texas Government Code and all other laws, rules and regulations applicable to it with respect to the authorization and issuance of the Bonds.

c. The Board has full legal right, power and authority (i) to issue obligations for the purposes described in the Official Statement; (ii) to enter into this Agreement; (iii) to issue, sell and deliver the Bonds to the Underwriters as provided herein; (iv) to enter into the Program Documents; and (v) to carry out and consummate all other transactions contemplated thereby and hereby.

d. The Board has duly adopted the Resolution and has duly approved the execution, delivery and performance of the Program Documents, furnishing and use of the information contained in and distribution of the Preliminary Official Statement and execution, delivery, and distribution of the Final Official Statement, and the taking of any and all such actions as may be required on the part of the Board to carry out, give effect to and consummate the transactions contemplated by this Agreement, the Official Statement, and the Program Documents, and all approvals necessary in connection with the foregoing have been obtained or will be obtained prior to the Closing Date.

e. As of its date and as of the Closing Date, and except with respect to information provided by DTC (hereinafter defined), the Comptroller and the State, the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not

misleading. The Board does not expect to experience any material adverse change in the financial condition or operations of the student loan programs described in the Official Statement from the date hereof to the Closing Date.

f. When delivered to and paid for by the Underwriters in accordance with the terms of this Agreement, the Bonds will have been duly authorized, executed, authenticated, issued and delivered and will constitute legal, valid and binding obligations of the Board in conformity with their terms and will be entitled to the benefit and security of the Resolution, except that (i) enforceability thereof may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and (ii) certain equitable remedies, including specific performance, may be unavailable.

g. The adoption of the Resolution, the execution and delivery of the Program Documents, and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the Board a violation of, breach of or default under, any statute, indenture, mortgage, deed of trust, resolution, or other agreement or instrument to which the Board is a party or by which the Board is bound or the Constitution of the State of Texas, or, to the knowledge of the Board, any order, rule or regulation of any regulatory body or court having jurisdiction over the Board or any of its activities or properties. All consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated hereby or by the foregoing documents and proceedings have been obtained or will be obtained on or prior to the Closing Date.

h. Except as may be specifically disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, or before or by any court, public board or body, pending or known to be threatened against or affecting the Board, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Resolution, the Program Documents or any other agreement or instrument to which the Board is a party, used or contemplated for use in the consummation of transactions contemplated by this Agreement or by the Official Statement.

i. The Board will not take or omit to take (i) any action which will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Official Statement and the Resolution or (ii) any action which will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code").

j. If at any time after the date of this Agreement but before the earlier of (i) ninety days from the "end of the underwriting period" (as defined in paragraph (e)2 of the Rule) or (ii) the time when the Final Official Statement is available to any person from a nationally recognized municipal securities information repository (but in no case less than twenty-five days following the end of the underwriting period), any event shall occur or be discovered which would cause the Final Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Board shall notify the Representative thereof, and, at its sole expense, will supplement or amend the Final Official

Statement in a form and in a manner acceptable to the Board, the Representative and counsel to the Underwriters.

k. The Board has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

l. The Board will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate and will maintain, if necessary therefor, such qualifications for so long as required for the distribution of the Bonds; provided that in connection therewith the Board shall not be required by any provision contained herein to qualify as a dealer in securities or to qualify as a foreign corporation or otherwise to do business or to file any general or special consents to service of process under the laws of any jurisdiction.

m. The Board will provide such information under its control as necessary for the Underwriters to comply with the filing requirements of Rule G-36 of the Municipal Securities Rulemaking Board.

n. The Board will advise the Underwriters immediately after receipt by the Board of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

o. Prior to Closing, the Board will not offer or issue any bonds, notes or other obligations for borrowed money (except for the remarketing of any Previously Issued Bonds) or incur any material liabilities, direct or contingent, payable from or secured by a pledge of the Interest and Sinking Fund and the funds held therein without the prior written consent of the Representative.

p. If the Final Official Statement is supplemented or amended pursuant to subsection j above, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date the Underwriters are no longer required pursuant to the Rule to provide the Final Official Statement to potential customers requesting a Final Official Statement, the Final Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

9. Closing.

a. At 10:00 a.m., Austin, Texas time, on _____, 2013 (the "Closing Date"), or at such other time and date as shall have been mutually agreed upon by the Board and the Representative, the Board will, subject to the terms and conditions hereof, deliver to the Underwriters the Initial Bond registered in the name of CEDE & CO., together with the other documents hereinafter mentioned, and will have available for immediate exchange definitive

Bonds to be deposited with The Depository Trust Company, New York, New York (“DTC”), and the Underwriters will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth herein in immediately available funds (such events being referred to herein as the “Closing”). Payment for the Bonds as aforesaid shall be made at the offices of _____, _____, _____, and delivery of the documents required in Section 10(d) hereof shall be made at the offices of McCall, Parkhurst & Horton L.L.P. in Austin, Texas or at such other places as shall have been mutually agreed upon by the Board and the Underwriters. Payments to the Underwriters of the Underwriters’ fee set forth in Section 1 hereof, shall be made by the Board in immediately available funds, on the Closing Date.

b. Delivery of the definitive Bonds in exchange for the Initial Bond shall be made through DTC, utilizing the book-entry only form of issuance, and the Board agrees to enter into such agreement, including a “Letter of Representations,” as may be required to allow for the use of such book-entry only system. The definitive Bonds shall be delivered in fully registered form bearing CUSIP numbers without coupons registered in the name of CEDE & CO., except that the failure to include CUSIP numbers or the printing of an incorrect CUSIP number on any Bond shall not be a default under this Agreement.

10. Conditions Precedent to Closing. The obligations of the Underwriters hereunder are conditioned upon the accuracy of the representations and warranties of the Board contained herein as of the date hereof and the Closing Date, and to the following additional conditions:

a. At the time of the Closing, (i) the Program Documents and the Resolution shall be duly authorized, executed and delivered and in full force and effect, shall be in the form delivered to the Representative on the date hereof and shall not have been amended, modified or supplemented since the date hereof except as may have been agreed to in writing by the Representative, and the Board shall have duly adopted and there shall be in full force and effect such additional resolutions and agreements as shall, in the opinion of Co-Bond Counsel, be necessary in connection with the transactions contemplated hereby, and (ii) the Board shall perform or have performed all its obligations required under or specified in this Agreement and the Program Documents to be performed simultaneously with or prior to Closing.

b. The Bonds shall have been duly authorized, executed and authenticated in accordance with the provisions of the Resolution.

c. The Underwriters may terminate this Agreement by notification to the Board if, at any time on or after the date hereof and at or prior to the Closing:

(1) legislation shall be enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of Congress by any Committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service,

with respect to the federal taxation of interest received on obligations of the general character of the Bonds, which, in the opinion of Co-Bond Counsel has, or will have, the effect of making such interest subject to inclusion in gross income for purposes of federal income taxation, except to the extent such interest shall be includable in gross income on the date hereof, or materially adversely affects the market price for the Bonds, or the market price generally of obligations of the general character of the Bonds, or the ability of the Underwriters to enforce contracts for sale of the Bonds; or

(2) legislation shall have been enacted, or actively considered for enactment with an effective date prior to the Closing Date, or a decision by a court of the United States shall have been rendered, the effect of which is that any of the Bonds, including any underlying obligations or the Resolution, as the case may be, is not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, and which materially adversely affects the market price for the Bonds, or the market price generally of obligations of the general character of the Bonds, or the ability of the Underwriters to enforce contracts for sale of the Bonds; or

(3) a stop order, ruling, regulation, or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering, or sale of any of the Bonds, including any underlying obligations or the execution and delivery of any Program Document as contemplated hereby or by the Final Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(4) a default shall occur in the payment of principal or interest on any Previously Issued Bonds or the debt obligations of the State of Texas or any agency or authority thereof, which in the opinion of the Representative materially and adversely affects the market for the Bonds; or

(5) any event shall have occurred or any information shall have become known to the Underwriters which causes the Underwriters to reasonably believe that the Final Official Statement as then amended or supplemented includes an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; unless the Board shall supplement or amend the Final Official Statement in a form and manner acceptable to the Underwriters and Underwriters' counsel; or

(6) in the reasonable opinion of the Representative, payment for and delivery of any of the Bonds is rendered impracticable or inadvisable because (i) there shall be in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Representative, would materially adversely affect the market for or market price of any of the Bonds; (ii) a general banking moratorium shall have been declared by federal, State of New York or State authorities, or a material disruption in commercial banking or securities settlement or clearance services shall have occurred; or (iii) there shall have occurred since the date hereof any outbreak or escalation of hostilities (including without limitation an act of terrorism), declaration by the United States of a national emergency or war or other calamity or crisis or any change in the financial, political or economic conditions in the United States or elsewhere the effect of which on financial markets is such as to make it, in the reasonable judgment of the Representative, impractical or inadvisable to proceed with the offering or delivery of the Bonds as contemplated by the Final Official Statement (exclusive of any amendment or supplement thereto); or

(7) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities, such as the Bonds, generally, by any United States governmental authority or by any national securities exchange; or

(8) the New York Stock Exchange or other national securities exchange, or any United States governmental authority, shall impose, as to any of the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the charge to the net capital requirements of Underwriters; or

(9) any proceeding shall be pending or threatened by the SEC against the Board, prior to the Closing Date; or

(10) there shall have been any material adverse change in the affairs of the Board's student loan programs described in the Official Statement or the affairs of the State that in the Representative's reasonable judgment will materially adversely affect the market for the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds including specifically, any downgrading or notice given of (i) any intended or potential downgrading or (ii) any review of possible change that does not indicate the direction of a possible change, in the rating accorded any of the Board's obligations payable from and secured by the Interest and Sinking Fund (including the rating to be accorded the Bonds) by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the 1933 Act; or

(11) the purchase of and payment for the Bonds by the Underwriters or the resale thereof by the Underwriters, on the terms and conditions herein

provided, shall be prohibited by any applicable law or governmental regulation or order of any court; or

(12) A material disruption in securities clearance, payment or settlement services in the United States shall have occurred.

d. At or prior to the Closing, the Representative (or the Underwriters' counsel) shall have received the following documents:

(1) a certified copy of the Resolution;

(2) the Initial Bond;

(3) an approving opinion of the Attorney General of the State of Texas and registration certificate of the Comptroller of Public Accounts of the State of Texas with respect to the Bonds;

(4) three copies of the Final Official Statement executed by the Commissioner;

(5) executed copies of the Program Documents;

(6) a certificate or certificates of the Deputy Commissioner for Business and Finance/Chief Operating Officer, or other appropriate officer or employee of the Board, dated the Closing Date, as follows:

(i) stating that no litigation is pending or, to his knowledge, threatened in any court to restrain or enjoin the issuance or delivery of any of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal of, and interest on, the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds or the Program Documents, or the collection of said revenues or the pledge thereof, or the performance by the Board of the provisions of the foregoing or contesting or seeking to limit the powers of the Board or any authority for the issuance of the Bonds;

(ii) certifying that there has been no material adverse change in or affecting the general affairs or the financial position or assets of the Board relating to its student loan programs, as shown in the Final Official Statement, other than changes disclosed by or contemplated in the Final Official Statement;

(iii) stating that, in his opinion, as of the date of the Final Official Statement and at all times subsequent through and including the Closing Date, the Final Official Statement (except with respect to any information provided by DTC, the Comptroller and the State) did not and does not contain any untrue statement of a material fact or omit to state a

material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(iv) stating that, except as set forth in the Final Official Statement, there is no litigation, controversy or governmental proceeding pending or, to his knowledge, threatened against the Board of a character which might have a material adverse effect on the business or financial condition of the Board's student loan programs, as shown in the Final Official Statement;

(v) certifying that the representations and warranties of the Board contained in Section 8 hereof are true and correct and that the Board has performed all its agreements herein contained that are required to be performed at or simultaneously with Closing; and

(vi) certifying that the Board has authorized, by all action necessary under the laws and the Constitution of the State of Texas, the execution, delivery and due performance of the Program Documents and the Bonds, and the Program Documents and the Bonds are in the form or substantially the form approved for such execution by appropriate proceedings of the Board;

(7) a letter from S&P granting to the Bonds the ratings of “___” and from Moody’s granting to the Bonds the ratings of “_____”, which ratings shall be in effect on the Closing Date;

(8) the approving opinion of Co-Bond Counsel with respect to the Bonds, dated the Closing Date, and a letter from Bond Counsel satisfactory to the Underwriters to the effect that the Underwriters may rely on such;

(9) the supplemental opinion of Co-Bond Counsel addressed to the Underwriters, dated the Closing Date, in substantially the form attached hereto as Exhibit A;

(10) the opinion of counsel to the Underwriters, dated the Closing Date, in a form acceptable to the Representative;

(11) a letter or letters, dated as of or prior to the Closing, from the Texas Bond Review Board approving the issuance of the Bonds and relating to Article III, Section 49-j of the Texas Constitution;

(12) evidence that a Form 8038 relating to the Bonds will be filed with the Internal Revenue Service within the applicable time limit, and a certificate of the Board, dated the Closing Date and signed by an authorized representative of the Board, respecting certain tax matters as may be required by Co-Bond Counsel to deliver its opinion with respect to the exclusion from income of interest on the Bonds;

(13) a letter signed on behalf of the State by the Comptroller of Public Accounts of the State of Texas (the “Comptroller”) in substantially the form attached hereto as Exhibit B, which letter shall include as an exhibit a copy of the Continuing Disclosure Agreement signed by the Comptroller; and

(14) evidence satisfactory to the Representative that the conditions for issuance of the Bonds under the Resolution have been satisfied and such additional certificates, instruments and other documents as the Representative may reasonably request to evidence the due performance or satisfaction by the Board at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by each of them.

All the opinions, affidavits, letters, evidences, certificates and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance satisfactory to the Representative.

If the Board shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriters nor the Board shall be under further obligation hereunder, except that the respective obligations of the Board and the Underwriters for the payment of expenses, as provided in Section 11 hereof, shall continue in full force and effect.

11. **Expenses.** The Underwriters shall be under no obligation to pay any expenses incident to the performance of the Board’s obligations hereunder including but not limited to (a) the cost of printing and mailing of a reasonable number of copies of the Preliminary Official Statement and Final Official Statement, any amendment or supplement to the Preliminary Official Statement or the Final Official Statement required for distribution and use in connection with the public offering of the Bonds; (b) the cost of printing and preparation for printing or other reproduction (for distribution on or prior to the date of execution of this Agreement) of the Resolution and the Program Documents; (c) the cost of preparing the Initial Bond or the Bonds delivered to DTC; (d) the fees and disbursements of Co-Bond Counsel, and any other experts, accountants, counsel, or consultants retained by the Board; (e) the fees of rating agencies in connection with the Bonds; and (f) the fees associated with Texas Attorney General. The Underwriters shall pay (w) the cost of printing this Agreement, and the cost of obtaining and printing Blue Sky and legal investment memoranda to be used by it, if any; (x) all advertising expenses in connection with the public offering of the Bonds; (y) all fees and expenses of Underwriters’ counsel; and (z) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Bonds.

12. **Notices.** Any notice or other communication to be given to the Board under this Agreement may be given by delivering the same in writing to Texas Higher Education Coordinating Board, 1200 E. Anderson Lane, Suite 3.110, Austin, Texas 78752, Attention: Dr. Arturo Alonzo, Deputy Commissioner for Business and Finance/Chief Operating Officer, and any notice or other communication to be given to the Underwriters under this Agreement may be given by delivering the same in writing to: _____, Attention: _____.

13. **Parties in Interest.** This Agreement is made solely for the benefit of the Board and the Underwriters (including the successors or assigns of any Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. All the Board's representations, warranties and agreements in this Agreement shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriters, (b) delivery of and payment for the Bonds pursuant to this Agreement and (c) any termination of this Agreement.

14. **Headings.** The headings of the Paragraphs of this Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

15. **Law.** This Agreement shall be governed by the laws of the State of Texas.

16. **Counterparts.** This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

17. **Severability.** If any portion of this Agreement shall be held invalid or inoperative, then, so far as is reasonable and possible (a) the remainder of this Agreement shall be considered, valid and operative and (b) effect shall be given to the intent manifested by the portion held invalid or inoperative.

18. **Amendments.** This Agreement may not be modified or amended except by written agreement executed by all of the parties hereto. Whenever the context so requires, the masculine shall include the feminine and neuter, and the singular shall include the plural, and conversely.

19. **Entire Agreement.** This Agreement contains the entire understanding between the parties and supersedes any prior understanding or written or oral agreements between them respecting the subject matter hereof. The parties hereto covenant and agree that they will execute such other and further instruments and documents as are or may become necessary or convenient to effectuate and carry out this Agreement.

[Signature Pages Follow]

Very truly yours,

By: _____

[Signature Page of the Board Follows]

[Signature Page to Bond Purchase Agreement]

Executed as of the ____ day of _____, 2013 pursuant to authority granted by a Resolution of the Board adopted on January 24, 2013.

**TEXAS HIGHER EDUCATION
COORDINATING BOARD**

By: _____
Commissioner of Higher Education

SCHEDULE I

SCHEDULE II

Final Terms of the Bonds

[Note: All capitalized terms used in this Schedule II which are not otherwise defined herein shall have the same meanings as set forth in the resolution approved on January 24, 2013 (the “Bond Resolution”) by the Texas Higher Education Coordinating Board which authorized the issuance of the Bonds.]

- (A) As provided in Section 2.01(b) of the Bond Resolution, the State of Texas College Student Loan [and Refunding] [Refunding] Bonds, Series [2013] (the “Bonds”) which are authorized to be issued pursuant to the Bond Resolution, shall be dated _____, 2013 and shall be issued in the aggregate principal amount of \$_____, to be used [to fund an ongoing student loan program which provides low interest loans to eligible students at institutions of higher education in the State] [refund the Refunded Bonds].

- (B) The Bonds shall (i) mature on each of the dates and in the respective principal amounts, and (ii) bear interest from the Issuance Date to their respective date of maturity or prior redemption at the respective interest rates, all as set forth below:

MATURITY DATE (AUGUST 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD

- (C) As provided in Section 2.02(b) of the Bond Resolution, interest on the Bonds shall be payable on each Interest Payment Date, commencing _____, until its maturity or prior redemption.
- (D) _____ (“_____”) has been designated as the senior managing Underwriter for the Bonds. _____ and the other Underwriters listed in the Bond Purchase Agreement are included in the listing of investment banking firms that was previously approved by the Board. The aggregate price to be paid by the Underwriters for the Bonds is in excess of 95% of the aggregate principal amount thereof and none of the Bonds bear interest at a rate in excess of the Maximum Rate.
- (E) Optional Redemption. On _____, or on any date thereafter, the Bonds maturing on and after _____ may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any lawfully available source, as a whole or in part (provided that a portion of a Bond may be redeemed only in an Authorized Denomination), at a redemption price of 100% of the principal amount thereof called for redemption, plus accrued interest thereon to the date fixed for redemption. The Board shall determine the maturity or maturities, and the principal amount of Bonds within each maturity, to be redeemed. If less than all Bonds of a maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method for redemption.
- (F) Mandatory Sinking Fund Redemption. The Bonds maturing on _____ are subject to mandatory sinking fund redemption prior to maturity at a price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, on _____ 1 in the years and in the principal amounts shown below:

BONDS MATURING

REDEMPTION	
DATE	PRINCIPAL
<u>AUGUST 1</u>	<u>AMOUNT</u>

The principal amount of such Bonds required to be redeemed pursuant to the operation of such mandatory sinking fund redemption requirements may be reduced, at the option of the Board, by the principal amount of any such Bonds which, prior to the date of the mailing of notice of such mandatory redemption, shall have been (i) acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, (ii) purchased and canceled by the Paying Agent/Registrar at the request of the Board, or (iii) redeemed pursuant to the optional redemption provisions described above and not theretofore credited against a mandatory sinking fund redemption requirement.

(G) All other terms of the Bonds shall be as set forth in the Bond Resolution.

Note: Complete H only if the Series of Bonds is being issued to refund Refunded Bonds.

(H) The Refunded Bonds to be refunded by the Bonds are identified on Schedule I hereto, and the present value savings requirement of Section 2.01(b) of the Bond Resolution (which present value savings, as calculated by the Board's financial advisor, is approximately equal to _____) has been satisfied.

(I) In consultation with, and reliance upon the advice of the Board's Financial Advisor, I hereby find that the terms and sale are the most advantageous reasonably available on the date and time of the pricing of the Bonds given the then existing market conditions and the stated terms of sale on such date and time.

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF CO-BOND COUNSEL

_____, 2013

c/o _____

Ladies and Gentlemen:

We have represented the Texas Higher Education Coordinating Board (the “Issuer”) as its co-bond counsel in connection with the issuance, sale and delivery by the Issuer of its \$_____ State of Texas College Student Loan [and Refunding] [Refunding] Bonds, Series [2013] (the “Bonds”), issued pursuant to a resolution adopted by the Issuer on January 24, 2013 (the “Resolution”). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to such terms in the Resolution.

This opinion is rendered pursuant to Section 10.d.(9) of the Bond Purchase Agreement dated _____, 2013, between the Issuer and _____, acting on behalf of itself and the other underwriters named therein (the “Underwriters”). In our capacity as co-bond counsel to the Issuer, we have examined and are familiar with certified or original executed counterparts of the following: (i) the Resolution; (ii) the Official Statement of the Issuer relating to the Bonds dated _____, 2013 (the “Official Statement”); (iii) the documents referred to in our opinion of even date herewith relating to the Bonds and not otherwise included above; and (iv) such other documents, instruments, certificates and opinions as we have deemed necessary to enable us to render this opinion.

You have authorized us to assume without independent verification (i) the genuineness of certificates, records and other documents (collectively, “documents”) and the accuracy and completeness of the statements of fact contained therein; (ii) the due authorization, execution and delivery of the documents described above by the other parties thereto; (iii) that all documents submitted to us as originals are accurate and complete; and (iv) that all documents submitted to us as copies are true and correct copies of the originals thereof.

Based on said examination, it is our opinion that under existing laws, the Bonds may be offered and sold without registration under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended.

We were not requested to participate, and did not take part, in the preparation of the Official Statement, except as hereinafter noted, and we have not verified, and are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained therein. We have, however, reviewed the information described below relating to the Bonds and the Resolution contained in the Official Statement solely for the purposes of rendering the opinions set forth in this paragraph. On the basis of the foregoing, it is our opinion that the information relating to the Bonds and the Resolution contained in the Official Statement under the headings “SUMMARY STATEMENT,” “INTRODUCTION,” “PLAN OF FINANCE,” “THE BONDS” (but excluding the information set forth under the subheading “—Book-Entry-Only System”), “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,” “SELECTED PROVISIONS OF THE RESOLUTION,” “CONTINUING DISCLOSURE OF INFORMATION” (but excluding the information set forth under the subheadings “—Continuing Disclosure Undertaking of the Comptroller” and “—Compliance with Prior Undertakings”), “OTHER RELEVANT INFORMATION—Legal Opinions and No-Litigation Certificate” (but excluding the information in the third and fourth paragraphs thereof) and “APPENDIX B – CERTAIN DEFINITIONS CONTAINED IN THE RESOLUTION” is a fair and accurate summary of the information purported to be shown therein, and that the information under the headings “TAX MATTERS” and “OTHER RELEVANT INFORMATION—Legal Investments and Eligibility to Secure Public Funds in Texas” is correct as to matters of law and fairly and accurately presents the information therein. In our capacity as co-bond counsel to the Issuer we have delivered on this date our approving opinion with respect to the Bonds in substantially the form set forth in Appendix D to the Official Statement. The Underwriters may rely on such approving opinion as if it were addressed to them.

The opinions expressed above are expressed only insofar as the laws of the State of Texas and the United States of America may be applicable. This opinion speaks only as of its date and only in connection with the Bonds and may not be applied to any other transaction. The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

Further, this opinion is furnished by us solely to the addressees, and is solely for your benefit, and no one else is entitled to rely upon this opinion.

Very truly yours,

EXHIBIT B

[LETTERHEAD OF COMPTROLLER]

[date]

Texas Higher Education Coordinating Board
1200 E. Anderson Lane, Suite 3.110
Austin, Texas 78752

Re: State of Texas College Student Loan [and Refunding] [Refunding] Bonds, Series [2013]

Ladies and Gentlemen:

My office has provided to you Appendix A (“Disclosure Appendix”) dated _____, disclosing certain information relevant to the financial condition of the State of Texas as currently on file with the MSRB. You are authorized to incorporate the Disclosure Appendix by reference in the Official Statement for the referenced securities.

A true and correct copy of our Continuing Disclosure Agreement (“Disclosure Agreement”) is attached as Exhibit A. Capitalized terms in this letter have the meanings ascribed to such terms in the Disclosure Agreement.

My office entered into such Disclosure Agreement, dated August 17, 1995, as amended effective January 26, 2010 (the “Disclosure Agreement”), with the Texas Bond Review Board for your benefit and the benefit of the legal and beneficial owners of the referenced securities. The Disclosure Agreement has not been amended or repealed and remains in force and effect. The Annual Financial Information contained in the Disclosure Appendix with respect to the referenced securities is specified in Exhibit B. Financial data included in such Annual Financial Information was prepared on a cash basis, except as otherwise expressly described in the Disclosure Appendix. Sufficient funds have been appropriated by the State Legislature for the 2013-2014 biennium to permit my office to perform its obligations under the Disclosure Agreement.

The information contained in the Disclosure Appendix was obtained from sources which we believe to be reliable. To the best of our knowledge and belief, the Disclosure Appendix did not as of its date and does not now contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading.

This letter may be relied upon by Underwriters for the referenced securities.

Sincerely,

OFFICE OF THE COMPTROLLER OF PUBLIC
ACCOUNTS

By: _____

Name: _____

Title: _____

(SEAL)

Attachments:

Exhibit A – Disclosure Agreement

Exhibit B – Annual Financial Information