

**MISSOURI HIGHER EDUCATION
LOAN AUTHORITY**

**THIRD SUPPLEMENTAL RESOLUTION
OF THE TWELFTH GENERAL
STUDENT LOAN PROGRAM
BOND RESOLUTION**

Relating To

**\$16,415,000
STUDENT LOAN REVENUE BONDS
SERIES 1996E**

**\$3,600,000
STUDENT LOAN REVENUE BONDS
SERIES 1996F**

**\$16,000,000
STUDENT LOAN REVENUE BONDS
SERIES 1996G**

and

**\$55,000,000
STUDENT LOAN REVENUE BONDS
SERIES 1996H (TAXABLE)**

Adopted February 7, 1996

**MISSOURI HIGHER EDUCATION
LOAN AUTHORITY**

**THIRD SUPPLEMENTAL RESOLUTION
RELATING TO THE TWELFTH GENERAL
STUDENT LOAN PROGRAM BOND RESOLUTION**

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**THIRD SUPPLEMENTAL RESOLUTION OF THE
TWELFTH GENERAL STUDENT LOAN PROGRAM
BOND RESOLUTION**

BE IT RESOLVED by the members of the Missouri Higher Education Loan Authority as follows:

ARTICLE I

SHORT TITLE, DEFINITIONS AND AUTHORITY

Section 1.1. Short Title. This Supplemental Resolution shall be known as and may be designated by the short title "Third Supplemental Resolution" (this "Supplemental Resolution").

Section 1.2. Definitions. All words and phrases defined in Article I of the General Resolution shall have the same meaning in this Supplemental Resolution, except as otherwise appears in this Section or in Schedule A hereto. In addition, the following terms shall have the following meanings, unless the context otherwise requires:

"Acquisition Period" means a period commencing on the Issue Date and ending on the date that the Authority no longer reasonably expects to finance Eligible Loans from amounts deposited in the Student Loan Fund pursuant to Section 3.2 but not later than August 1, 1997, provided that this period may be extended with the written consent of the Bond Insurer and notice to S&P, and provided further, that without the written consent of the Bond Insurer, any loan made under the Higher Education Act and financed after July 1, 1998 must have been originated prior to July 1, 1998.

"Authorized Denominations" means (i) with respect to the Series E, F and G Bonds, \$5,000 or any integral multiple thereof and (ii) with respect to the Series H Bonds, \$50,000 or any integral multiple thereof.

"Bond Insurance Trustee" means United States Trust Company, New York, New York.

"Bond Insurer" means AMBAC Indemnity Corporation, a Wisconsin-domiciled stock company, or any successor thereto.

"Bond Insurer Fee" means a fee payable to the Bond Insurer on the Issue Date and annually thereafter on each February 15, commencing February 15, 1997, in an amount equal to .185% per annum of the principal amount of the outstanding Series E, F, G and H Bonds; provided, however, that if, after July 1, 1999, the principal amount of Supplemental Loans held under the General Resolution is not more than 10% (or 3%) of the aggregate principal amount of Bonds Outstanding, and the Authority determines that, so long as the Bonds are outstanding, such percentage of Supplemental Loans shall remain 10% (or 3%) or less of the aggregate principal amount of Bonds Outstanding, then, the Authority shall deliver to the Bond Insurer and

to the Trustee a Certificate of an Authorized Officer stating that no moneys shall be withdrawn from the Student Loan Fund to acquire Supplemental Loans if, at the time of acquisition thereof, the outstanding principal amount of Supplemental Loans held under the Resolution would exceed 10% (or 3%) of the aggregate principal amount of Bonds Outstanding. Following receipt of such Certificate, the Bond Insurer's Fee for each year thereafter shall be determined in accordance with the following schedule:

<u>Supplemental Loans</u> (outstanding principal amount as percentage of Bonds Outstanding)	<u>Bond Insurer's Fee</u> (basis points per annum)
Not more than 10%	16.5
Not more than 3%	14

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement between the Authority and the Trustee dated the date of issuance and delivery of the Series E, F, G and H Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Eligible Loans" for purposes of this Third Supplemental Resolution shall mean Eligible Loans as defined in the General Resolution, as well as Supplemental Loans and Institution Loans, provided that at the time of any acquisition thereof, unless the Trustee and the Authority shall have received the written consent of the Bond Insurer to increase such amounts, (i) the combined outstanding principal amount of HEAL Loans held hereunder and under the First and Second Supplemental Resolutions and to be acquired at such time shall not exceed 8% of the outstanding face principal amount of the Series A through H Bonds; (ii) the outstanding principal amount of Supplemental Loans held hereunder and under the First and Second Supplemental Resolutions and to be acquired at such time shall not exceed 15% of the outstanding face principal amount of the Series A through H Bonds; (iii) the outstanding principal amount of loans made pursuant to Section 428C of the Higher Education Act held hereunder and under the First and Second Supplemental Resolutions and to be acquired at such time shall not exceed 8% of the outstanding face principal amount of the Series A through H Bonds; and (iv) the combined outstanding principal amount of Institution Loans held hereunder and under the First and Second Supplemental Resolutions and to be acquired at such time shall not exceed such amount as shall be authorized in writing by the Bond Insurer.

"Excess Yield Account 1996E Subaccount" means the account in the Rebate Account established pursuant to Section 3.1.

"Excess Yield Account 1996F Subaccount" means the account in the Rebate Account established pursuant to Section 3.1.

"Excess Yield Account 1996G Subaccount" means the account in the Rebate Account established pursuant to Section 3.1.

"Favorable Opinion" means a Bond Counsel's Opinion addressed to the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Act and the Resolution and will not adversely affect any exclusion from gross income of interest on the applicable Bonds for federal income tax purposes.

"First Supplemental Resolution" means the First Supplemental Resolution to the Twelfth General Student Loan Program Bond Resolution adopted May 1, 1995, and any amendments thereto in accordance with its terms.

"General Resolution" means the Authority's Twelfth General Student Loan Program Bond Resolution, adopted May 1, 1995, as supplemented and amended.

"Guaranty Agreement" means the Guaranty Agreement dated as of February 13, 1996 between the Authority and the Bond Insurer, providing for reimbursement of the Bond Insurer by the Authority of any amounts drawn under the Surety Bond.

"Guaranty Fee" means those fees described as Guaranty Fees in Attachment I hereto.

"HEAL Loans" means loans insured by the Secretary of Health and Human Services pursuant to the Public Health Service Act.

"Institution Loan" means a loan made to a post secondary educational institution or a financial institution for use in making Eligible Loans, but only in such aggregate principal amounts, to such borrowers, meeting such criteria and subject to such conditions as shall be established by the Authority with the written approval of the Bond Insurer.

"Interest Payment Date" means (i) with respect to Series H Bonds, that date or those dates set forth or provided for in Schedule A and (ii) with respect to the Series E, F and G Bonds, each February 15 and August 15, commencing August 15, 1996.

"Issue Date" means the date of delivery of the Series E, F, G and H Bonds.

"Loan Account 1996E Subaccount" means the account in the Student Loan Fund by that name established pursuant to Section 3.1.

"Loan Account 1996F Subaccount" means the account in the Student Loan Fund by that name established pursuant to Section 3.1.

"Loan Account 1996G Subaccount" means the account in the Student Loan Fund by that name established pursuant to Section 3.1.

"Loan Account 1996H Subaccount" means the account in the Student Loan Fund by that name established pursuant to Section 3.1.

"1996 Bond Insurance Policy" means the municipal bond insurance policy or policies of the Bond Insurer which insures the payment when due of the principal of and interest on the

Series E, F, G and H Bonds, as provided in such policy or policies, including, without limitation, any rider or endorsements thereto.

"1996E Loans" means Eligible Loans financed with amounts in the Loan Account 1996E Subaccount.

"1996F Loans" means Eligible Loans financed with amounts in the Loan Account 1996F Subaccount.

"1996G Loans" means Eligible Loans financed with amounts in the Loan Account 1996G Subaccount.

"1996H Loans" means Eligible Loans financed with amounts in the Loan Account 1996H Subaccount.

"1996E Redemption Account" means the account by that name established pursuant to Section 3.1.

"1996F Redemption Account" means the account by that name established pursuant to Section 3.1.

"1996G Redemption Account" means the account by that name established pursuant to Section 3.1.

"1996E Reserve Account Requirement" means the amount specified in Section 3.6 hereof.

"1996F Reserve Account Requirement" means the amount specified in Section 3.6 hereof.

"1996G Reserve Account Requirement" means the amount specified in Section 3.6 hereof.

"1996H Reserve Account Requirement" means the amount specified in Section 3.6 hereof.

"1991A Refunded Bond Trustee" means Mercantile Bank of St. Louis N.A., St. Louis, Missouri.

"1992 Refunded Bond Trustee" means Commerce Bank of Kansas City, St. Louis, Missouri.

"1993D Refunded Bond Trustee" means Commerce Bank of Kansas City, Kansas City, Missouri.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Rating Confirmation" means a letter from a Rating Agency then providing a rating for the Series E, F, G or H Bonds, as the case may be, confirming that the action proposed to be taken by the Authority will not, in and of itself, have the effect of reducing the rating then applicable to such Bonds.

"Rebate Account 1996E Subaccount" means the account in the Rebate Account established pursuant to Section 3.1.

"Rebate Account 1996F Subaccount" means the account in the Rebate Account established pursuant to Section 3.1.

"Rebate Account 1996G Subaccount" means the account in the Rebate Account established pursuant to Section 3.1.

"Record Date," with respect to the Series H Bonds, shall have the meaning set forth in Schedule A.

"Recycling Period" means a period commencing on the Issue Date and ending on July 1, 1999, subject to suspension or termination as provided in Section 3.10(B) hereof, except that such period may be extended with the written consent of the Bond Insurer and notice to S&P; provided, however, that without the written consent of the Bond Insurer, any loan made under the Higher Education Act and financed after July 1, 1998 must have been originated prior to July 1, 1998.

"Reserve Account 1996E Subaccount" means the account in the Debt Service Reserve Fund established pursuant to Section 3.1.

"Reserve Account 1996F Subaccount" means the account in the Debt Service Reserve Fund established pursuant to Section 3.1.

"Reserve Account 1996G Subaccount" means the account in the Debt Service Reserve Fund established pursuant to Section 3.1.

"Reserve Account 1996H Subaccount" means the account in the Debt Service Reserve Fund established pursuant to Section 3.1.

"Revenue Account 1996E Subaccount" means the account in the Revenue Fund established pursuant to Section 3.1.

"Revenue Account 1996F Subaccount" means the account in the Revenue Fund established pursuant to Section 3.1.

"Revenue Account 1996G Subaccount" means the account in the Revenue Fund established pursuant to Section 3.1.

"Revenue Account 1996H Subaccount" means the account in the Revenue Fund established pursuant to Section 3.1.

"Revenues" means all payments, proceeds, charges and other income received by the Authority from or on account of any Student Loan (including scheduled, delinquent and advance payments of, and any insurance or guaranty proceeds with respect to, interest on any Student Loan and any interest subsidy payments and any Special Allowance Payment received by the Authority with respect to any Student Loan) and all interest earned or gain realized from the investment of amounts in any Account (other than amounts required to be deposited to or on deposit in the Rebate Fund or Excess Yield Fund); but excludes (a) any amount retained by the servicer of any Student Loan as compensation for services rendered in connection with the servicing of such Student Loan, (b) Recoveries of Principal and (c) any payments for the guaranty or insurance of any Student Loan.

"Second Supplemental Resolution" means the Second Supplemental Resolution to the Twelfth General Student Loan Program Bond Resolution adopted June 5, 1995, and any amendments thereto in accordance with its terms.

"Series A Bonds" means the series of Bonds authorized pursuant to Section 2.1 of the First Supplemental Resolution and titled "Student Loan Revenue Bonds, Series 1995A".

"Series B Bonds" means the series of Bonds authorized pursuant to Section 2.1 of the First Supplemental Resolution and titled "Student Loan Revenue Bonds, Series 1995B".

"Series C Bonds" means the Bonds authorized pursuant to Section 2.1 of the Second Supplemental Resolution and titled "Student Loan Revenue Bonds, Series 1995C (Taxable)".

"Series D Bonds" means the Bonds authorized pursuant to Section 2.1 of the Second Supplemental Resolution and titled "Student Loan Revenue Bonds, Series 1995D (Taxable)".

"Series E Bonds" means the Bonds authorized pursuant to Section 2.1 hereof and titled "Student Loan Revenue Bonds, Series 1996E".

"Series F Bonds" means the Bonds authorized pursuant to Section 2.1 hereof and titled "Student Loan Revenue Bonds, Series 1996F".

"Series G Bonds" means the Bonds authorized pursuant to Section 2.1 hereof and titled "Student Loan Revenue Bonds, Series 1996G".

"Series H Bonds" means the Bonds authorized pursuant to Section 2.1 hereof and titled "Student Loan Revenue Bonds, Series 1996H (Taxable)".

"Supplemental Loan" means a loan meeting the criteria set forth in Attachment I hereto as such criteria may be amended from time to time at the written direction of the Authority with the written approval of the Bond Insurer.

"Surety Bond" means each surety bond issued by the Bond Insurer guaranteeing certain payments into the Reserve Account Subaccounts with respect to the Series E, F, G and H Bonds, as provided in Section 3.7 hereof.

"Surety Bond Coverage" means Surety Bond Coverage as defined in the Surety Bond.

"Third Supplemental Resolution" means this Third Supplemental Resolution and any amendments hereto in accordance with its terms.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF SERIES E, F, G AND H BONDS

Section 2.1. Principal Amount, Designation and Series. Pursuant to the provisions of the General Resolution, four Series of Bonds entitled to the benefit, protection and security of the General Resolution are hereby authorized in the respective principal amounts of \$16,415,000, \$3,600,000, \$16,000,000 and \$55,000,000. Each such Series of Bonds shall be designated as and shall be distinguished from the Bonds of all other Series, respectively, by the following titles: "Student Loan Revenue Bonds, Series 1996E", "Student Loan Revenue Bonds, Series 1996F", "Student Loan Revenue Bonds, Series 1996G" and "Student Loan Revenue Bonds, Series 1996H (Taxable)".

Section 2.2. Purposes.

(A) The Series E Bonds are issued for the purpose of refunding the Authority's \$16,415,000 Student Loan Revenue Bonds, Series 1992A, maturing February 15, 1996.

(B) The Series F Bonds are issued for the purpose of refunding the Authority's \$3,600,000 Student Loan Revenue Bonds, Series 1991A, maturing March 1, 1996.

(C) The Series G Bonds are issued for the purpose of refunding the Authority's \$1,000,000 Student Loan Revenue Bonds, Series 1992B, maturing February 15, 1996 and the Authority's \$15,000,000 Student Loan Senior Lien Revenue Bonds, Series 1993D, maturing February 15, 2008 and which are being called for redemption and prepayment on February 20, 1996.

(D) The Series H Bonds are issued for the purpose of (i) making a deposit into the Loan Account 1996H Subaccount established pursuant to the General Resolution and Article III hereof, and (ii) making deposits into other special trust accounts established pursuant to the General Resolution and Article III hereof as required by and in the amounts required by Article III hereof.

Section 2.3. Date, Maturities and Interest Rates. The Series E, F, G and H Bonds shall consist of Serial and/or Term Bonds which shall be dated, shall bear interest, shall mature, shall be payable and shall be subject to redemption as described in Exhibit A attached hereto.

Section 2.4. Form, Denomination, Numbers and Letters.

(A) The Series E, F and G Bonds shall be issued in the form of fully registered bonds, in substantially the form set forth in Exhibit F. The Series E, F and G Bonds shall be issued in Authorized Denominations and the Bonds of each such Series shall be numbered separately from 1 upward and may be preceded by a letter or letters.

(B) The Series H Bonds shall be issued in the form of fully registered bonds, in substantially the form set forth in Exhibit B. The Series H Bonds shall be issued in Authorized Denominations and shall be numbered separately from 1 upward and may be preceded by a letter or letters.

Section 2.5. Trustee to Act as Paying Agent and Registrar. The Trustee has been appointed as Paying Agent and as Registrar under the General Resolution and will so act with respect to the Series E, F, G and H Bonds.

Section 2.6. Book Entry. The Series E, F, G and H Bonds shall each be issued in book-entry only form and shall be issued initially in the name of Cede & Co., as nominee for DTC, as registered owner of such Bonds, and held in the custody of DTC. The actual purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each Bond acquired. For so long as DTC shall continue to serve as securities depository for such Bonds, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

For every transfer and exchange of Series E, F, G and H Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner's allocable share of any tax, fee or other governmental charge that may be imposed in relation thereto. Bond certificates are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) DTC determines to discontinue providing its service with respect to such Bonds, such a determination may be made at any time by the giving of notice to the Authority and the Trustee discharging its responsibilities with respect thereto under applicable law;

(b) the Authority determines that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners.

The Authority and the Trustee will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting.

Whenever, during the term of such Bonds, the beneficial ownership thereof is determined by a book-entry at DTC, the requirements in the Resolution for holding, delivering or

transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of DTC as to registering or transferring the book-entry to produce the same effect.

If at any time, DTC ceases to hold such Bonds, all references to DTC with respect to such Bonds shall be of no further force or effect except that, if the Authority shall appoint a successor depository company, such references shall be deemed to refer to such successor depository company.

ARTICLE III

ESTABLISHMENT OF SUBACCOUNTS, APPLICATION OF PROCEEDS OF THE SALE OF SERIES E, F, G AND H BONDS; AND USE AND DISBURSEMENTS OF ACCOUNTS

Section 3.1. Establishment of Accounts and Subaccounts. In addition to the Accounts and Subaccounts previously established under the Resolution, the Trustee is directed to establish the following Accounts and Subaccounts: the 1996E Redemption Account, the 1996F Redemption Account and the 1996G Redemption Account; the Loan Account 1996E Subaccount, 1996F Subaccount, 1996G Subaccount and 1996H Subaccount; the Revenue Account 1996E Subaccount, 1996F Subaccount, 1996G Subaccount and 1996H Subaccount; the Reserve Account 1996E Subaccount, 1996F Subaccount, 1996G Subaccount and 1996H Subaccount; the Rebate Account 1996E Subaccount, 1996F Subaccount and 1996G Subaccount; and the Excess Yield Account 1996E Subaccount, 1996F Subaccount and 1996G Subaccount.

Section 3.2. Application of Series E Bond Proceeds and Use of 1996E Subaccounts.

(A) The proceeds of the Series E Bonds (other than accrued interest) shall be deposited to the 1996E Redemption Account. The Trustee, on or prior to the maturity of the Authority's \$16,415,000 Student Loan Revenue Bonds Series 1992A, maturing February 15, 1996, shall transfer the amounts on deposit in the 1996E Redemption Account to the 1992 Refunded Bond Trustee against the Trustee's concurrent receipt from the 1992 Refunded Bond Trustee of the amounts specified in Section 3.2(B)(i).

(B) There shall be credited to the Loan Account 1996E Subaccount the following:

(i) upon receipt thereof, \$16,415,000 of the amounts received from the 1992 Refunded Bond Trustee;

(ii) all Recoveries of Principal with respect to 1996E Loans during the Recycling Period; and

(iii) all moneys required to be transferred to the Loan Account 1996E Subaccount pursuant to the General Resolution.

(C) Except to the extent hereinafter provided with respect to the replenishment of the Reserve Account 1996E Subaccount, there shall be credited to the Revenue Account 1996E Subaccount, as received, the following:

- (i) accrued interest, if any, received on sale of the Series E Bonds;
 - (ii) all payments of interest or late payment fees representing interest on 1996E Loans, from whatever source (including any guaranteed interest payments, interest subsidy payments, Special Allowance Payments, and any accrued interest received on any 1996E Loans sold, transferred, assigned or otherwise disposed of by the Authority);
 - (iii) in the event the lien of the Trustee on the Trust Estate is foreclosed, all remaining money in the Loan Account 1996E Subaccount;
 - (iv) any amounts transferred from the Reserve Account 1996E Subaccount pursuant to Section 5.4(B) of the General Resolution;
 - (v) the income and earnings relating to the Loan Account 1996E Subaccount, Revenue Account 1996E Subaccount, 1996E Redemption Account and Reserve Account 1996E Subaccount;
 - (vi) after the Recycling Period, Recoveries of Principal with respect to 1996E Loans; and
 - (vii) any amounts transferred from the Loan Account 1996E Subaccount pursuant to Section 5.4(B) of the General Resolution.
- (D) There shall be credited to the Reserve Account 1996E Subaccount the following:
- (i) the Surety Bond in the initial face amount of \$492,450 issued by the Bond Insurer, representing the 1996E Reserve Account Requirement;
 - (ii) to the extent the amount on deposit in the Reserve Account 1996E Subaccount is less than the 1996E Reserve Account Requirement, or to the extent there has been a draw on the Surety Bond which reduces the Surety Bond Coverage, funds shall be deposited therein, pursuant to Section 5.4 of the General Resolution to the extent of any deficiency from the next available Revenues received by the Authority to the extent necessary, consistent with the provisions of Section 3.7(C)(iv) hereof, to cause the amount on deposit therein to equal the 1996E Reserve Account Requirement; and
 - (iii) amounts from the Revenue Account 1996E Subaccount pursuant to Section 5.4(A)(iv) and 5.4(B) and from the Loan Account 1996E Subaccount pursuant to Section 5.3(A)(iv) and 5.4(B) of the General Resolution.
- (E) There shall be credited to the Rebate Account 1996E Subaccount and the Excess Yield Account 1996E Subaccount the amounts for disbursements in respect of the Series 1996E Bonds pursuant to the General Resolution.

Section 3.3. Application of Series F Bond Proceeds and Use of 1996F Subaccounts.

(A) The proceeds of the Series F Bonds (other than accrued interest) shall be deposited to the 1996F Redemption Account. The Trustee, on or prior to the maturity of the Authority's \$3,600,000 Student Loan Revenue Bonds Series 1991A, maturing March 1, 1996, shall transfer \$3,600,000 of the amounts on deposit in the 1996F Redemption Account to the 1991A Refunded Bond Trustee against the Trustee's concurrent receipt from the 1991A Refunded Bond Trustee of the amounts specified in Section 3.3(B)(i).

(B) There shall be credited to the Loan Account 1996F Subaccount the following:

(i) upon receipt thereof, \$3,600,000 of the amounts received from the 1991A Refunded Bond Trustee;

(ii) all Recoveries of Principal with respect to 1996F Loans during the Recycling Period; and

(iii) all moneys required to be transferred to the Loan Account 1996F Subaccount pursuant to the General Resolution.

(C) Except to the extent hereinafter provided with respect to the replenishment of the Reserve Account 1996F Subaccount, there shall be credited to the Revenue Account 1996F Subaccount, as received, the following:

(i) accrued interest, if any, received on sale of the Series F Bonds;

(ii) all payments of interest or late payment fees representing interest on 1996F Loans, from whatever source (including any guaranteed interest payments, interest subsidy payments, Special Allowance Payments, and any accrued interest received on any 1996F Loans sold, transferred, assigned or otherwise disposed of by the Authority);

(iii) in the event the lien of the Trustee on the Trust Estate is foreclosed, all remaining money in the Loan Account 1996F Subaccount;

(iv) any amounts transferred from the Reserve Account 1996F Subaccount pursuant to Section 5.4(B) of the General Resolution;

(v) the income and earnings relating to the Loan Account 1996F Subaccount, Revenue Account 1996F Subaccount, 1996F Redemption Account and Reserve Account 1996F Subaccount;

(vi) after the Recycling Period, Recoveries of Principal with respect to 1996F Loans; and

(vii) any amounts transferred from the Loan Account 1996F Subaccount pursuant to Section 5.4(B) of the General Resolution.

(D) There shall be credited to the Reserve Account 1996F Subaccount the following:

(i) the Surety Bond in the initial face amount of \$108,000 issued by the Bond Insurer, representing the 1996F Reserve Account Requirement;

(ii) to the extent the amount on deposit in the Reserve Account 1996F Subaccount is less than the 1996F Reserve Account Requirement, or to the extent there has been a draw on the Surety Bond which reduces the Surety Bond Coverage, funds shall be deposited therein, pursuant to Section 5.4 of the General Resolution to the extent of any deficiency from the next available Revenues received by the Authority to the extent necessary, consistent with the provisions of Section 3.7(C)(iv) hereof, to cause the amount on deposit therein to equal the 1996F Reserve Account Requirement; and

(iii) amounts from the Revenue Account 1996F Subaccount pursuant to Section 5.4(A)(iv) and 5.4(B) and from the Loan Account 1996F Subaccount pursuant to Section 5.3(A)(iv) and 5.4(B) of the General Resolution.

(E) There shall be credited to the Rebate Account 1996F Subaccount and the Excess Yield Account 1996F Subaccount the amounts for disbursements in respect of the Series 1996F Bonds pursuant to the General Resolution.

Section 3.4. Application of Series G Bond Proceeds and Use of 1996G Subaccounts.

(A) The proceeds of the Series G Bonds (other than accrued interest) shall be deposited to the 1996G Redemption Account. The Trustee, on or prior to the maturity of the Authority's \$1,000,000 Student Loan Revenue Bonds Series 1992B, maturing February 15, 1996, shall transfer \$1,000,000 of the amounts on deposit in the 1996G Redemption Account to the 1992 Refunded Bond Trustee against the Trustee's concurrent receipt from the 1992 Refunded Bond Trustee of the amounts specified in Section 3.4(B)(i), and on or prior to February 20, 1996, the call date for the Authority's \$15,000,000 Student Loan Senior Lien Revenue Bonds, Series 1993D, maturing February 15, 2008, shall transfer \$15,000,000 of the amount on deposit in the 1996G Redemption Account to the 1993D Refunded Bond Trustee against the Trustee's concurrent receipt from the 1993D Refunded Bond Trustee of the amounts specified in Section 3.5(B)(i).

(B) There shall be credited to the Loan Account 1996G Subaccount the following:

(i) upon receipt thereof, \$1,000,000 of the amounts received from the 1992 Refunded Bond Trustee and \$15,000,000 of the amounts received from the 1993D Refunded Bond Trustee;

(ii) all Recoveries of Principal with respect to 1996G Loans during the Recycling Period; and

(iii) all moneys required to be transferred to the Loan Account 1996G Subaccount pursuant to the General Resolution.

(C) Except to the extent hereinafter provided with respect to the replenishment of the Reserve Account 1996G Subaccount, there shall be credited to the Revenue Account 1996G Subaccount, as received, the following:

- (i) accrued interest, if any, received on sale of the Series G Bonds;
- (ii) all payments of interest or late payment fees representing interest on 1996G Loans, from whatever source (including any guaranteed interest payments, interest subsidy payments, Special Allowance Payments, and any accrued interest received on any 1996G Loans sold, transferred, assigned or otherwise disposed of by the Authority);
- (iii) in the event the lien of the Trustee on the Trust Estate is foreclosed, all remaining money in the Loan Account 1996G Subaccount;
- (iv) any amounts transferred from the Reserve Account 1996G Subaccount pursuant to Section 5.4(B) of the General Resolution;
- (v) the income and earnings relating to the Loan Account 1996G Subaccount, Revenue Account 1996G Subaccount, 1996G Redemption Account and Reserve Account 1996G Subaccount;
- (vi) after the Recycling Period, Recoveries of Principal with respect to 1996G Loans; and
- (vii) any amounts transferred from the Loan Account 1996G Subaccount pursuant to Section 5.4(B) of the General Resolution.

(D) There shall be credited to the Reserve Account 1996G Subaccount the following:

- (i) the Surety Bond in the initial face amount of \$480,000 issued by the Bond Insurer, representing the 1996G Reserve Account Requirement;
- (ii) to the extent the amount on deposit in the Reserve Account 1996G Subaccount is less than the 1996G Reserve Account Requirement, or to the extent there has been a draw on the Surety Bond which reduces the Surety Bond Coverage, funds shall be deposited therein, pursuant to Section 5.4 of the General Resolution to the extent of any deficiency from the next available Revenues received by the Authority to the extent necessary, consistent with the provisions of Section 3.7(C)(iv) hereof, to cause the amount on deposit therein to equal the 1996G Reserve Account Requirement; and
- (iii) amounts from the Revenue Account 1996G Subaccount pursuant to Section 5.4(A)(iv) and 5.4(B) and from the Loan Account 1996G Subaccount pursuant to Section 5.3(A)(iv) and 5.4(B) of the General Resolution.

(E) There shall be credited to the Rebate Account 1996G Subaccount and the Excess Yield Account 1996G Subaccount the amounts for disbursements in respect of the Series 1996G Bonds pursuant to the General Resolution.

Section 3.5. Application of Series H Bond Proceeds and Use of 1996H Subaccounts.

(A) There shall be credited to the Loan Account 1996H Subaccount the following:

(i) the proceeds of the sale of the Series H Bonds other than as deposited in accordance with B(i) of this Section 3.5;

(ii) all Recoveries of Principal with respect to 1996H Loans during the Recycling Period; and

(iii) all moneys required to be transferred to the Loan Account 1996H Subaccount pursuant to the General Resolution.

(B) Except to the extent hereinafter provided with respect to the replenishment of the Reserve Account 1996H Subaccount, there shall be credited to the Revenue Account 1996H Subaccount, as received, the following:

(i) accrued interest, if any, received on sale of the Series H Bonds;

(ii) all payments of interest or late payment fees representing interest on 1996H Loans, from whatever source (including any guaranteed interest payments, interest subsidy payments, Special Allowance Payments, and any accrued interest received on any 1996H Loans sold, transferred, assigned or otherwise disposed of by the Authority);

(iii) in the event the lien of the Trustee on the Trust Estate is foreclosed, all remaining money in the Loan Account 1996H Subaccount;

(iv) any amounts transferred from the Reserve Account 1996H Subaccount pursuant to Section 5.4(B) of the General Resolution;

(v) the income and earnings relating to the Loan Account 1996H Subaccount, Revenue Account 1996H Subaccount, and Reserve Account 1996H Subaccount;

(vi) after the Recycling Period, Recoveries of Principal with respect to 1996H Loans; and

(vii) any amounts transferred from the Loan Account 1996H Subaccount pursuant to Section 5.4(B) of the General Resolution.

(C) There shall be credited to or held in the Reserve Account 1996H Subaccount the following:

(i) the Surety Bond in the initial face amount of \$1,650,000 issued by the Bond Insurer, representing the 1996H Reserve Account Requirement;

(ii) to the extent the amount on deposit in the Reserve Account 1996H Subaccount is less than the 1996H Reserve Account Requirement, or to the extent there

has been a draw on the Surety Bond which reduces the Surety Bond Coverage, funds shall be deposited therein, pursuant to Section 5.4 of the General Resolution to the extent of any deficiency from the next available Revenues received by the Authority to the extent necessary, consistent with the provisions of Section 3.7(C)(iv) hereof, to cause the amount on deposit therein to equal the 1996H Reserve Account Requirement; and

(iii) amounts from the Revenue Account 1996H Subaccount pursuant to Section 5.4(A)(iv) and 5.4(B) and from the Loan Account 1996H Subaccount pursuant to Section 5.3(A)(iv) and 5.4(B) of the General Resolution.

Section 3.6. Instructions to Trustee Concerning Costs of Issuance. The Trustee is hereby instructed to pay, from the moneys deposited into the Loan Account 1996H Subaccount, pursuant to this Third Supplemental Resolution, such Costs of Issuance as may be indicated in a writing which shall be delivered to the Trustee by an Authorized Officer at the time of or subsequent to the issuance of the Series E, F, G and H Bonds.

Section 3.7. Reserve Account Requirements.

(A) The Reserve Account Requirement for each Series of Bonds authorized and issued hereunder at any time shall be an amount equal to three percent (3%) of the principal amount of the then Outstanding Bonds of such Series.

(B) In lieu of cash deposits in each Reserve Account Subaccount, the Authority shall cause the Bond Insurer to issue and deliver on the Issue Date a Surety Bond in an amount equal to the Reserve Account Requirement for such Series to be held in the appropriate Reserve Account Subaccount.

(C) As long as the Surety Bond shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(i) In the event and to the extent that moneys on deposit in the Revenue Account Subaccount for any Series of Bonds herein authorized, plus all amounts on deposit in and credited to the Reserve Account Subaccount for such Series in excess of the amount of the Surety Bond Coverage for such Series, are insufficient to pay the amount of principal and interest coming due with respect to such Series, then upon the later of (a) one (1) day after receipt by the Bond Insurer of a demand for payment in the form attached to the Surety Bond as Attachment 1 (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under the Resolution has not been made to the Trustee; or (b) the payment date of the Series of Bonds as specified in the Demand for Payment presented by the Trustee to the Bond Insurer, the Bond Insurer will make a deposit of funds with the Trustee, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee under the Resolution (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond.

(ii) The Trustee shall, after submitting to the Bond Insurer the Demand for Payment as provided in (i) above, make available to the Bond Insurer all records relating to the Accounts maintained under the Resolution.

(iii) The Trustee shall, upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the appropriate Reserve Account Subaccount to the extent of moneys received pursuant to such Demand.

(iv) Amounts withdrawn from any Reserve Account Subaccount shall be replenished in the following priority: (a) principal and interest on the Surety Bond shall be paid from first available Revenues as provided in Sections 3.2(D)(ii), 3.3(D)(ii), 3.4(D)(ii) or 3.5(C)(ii) hereof, as appropriate; (b) after all such amounts are paid in full, amounts necessary to fund each Reserve Account Subaccount to the required level, after taking into account the amounts available under the Surety Bond shall be deposited from next available Revenues.

Section 3.8. Provisions Regarding Flow of Funds. In applying the flow of funds provisions of Section 5.4 of the General Resolution, the Authority shall observe the following provisions:

(A) Except as elsewhere limited by the terms hereof or of the General Resolution, the Authority may transfer funds from any Revenue Account Subaccount to the corresponding Loan Account Subaccount for the purposes thereof.

(B) Prior to making any transfer to the Authority permitted by Section 5.4(A)(vii) of the General Resolution, but only out of amounts transferable to the Authority thereunder, the Trustee shall cause to be paid the Carry-over Amount, if any, payable pursuant to Section 3.11 hereof. As long as and to the extent any Carry-over Amount has accrued as provided in Section 3.11 hereof, no transfers permitted under Section 5.4(A)(vii) of the General Resolution shall be made to the Authority. Nothing contained in this Section 3.8(B) shall be construed to prohibit the transfer of amounts to the Authority in accordance with Section 5.4(A)(vii) of the General Resolution at any time there is no Carry-over Amount accrued pursuant to Section 3.11 hereof.

Section 3.9. Payment of Program Expenses. Anything in the General Resolution to the contrary notwithstanding and exclusive of amounts paid to pay Costs of Issuance, without the written consent of the Bond Insurer, in no event shall the annual amount expended from the Trust Estate to pay Program Expenses (i) of the type set forth in clause (a) of the definition thereof in the General Resolution exceed a total dollar amount determined by applying the percentages shown on Attachment II hereto to the average amount of the related loans shown on said Attachment II Outstanding during such year and (ii) of the type set forth in clause (b) of the definition thereof in the General Resolution exceed that dollar amount determined by (x) multiplying those percentages for each type of expense item as set forth in the assumptions to the most recent set of cash flows delivered to the Bond Insurer times the average principal amount of Bonds Outstanding during such year and (y) including any other dollar expense amounts so included in such assumptions, all as determined by the Authority.

Section 3.10. Initial Acquisition Period and Recycling Limitations.

(A) The Authority covenants and agrees that all moneys deposited into the various Loan Account Subaccounts pursuant to Sections 3.2(B)(i), 3.3(B)(i), 3.4(B)(i) and 3.5(A)(i) shall be applied to the payment of Costs of Issuance and, on or before the end of the Acquisition Period, to the acquisition of Eligible Loans. Recoveries of Principal shall not be deposited in the various Loan Account Subaccounts after the end of the Recycling Period.

(B) Notwithstanding anything in this Third Supplemental Resolution to the contrary, except with the written consent of the Bond Insurer, recycling shall be suspended, and no further Eligible Loans shall be acquired from Recoveries of Principal deposited in the various Loan Account Subaccounts, upon the occurrence and continuation of the following events (each a "Recycling Suspension Event"):

(i) if the Bond Insurer has notified the Authority in writing of its determination that there exists a material and continuing servicing problem which has not been cured as provided in Section 4.1 hereof;

(ii) if the Parity Percentage drops for two consecutive quarters, unless the Parity Percentage is not less than 102%; and

(iii) if the Series E Bonds or the Series F Bonds bear interest at the Maximum Rate (as defined in Schedule A) for two consecutive Auction Periods (as defined in Schedule A) or for three Auction Periods within any 12-month period;

provided, however, that if the Recycling Suspension Event is cured within 90 days of its occurrence, then recycling may be resumed. If the Recycling Suspension Event is not so cured, Recoveries of Principal deposited in the various Loan Account Subaccounts shall be transferred to the related Revenue Fund Subaccounts and applied as soon as practicable to the redemption of the Bonds of the appropriate Series. S&P shall be notified of the occurrence of any Recycling Suspension Event.

(C) Notwithstanding anything in this Third Supplemental Resolution to the contrary, except with the written consent of the Bond Insurer, no Supplemental Loans will be acquired if at any time:

(i) the principal amount of Supplemental Loans that are 60 days or more delinquent equals or exceeds 10 percent of all Supplemental Loans in repayment;

(ii) the principal amount of Supplemental Loans that are 90 days or more delinquent equals or exceed 6 percent of all Supplemental Loans in repayment;

(iii) the principal amount of Supplemental Loans that are 120 days or more delinquent equals or exceed 4 percent of all Supplemental Loans in repayment; or

(iv) a servicing audit determines that a material deficiency exists with respect to the servicing of Supplemental Loans and the Bond Insurer so notifies the Authority.

Section 3.11. Carry-over Amount.

(A) If the Auction Rate for Series H Bonds in the form of ARCs is greater than the Maximum Rate, then the interest rate applicable to such Series H Bonds for that Auction Period will be the Maximum Rate. The excess of the amount of interest that would have accrued on the Auction Rate Certificates at the Auction Rate over the amount of interest actually accrued at the Maximum Rate will accrue as the Carry-over Amount. The Carry-over Amount will bear interest calculated at a rate equal to One-Month LIBOR (as determined by the Auction Agent, provided the Trustee has received notice of One-Month LIBOR from the Auction Agent, and if the Trustee has not, then as determined by the Trustee) from the Interest Payment Date for the Auction Period with respect to which such Carry-over Amount was calculated, until paid. As used in this Third Supplemental Resolution, the terms "principal" and "interest" do not include within the meanings of such terms the Carry-over Amount or any interest accrued on any Carry-over Amount. The Carry-over Amount will be calculated for each Series H Bond by the Auction Agent during the Auction Period in sufficient time for the Trustee to give notice to each Owner of a Series H Bond of such Carry-over Amount as described in the following sentence. On the Interest Payment Date for an Auction Period during which a Carry-over Amount has accrued, the Trustee will give written notice to each Owner of a Series H Bond on which a Carry-over Amount has accrued of such Carry-over Amount, which written notice may accompany the payment of interest by check made to each such Owner on such Interest Payment Date, or otherwise will be mailed on such Interest Payment Date by first class mail, postage prepaid, to each such Owner at such Owner's address as it appears on the books of registry maintained by the Trustee. Such notice will state, in addition to such Carry-over Amount, that unless and until such Series H Bond has been redeemed or has been deemed no longer Outstanding hereunder (after which all accrued Carry-over Amount (and all accrued interest thereon) that remains unpaid will be extinguished and no Carry-over Amount (or interest accrued thereon) will be paid with respect to such Series H Bond), (i) the Carry-over Amount (and interest accrued thereon, calculated at a rate equal to One-Month LIBOR) will be paid by the Trustee on such Series H Bond on the next occurring Interest Payment Date, and each succeeding Interest Payment Date until paid, for each Auction Period subsequent to the Auction Period in which such Carry-over Amount accrued, if and to the extent that (1) during such subsequent Auction Period, no additional Carry-over Amount is accruing on such Series H Bond, and if paid, such Carry-over Amount is paid solely to the extent that during such Auction Period, the amount of interest that would be payable on such Series H Bond at the Maximum Rate exceeds the amount of interest that is payable for such Auction Period on such Series H Bond at the interest rate in effect for such Auction Period and (2) moneys are available pursuant to the terms hereof in an amount sufficient to pay all or such portion of Carry-over Amount as described in clause (1) above and (ii) interest will accrue on the Carry-over Amount at a rate equal to One-Month LIBOR until such Carry-over Amount is paid in full or is cancelled.

(B) The Carry-over Amount for a Series H Bond will be paid by the Trustee to the then registered Owner on the next occurring Interest Payment Date, and each succeeding Interest Payment Date to the then registered Owner until paid, for a subsequent Auction Period if and to the extent that (i) during such subsequent Auction Period, no additional Carry-over Amount is accruing on such Series H Bond, (ii) and if paid, such Carry-over Amount is payable solely to the extent that during such Auction Period, the amount of interest that would be payable on such Auction Rate Certificates at the Maximum Rate exceeds the amount of interest that is

payable for such Auction Period at the interest rate in effect for such Auction Period and (iii) on such Interest Payment Date, there are sufficient moneys in the Revenue Fund to pay first: all interest due on the Bonds on such Interest Payment Date and second: a portion or all of the Carry-over Amount described in clause (ii) above, after giving effect to the transfers described in Section 5.4(A)(i) through (vi) of the General Resolution, so long as, subsequent to such payment, at least \$1 could be transferred to the Authority pursuant to Section 5.4(A)(vii) of the General Resolution. Any Carry-over Amount (and any interest accrued thereon) on any Series H Bond which is due and payable on an Interest Payment Date, which Series H Bond is to be redeemed or deemed no longer Outstanding under this Third Supplemental Resolution, on said Interest Payment Date, will be paid to the Owner thereof on said Interest Payment Date to the extent that moneys are available therefor in accordance with the provisions of this Third Supplemental Resolution; provided, however, that any Carry-over Amount (and any interest accrued thereon) which is not yet due and payable on said Interest Payment Date will be cancelled with respect to each Series H Bond that is to be redeemed or deemed no longer Outstanding hereunder on such Interest Payment Date and will not be paid on any succeeding Interest Payment Date. To the extent that any portion of the Carry-over Amount remains unpaid after payment of a portion thereof, such unpaid portion of the Carry-over Amount will be paid in whole or in part until fully paid by the Trustee on the next occurring Interest Payment Date or Dates, as necessary for a subsequent Auction Period or Periods, if and to the extent that the conditions in the third preceding sentence are satisfied. On any Interest Payment Date on which the Trustee pays only a portion of the Carry-over Amount on a Series H Bond, the Trustee will give written notice in the manner set forth in paragraph (A) above to the Owner of such Series H Bond receiving such partial payment of the Carry-over Amount remaining unpaid on such Bond.

(C) Whether the Carry-over Amount for a Series H Bond will be paid on any particular Interest Payment Date in each subsequent Auction Period will be determined as described in paragraph (B) above and the Trustee will make payment of the Carry-over Amount in the same manner as, and from the same Fund and Account from which it pays interest on the Auction Rate Certificates on any Interest Payment Date.

(D) Any unpaid Carry-over Amount on a Series H Bond not due and payable on the redemption date with respect to such Bond will be extinguished upon the maturity or optional redemption of such Bond. The Carry-over Amount will otherwise continue to accrue on Outstanding Series H Bonds.

(E) The 1996 Bond Insurance Policy does not insure payment of any Carry-over Amount or of any interest accruing thereon.

ARTICLE IV

PARTICULAR COVENANTS

Section 4.1. Removal of Servicer. If at any time any Servicer fails in any material respect to perform its obligations under its Servicing Agreement or under the Higher Education Act, including without limitation the failure of the Servicer to comply in all material respects

with the due diligence requirements of the Higher Education Act, or if any servicing audit, as required in Section 4.5, shows any material deficiency in the servicing of Student Loans by any Servicer, the Authority shall notify the Bond Insurer, or if the Bond Insurer becomes aware thereof, the Bond Insurer shall notify the Authority, immediately upon becoming aware of such failure to perform or material deficiency. Within 60 days of becoming aware of or receiving notice of any failure to perform or a material deficiency the Authority shall (a) cure or cause to be cured the failure to perform or the material deficiency to the satisfaction of the Bond Insurer, (b) present a written plan to cure or cause to be cured the failure to perform or the material deficiency in such detail as may be reasonably requested by the Bond Insurer, which plan shall be acceptable to the Bond Insurer, (c) request additional time to prepare a written plan to cure or cause to be cured the failure to perform or the material deficiency, which request shall not be unreasonably denied by the Bond Insurer or (d) to the extent applicable remove such Servicer and appoint another Servicer reasonably acceptable to the Bond Insurer. In the event that the failure to perform or the material deficiency is not cured to the satisfaction of the Bond Insurer within the time constraints set forth above, the Authority shall appoint another Servicer reasonably acceptable to the Bond Insurer. Any replacement Servicer shall agree to cooperate with the Servicer being replaced during the period of Servicer conversion. The Authority shall notify the Rating Agencies of any removal of a Servicer pursuant to this Section.

Section 4.2. Reports to the Bond Insurer. The Authority shall furnish to the Bond Insurer all of the following reports and to S&P the annual reports listed in paragraph (A) below:

(A) Reports Required Annually

(i) a due diligence servicing audit, as required in Section 4.5, conducted by a firm acceptable to the Bond Insurer, within 120 days of the end of the Authority's Fiscal Year;

(ii) audited financial statements for the Authority within 120 days of the end of the Authority's Fiscal Year and, to the extent and when available, for each guarantor of at least 5 % of the Student Loans constituting the Pledged Assets and for any Servicer other than the Authority;

(iii) a report on the composition of the Student Loan portfolio constituting any portion of the Pledged Assets by type of loan, type of educational institution and the repayment status of such Student Loans, within 120 days of the end of the Authority's Fiscal Year;

(iv) Bond Insurer surveillance forms for the Servicer and for each guarantor of at least 5 % of the loans included in the Pledged Assets, within 120 days of the end of the Authority's Fiscal Year;

(v) the historical default rates for each Eligible School participating in the Supplemental Loan Program; and

(vi) any other information reasonably requested by the Bond Insurer or S&P; provided, however, that failure by the Authority to comply with this subparagraph (v) shall not constitute an Event of Default under the Resolution.

(B) Reports Required Quarterly

(i) unaudited balance sheet and income statement for the Authority and for each Series of bonds insured by the Bond Insurer, within 30 calendar days following the end of the quarter;

(ii) Form 1130 for each guarantor of at least 5% of the loans included in the Pledged Assets, within 90 calendar days following the end of the quarter, but only if and to the extent the same is available to the Authority;

(iii) dollar amount and number of HEAL Loans and loans made pursuant to Section 428(C) of the Higher Education Act constituting a part of the Pledged Assets and their respective amounts as a percentage of the outstanding face principal amount of the Series A through H Bonds;

(iv) dollar amount and number of Supplemental Loans broken down by type (i.e. MEDCASH_{sm}, LAWCASH_{sm}, BARCASH_{sm}) and Eligible School, and the amount of Supplemental Loans as a percentage of the outstanding face principal amount of the Series A through H Bonds;

(v) the principal amount of Supplemental Loans broken down by type and Eligible School constituting a portion of the Pledged Assets for which any payment thereon is delinquent by more than 60, 90 and 120 days, and the amount of such Supplemental Loans as a percentage of all Supplemental Loans in repayment financed with the proceeds of the Series A through H Bonds;

(vi) the aggregate amount of any Deferred Servicing Fees constituting a portion of the Pledged Assets; and

(vii) any other information reasonably requested by the Bond Insurer; provided, however, that any failure by the Authority to comply with this subparagraph (vii) shall not constitute an Event of Default under the Resolution.

(C) Reports Required When Applicable

(i) any DOE reviews of the Authority as lender or servicer or of any guarantor of at least 5% of the loans constituting a part of the Pledged Assets.

sm MEDCASH, LAWCASH AND BARCASH are servicemarks of the Authority.

(D) A Cash Flow Statement will be required to be submitted to the Bond Insurer in the following circumstances:

- (i) prior to any withdrawal of funds from the Trust Estate pursuant to Section 5.4(A)(vii) of the General Resolution;
- (ii) upon request for an extension of the Recycling Period;
- (iii) if the Parity Percentage drops for two consecutive quarters, unless the Parity Percentage is at or above 102 %;
- (iv) if the Series H Bonds bear interest at the Maximum Rate (as defined in Schedule A) for two consecutive Auction Periods (as defined in Schedule A) or for three Auction Periods within any 12-month period;
- (v) to increase the maximum percentage of HEAL Loans, Supplemental Loans or loans made pursuant to Section 428C of the Higher Education Act allowed hereunder;
- (vi) to increase the amount of Program Expenses that may be withdrawn from the Pledged Assets in accordance with Section 3.9 hereof; and
- (vii) to optionally redeem any Series E, F, G or H Bonds at a premium (unless premium is paid from funds not held as part of the Pledged Assets).

Section 4.3. Consent of Bond Insurer Required for Premium Redemption. Notwithstanding any other provision of the Resolution to the contrary, unless all the Series E, F, G or H Bonds will be redeemed, any redemption of Series E, F, G or H Bonds by the Authority requiring the payment of a premium can be made only after the Authority has submitted to the Bond Insurer a Cash Flow Statement acceptable to the Bond Insurer and has received the consent of the Bond Insurer to such redemption with notice to S&P.

Section 4.4. Material Adverse Change in Loan Finance Program. Notwithstanding anything in the Resolution to the contrary, following notification from the Bond Insurer to the Authority of the occurrence of a Material Adverse Change in the Loan Finance Program, no further disbursements shall be made from any Loan Account Subaccount to purchase any Eligible Loans that are subject to such Material Adverse Change in the Loan Finance Program, except with the written consent of the Bond Insurer.

Section 4.5. Servicing Audit. The Authority shall have an annual audit of the Servicer in a format acceptable to the Bond Insurer prepared by a firm acceptable to the Bond Insurer unless otherwise waived by the Bond Insurer and shall provide the Bond Insurer with a copy thereof within 30 days of completion thereof. The Authority covenants to cause the Servicer to comply with the standards set forth herein to the extent that the Bond Insurer indicates noncompliance as a result of any such audit.

Section 4.6. Deposit by Authority. The Authority covenants and agrees that on or before March 1, 1996, the Authority shall deposit into the Student Loan Fund cash or Eligible Loans in an amount which, together with all other Accrued Assets, will equal or exceed Accrued Liabilities.

Section 4.7. Continuing Disclosure. The Authority and the Trustee hereby covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Supplemental Resolution, failure of the Authority or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series E, F, G and H Bonds, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Trustee, as the case may be, to comply with its obligations under this Section.

Section 4.8. Disposition and Use of Guarantee Fees. The Authority covenants and agrees that it will establish and maintain on its books and records as a separate account, and not as a part of the Pledged Assets held by the Trustee, a Guarantee Fee Fund. The Authority will credit to the Guarantee Fee Fund all Guarantee Fees received with respect to all Supplemental Loans financed with proceeds of Series A through H Bonds. The Authority will, to the extent of amounts credited to and held in the Guarantee Fee Fund, purchase from the Student Loan Fund, at its face principal amount plus accrued interest to the date of purchase, any Supplemental Loan held therein which is in "Default" (as hereinafter defined). For purposes of this Section 4.8, the term "Default" shall have the meaning ascribed to such term in Attachment I hereto, as such description may be amended from time to time at the written direction of the Authority with the written approval of the Bond Insurer.

ARTICLE V

SPECIAL PROVISIONS RELATING TO THE BOND INSURER

Section 5.1. Consent of Bond Insurer.

(A) Any provision of the General Resolution or this Third Supplemental Resolution expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

(B) Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Bondholders who hold Bond Insurer-insured bonds absent a default by the Bond Insurer under the Bond Insurance Policy insuring such Bonds.

(C) Anything in the Resolution to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the General Resolution, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series E, F, G or H Bonds or the Trustee for the benefit of the Owners of such Bonds under the Resolution, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Resolution, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default.

Section 5.2. Acceleration Rights. Upon the occurrence of an Event of Default, the Trustee may, with the consent of the Bond Insurer, and shall, at the direction of the Bond Insurer or the Owners of 25% of all Outstanding Series E, F, G and H Bonds with the consent of the Bond Insurer, by written notice to the Authority, the Bond Insurer and the Rating Agencies, declare the principal of the Series E, F, G and H Bonds to be immediately due and payable, whereupon that portion of the principal of the Series E, F, G and H Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Resolution or in such Bonds to the contrary notwithstanding.

Section 5.3. Notices to be Given to Bond Insurer.

(A) While the 1996 Bond Insurance Policy is in effect, the Trustee shall furnish to the Bond Insurer:

(i) a copy of any notice to be given to the registered Owners of the Series E, F, G and H Bonds, including, without limitation, notice of any redemption of or defeasance of any such Bonds, and any certificate rendered pursuant to the General Resolution or this Third Supplemental Resolution relating to the security for such Bonds; and

(ii) such additional information it may reasonably request.

(B) The Trustee shall notify the Bond Insurer of any failure of the Authority to provide relevant notices or certificates.

(C) The Authority will permit the Bond Insurer to discuss the affairs, finances and accounts of the Authority or any information the Bond Insurer may reasonably request regarding the security for the Series E, F, G or H Bonds with appropriate officers of the Authority. The Trustee will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series E, F, G or H Bonds at any reasonable time.

(D) The Bond Insurer shall, for good cause shown, have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall, at the direction of the Bond Insurer be deemed a default hereunder; provided, however,

that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series E, F, G or H Bonds.

(E) Notwithstanding any other provision of the Resolution, the Trustee shall immediately notify the Bond Insurer and the Rating Agencies if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default under the Resolution.

Section 5.4. No Discharge of Lien Upon Payment Pursuant to Municipal Bond Insurance Policy. Notwithstanding anything herein or in the General Resolution to the contrary, in the event that the principal and/or interest due on the Series E, F, G or H Bonds shall be paid by the Bond Insurer pursuant to the 1996 Bond Insurance Policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Pledged Assets and all covenants, agreements and other obligations of the Authority to the registered Owners of such Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered Owners.

Section 5.5. Payment Procedure Pursuant to the Municipal Bond Insurance Policy. As long as the 1996 Bond Insurance Policy shall be in full force and effect, the Authority, the Trustee and any Paying Agent agree to comply with the following provisions:

(A) At least five (5) days prior to all Interest Payment Dates the Trustee will determine whether there will be sufficient funds in the Accounts or Subaccounts to pay the principal of or interest on the Series E, F, G or H Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such Accounts or Subaccounts, the Trustee shall so notify the Bond Insurer at least one (1) day prior to the Interest Payment Date. Such notice shall specify the amount of the anticipated deficiency, the Series E, F, G or H Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified the Bond Insurer at least one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Series E, F, G or H Bonds on or before the first (1st) day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(B) The Trustee shall, after giving notice to the Bond Insurer as provided in (A) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the United States Trust Company of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee and all records relating to the Accounts or Subaccounts maintained under the Resolution.

(C) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of registered Owners of Bonds of the appropriate Series entitled to receive principal or interest payments from the Bond Insurer under the terms of the 1996 Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered

Owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered Owners of Series E, F, G or H Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(D) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (A) above, notify registered Owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Trustee, who shall note on such Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(E) In the event that the Trustee has notice that any payment of principal of or interest on a Series E, F, G or H Bond which has become Due for Payment (as defined in the 1996 Bond Insurance Policy) and which is made to a Bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to (A) above, notify all registered Owners that in the event that any registered Owner's payment is so recovered, such registered Owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series E, F, G or H Bonds which have been made by the Trustee or Paying Agent, if any, and subsequently recovered from registered Owners and the dates on which such payments were made.

(F) In addition to the rights granted the Bond Insurer under the Resolution, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Series E, F, G or H Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the 1996 Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered Owners, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee upon surrender of such Bonds by the registered Owners thereof together with proof of the payment of principal thereof.

Section 5.6. Provisions Relating to the Trustee.

(A) The Trustee (or Paying Agent) may be removed at any time, at the request of the Bond Insurer, for any breach of the Trust set forth in the Resolution.

(B) The Bond Insurer shall receive written notice of any Trustee (or Paying Agent) resignation prior to such resignation.

(C) Every successor Trustee appointed under the Resolution shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Bond Insurer. Any successor Paying Agent, if applicable, shall not be appointed unless the Bond Insurer approves such successor in writing.

(D) Notwithstanding any other provision of the Resolution, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Resolution, the Trustee (or Paying Agent) shall consider the effect on the Bondholders as if there were no 1996 Bond Insurance Policy.

(E) Notwithstanding any other provision of the Resolution, no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

Section 5.7. Interested Parties.

(A) To the extent that the Resolution confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Resolution, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(B) Nothing in the Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Bond Insurer, the Paying Agent, if any, and the registered Owners of the Series E, F, G and H Bonds, any right, remedy or claim under or by reason of the Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Bond Insurer, the Paying Agent, if any, and the registered Owners of the Series E, F, G and H Bonds.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Third Supplemental Resolution Construed with General Resolution. All of the provisions of this Supplemental Resolution shall be deemed to be and construed as part of the General Resolution to the same extent as if fully set forth therein.

Section 6.2. General Resolution as Supplemented to Remain in Effect. Save and except as herein supplemented by this Third Supplemental Resolution, the General Resolution, as previously supplemented by the First and Second Supplemental Resolutions, shall remain in full force and effect.

Section 6.3. Execution in Counterparts. This Third Supplemental Resolution may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 6.4. Severability. If any section, paragraph, clause or provision of this Supplemental Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Third Supplemental Resolution.

Section 6.5. Confirmation of Actions. All action (not inconsistent with the provisions of this Third Supplemental Resolution) heretofore taken by the Authority, directed toward the issuance and sale of the Series E, F, G and H Bonds is hereby ratified, approved and confirmed.

Section 6.6. Governing Law. This Third Supplemental Resolution shall be construed in accordance with the laws of the State.

Section 6.7. Notices. Any notice, demand, direction, request or other instrument authorized or required by this Supplemental Resolution to be given or filed with the Authority, the Trustee or the Bond Insurer shall be deemed to have been sufficiently given or filed for all purposes, if any, when delivered or sent by registered or certified mail, return receipt requested, postage prepaid, and if given by telex or telegraphic means shall be deemed given when transmitted (answer back confirmed):

If to the Authority:

Missouri Higher Education Loan Authority
14528 South Outer Forty Road
Suite 300, Corporate Plaza Building
Chesterfield, Missouri 63017
Telephone: (314) 469-0600
Telecopier (CFO): (314) 469-0849
Telecopier (CEO): (314) 579-9380

If to the Trustee:

Mercantile Bank of St. Louis N.A.
Corporate Trust Administration
Mercantile Tower
7th & Washington
St. Louis, Missouri 63101
Telephone: (314) 425-2911
Telecopier: (314) 425-3872

If to the Bond Insurer:

AMBAC Indemnity Corporation
One State Street Plaza
New York, New York 10004
Attention: Municipal Structured Finance Group
Telephone: (212) 668-0340
Telecopier: (212) 363-1459

The Authority, the Trustee and the Bond Insurer, by like notice to each other person, may designate any further or different addresses to which subsequent notices shall be sent.

Section 6.8. Security Instrument. A certified copy of this Third Supplemental Resolution, when delivered to and accepted by the Trustee, shall constitute a security agreement pursuant to and for all purposes of the Uniform Commercial Code of the State of Missouri.

The Trustee shall file UCC continuation statements as required to maintain the effectiveness of the UCC Financing Statements filed at the time of the issuance of the Series E, F, G and H Bonds.

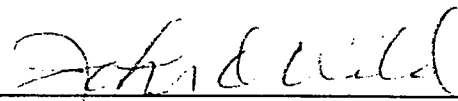
Section 6.9. Effective Date. This Resolution shall take effect immediately upon the filing of a certified copy hereof with the Trustee and upon the satisfaction of the requirements of Article VIII of the General Resolution.

CERTIFICATE

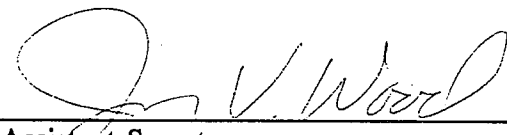
The undersigned, the Executive Director and the undersigned Assistant Secretary of the Missouri Higher Education Loan Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the members of said Authority on February 7, 1996 and that said resolution has been compared by us with the copy thereof recorded in the minute book of said Authority and that it is a correct transcript therefrom and of the whole of said copy and that said resolution is in full force and effect.

IN WITNESS WHEREOF, we have hereunto set our hands and the seal of said Authority this 13th day of February, 1996.

(SEAL)



Executive Director



Assistant Secretary

TRUSTEE'S ACCEPTANCE

The undersigned W. A. JOHNSON of Mercantile Bank of St. Louis NA does, pursuant to Section 11.1 of the General Resolution, hereby acknowledge and accept the duties and obligations of this Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of February, 1996.

MERCANTILE BANK OF ST. LOUIS NA,
as Trustee

By:  _____
Title:

VICE PRESIDENT

ATTACHMENT I

SUPPLEMENTAL LOAN PROGRAM

General

Under the Supplemental Loan Program, the Authority finances Supplemental Loans to eligible persons (each an "Eligible Borrower"). Degree-granting colleges and universities eligible to participate in the Supplemental Loan Program ("Eligible School") certify to the Authority certain information which is needed to complete and evaluate each application. The Authority services the Supplemental Loans.

Presently, the Supplemental Loan Program consists of three types of loans: loans to Eligible Borrowers who are attending an eligible medical school ("**MEDCASH_{sm}** Loans"); Eligible Borrowers who are attending an eligible law school ("**LAWCASH_{sm}** Loans"); and Eligible Borrowers who are law school graduates studying for a State Bar Examination ("**BARCASH_{sm}** Loans").

Eligible Borrowers

To qualify as an Eligible Borrower, an applicant must be a United States citizen or permanent resident, have been accepted for enrollment or currently in attendance at an Eligible School and be making satisfactory academic progress as determined by the Eligible School, and not be in default on any federal or state loan. An Eligible School is a North Central Accrediting Agency-accredited, nonprofit, degree-granting college or university approved by the Bond Insurer eligible to participate in Title IV Loan programs with no restrictions, or an educational institution approved by the Authority; provided, however, that without the written consent of the Bond Insurer, not more than 20% of the total amount of Supplemental Loans permitted to be made with proceeds of the Series A through H Bonds shall be made to Eligible Borrowers attending Eligible Schools having historical default rates in excess of 3%. The Eligible Borrower or Co-signer must also meet the Authority's standards of creditworthiness (the "Credit Criteria"). See "Loan Origination--Credit Criteria."

Loan Terms

The present minimum amount for a Supplemental Loan is \$1,000. The maximum aggregate amount for Supplemental Loans per academic year is \$20,000 for **MEDCASH_{sm}** Loans and \$15,000 for **LAWCASH_{sm}** Loans (an academic year being defined as a period of not less than nine months). The **BARCASH_{sm}** Loan is a one time loan of \$5,000. The present maximum cumulative outstanding amounts of Supplemental Loans to Eligible Borrowers is \$80,000 for **MEDCASH_{sm}** Loans and \$50,000 for **LAWCASH_{sm}** Loans (such amount may include a \$5,000 **BARCASH_{sm}** Loan) and the maximum education debt for **MEDCASH_{sm}** borrowers is \$128,500 and for **LAW/BARCASH_{sm}** borrowers is \$90,000. The amount that an

MEDCASH, LAW CASH AND BARCASH are servicemarks of the Authority.

Eligible Borrower may borrow at any one time may be further limited as a result of creditworthiness as determined by the Credit Criteria, and eligibility based upon costs of attendance less estimated financial aid as certified by the Eligible School.

The interest rate on a Supplemental Loan is determined by the Authority, within the maximum rate allowed by law. Interest accrues from the date a loan check is issued, which is considered the loan disbursement date. The Authority expects to offer Supplemental Loans at various rates based on a spread over the 91-day T-bill.

For **MEDCASH_{sm}** borrowers, loan repayments in equal monthly installments, begin nine months after graduation or withdrawal to less than half-time enrollment. **MEDCASH_{sm}** borrowers shall be eligible for a 36 month deferment of repayment while participating in a medical residency program. Loan repayments for **LAWCASH_{sm}** and **BARCASH_{sm}** borrowers begin, in equal monthly installments, six months after graduation or withdrawal to less than half-time enrollment. The present minimum monthly payment totals \$50 on all loans made to each Eligible Borrower under the Supplemental Loan Program, unless forbearance of the principal payment or principal and interest payment has been granted by the Authority. Forbearance may be granted on a case by case basis in the Authority's discretion upon receipt of a written request for forbearance of the principal payment or principal and interest payment from an Eligible Borrower or Co-Signer due to economic hardship. The granting of forbearance does not lengthen the period of loan repayment beyond 20 years. There is no penalty for prepayment of a Supplemental Loan.

Loan Origination

Evaluation of Application. In evaluating the application for a Supplemental Loan, the Authority is to determine whether the applicant meets all the criteria to be an Eligible Borrower and, if applicable, whether the Co-Signer meets the criteria to be a Co-Signer. Assuming the applicant is eligible to receive a Supplemental Loan, the Authority also determines that the amount of the Supplemental Loan represents at least the minimum loan amount and does not exceed the annual maximum loan amount allowed under the Credit Criteria and the Supplemental Loan Program. If all criteria for borrower eligibility and co-signer eligibility, if applicable, are not met, the Authority may at its discretion reject the application. The Authority is to inform the applicant within thirty days of receipt of the application as to whether or not the Credit Criteria have been passed. A negative determination may be appealed by the applicant to the Authority within sixty days of such notice. The Authority also is to inform the applicant if other eligibility criteria have not been met.

Credit Criteria. In order to be eligible to receive a Supplemental Loan, the prospective borrower or co-maker(s) upon whose creditworthiness the Supplemental Loan is sought (the "Creditworthy Applicant") must have a satisfactory credit record and must generally meet the following credit history criteria per credit report to qualify:

- there is not more than one account currently rated 30 or more days delinquent at the time of the credit report;
- there are no more than two accounts that have been 30 or more days delinquent in the past two years;

- there is no account that has been delinquent 90 or more days in the past five years;
- there is no record of charged off accounts in the past five years;
- there is no record of a foreclosure, repossession, open judgment or suit, unpaid prior educational loan default or other negative public credit record items in the past six years;
- there is no record of bankruptcy in the past seven years; and
- there are no more than three inquiries to an authorized credit reporting agency in the past six months.

Credit reports listing an account with a status of "Not Paid as Agreed" will be classified as delinquent 90 days. Applicants failing to qualify under the standards listed above may be disapproved for a **CASH LOAN** at the sole discretion of **MOHELA**.

Certification by the Eligible School. The Authority, when applicable, relies on certifications from the Eligible School in determining (i) whether the applicant is currently enrolled or has been accepted for enrollment; (ii) whether the applicant is making satisfactory academic progress; and (iii) whether the applicant is eligible for a Supplemental Loan based on costs of attendance and estimated financial aid. Certification as to eligibility based on costs of attendance and estimated financial aid relates to the provision of the Supplemental Loan Program which provides that Supplemental Loans cannot exceed an amount greater than the difference between the borrower's total costs of attendance at the Eligible School for the academic year for which the loan is sought and other forms of student assistance for which the borrower may be eligible, excluding loans pursuant to the provisions of Section 428(a)(1) of the Higher Education Act (relating to parent loans) and Subpart I of Part C of Title VII of the Public Health Service Act (relating to student assistance). In determining the costs of attendance, Eligible Schools are requested to provide and certify the costs of tuition and fees and other expenses related to attendance during the loan period which is cited on the application.

Loan Servicing

Loan Collection. The Authority bills Eligible Borrowers monthly for payments. If payments are not received on time, the Authority institutes collection procedures consisting of repeating written notices and telephone calls to both the Eligible Borrower and Co-Signer, if applicable, commencing at the 15th day of delinquency and occurring at specified intervals through the 110th day of delinquency. In addition, the Authority makes periodic reports to a national credit bureau.

Defaults. Supplemental Loans are to be transferred to and purchased by the **CASH LOAN** Guarantee Fee Fund at 120 days of delinquency for the amount of all unpaid principal and all accrued but unpaid interest.

Fees

Origination Fee. 1% deducted from the disbursement proceeds and retained by the original lender.

Guarantee Fee.

	MEDCASH_{sm}	LAWCASH_{sm}/BARCASH_{sm}
initial guarantee fee	5 %	8 %
repayment guarantee fee	2 %	2 %

note: repayment guarantee fee based on outstanding principal balance and interest at the time of repayment, and will be added to the principal balance. At the decision of the borrower, the initial guarantee fee can be deducted from the proceeds at the time of disbursement or added to the principal balance of the loan.

ATTACHMENT II

Types of Loans and the percentages which may be applied to each such type in determining the maximum Program Expenses described in (a) of the definition of Program Expenses payable in any year:

	<u>Year 1 and 2</u>	<u>Thereafter</u>
FFELP Loans	1.60%	1.70%
Consolidation Loans	1.20%	1.50%
HEAL Loans	0.70%	0.70%
MEDCASH _{sm}	0.70%	0.70%
LAWCASH _{sm} /BARCASH _{sm}	1.00%	1.00%

_{sm}MEDCASH, LAW CASH AND BARCASH are servicemarks of the Authority.

EXHIBIT A

TERMS OF SERIES 1996E, F, G AND H BONDS

The Series E Bonds shall be issued in the principal amount of \$16,415,000, shall be dated February 1, 1996, shall mature on the dates and bear the per annum interest rates as follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
February 15, 1999	\$1,630,000	4.00%
August 15, 1999	\$9,260,000	4.00%
February 15, 2002	\$5,525,000	4.30%

The Series E Bonds shall be subject to redemption prior to maturity as set forth in the form of Bond attached as Exhibit F.

The Series F Bonds shall be issued in the principal amount of \$3,600,000, shall be dated February 1, 1996, shall mature on August 15, 2003 and bear per annum interest at the rate of 4.625%. The Series F Bonds shall be subject to redemption prior to maturity as set forth in the form of Bond attached as Exhibit F.

The Series G Bonds shall be issued in the principal amount of \$16,000,000, shall be dated February 1, 1996, shall mature on February 15, 2009 and bear per annum interest at the rate of 5.40%. The Series G Bonds shall be subject to redemption prior to maturity as set forth in the form of Bond attached at Exhibit F.

Interest on the Series E, F and G Bonds shall be payable on each February 15 and August 15, commencing August 15, 1996.

The Series H Bonds shall be issued in the principal amount of \$55,000,000, shall be dated the date of their original issuance and delivery, shall mature on August 15, 2025, shall be subject to redemption prior to maturity as set forth in the form of Bond attached as Exhibit B, and shall have the terms described in Schedule A hereto.

SCHEDULE A

PROVISIONS RELATING TO SERIES H BONDS OUTSTANDING AS AUCTION RATE CERTIFICATES

Section 1.1. *Certain Definitions.* In addition to the terms defined elsewhere in the General Resolution, the First Supplemental Resolution, the Second Supplemental Resolution and the Third Supplemental Resolution (together, the "Resolution"), the following terms shall have the following meanings with respect to the Series H Bonds, unless the context otherwise requires:

"*All Hold Rate*," on any date of determination, shall mean the interest rate per annum equal to 90% of LIBOR.

"*Applicable ARCs Rate*" shall have the meaning set forth in Section 1.4(b) of this Schedule A.

"*Applicable Number of Business Days*" means the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.

"*ARCs*" shall mean the Series H Bonds outstanding as Auction Rate Certificates.

"*Auction*" shall mean each periodic implementation of the Auction Procedures.

"*Auction Agency Agreement*" shall mean the Auction Agency Agreement dated as of January 1, 1996 between the Trustee and the Auction Agent and any similar agreement with a successor Auction Agent, in each case as from time to time amended or supplemented.

"*Auction Agent*" shall mean any person appointed as such pursuant to Section 1.14 of this Schedule A.

"*Auction Agent Fee*" shall mean the fee to be paid to the Auction Agent for the services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreement.

"*Auction Agent Fee Rate*," on any Auction Date, shall mean the rate per annum at which the fee to be paid to the Auction Agent for the services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreement with respect to such Auction Date accrues, which shall equal .025 of 1% per annum until changed by the Market Agent and the Auction Agent pursuant to the Auction Agency Agreement and, thereafter, shall equal the rate per annum most recently agreed to by the Market Agent and the Auction Agent pursuant to the Auction Agency Agreement.

"*Auction Date*" shall mean March 26, 1996, and thereafter, the Business Day immediately preceding the first day of each Interest Period, other than:

- (a) each Interest Period commencing after the ownership of the ARCs is no longer maintained in book entry form by the Depository;
- (b) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or
- (c) any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed pursuant to Section 1.20 of this Schedule A.

"*Auction Period*" means, with respect to any ARCs, the Interest Period applicable thereto as the same may be changed pursuant to Section 1.20 of this Schedule A.

"*Auction Procedures*" shall mean the procedures set forth in Section 1.6 of this Schedule A.

"*Auction Rate*" shall mean the rate of interest per annum on any Auction Date that results from the implementation of the Auction Procedures, and determined as described in Section 1.6(c)(ii) of this Schedule A.

"*Authorized Denominations*" shall mean \$50,000 and any multiple thereof.

"*Available ARCs*" shall have the meaning set forth in Section 1.6(c)(i)(A) of this Schedule A.

"*Bid*" shall have the meaning set forth in Section 1.6(a)(i) of this Schedule A.

"*Bidder*" shall have the meaning set forth in Section 1.6(a)(i) of this Schedule A.

"*Bond-Equivalent Yield*" shall mean, in respect of any security with a maturity of six months or less the rate for which is quoted in The Wall Street Journal on a bank discount basis, a yield (expressed as a percentage) calculated in accordance with the following formula and rounded up to the nearest one one-hundredth of one percent:

$$\text{Bond Equivalent Yield} = \frac{Q \times N}{360 - (T \times Q)} \times 100$$

where "Q" refers to the per annum rate for the security quoted on a bank discount basis and expressed as a decimal, "N" refers to 365 or 366 (days), as the case may be, and "T" refers to the number of days to maturity.

"Broker-Dealer" shall mean PaineWebber Incorporated or any other broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that (i) is a Participant (or an affiliate of a Participant), (ii) has a capital surplus of at least \$50,000,000, (iii) has been selected by the Authority with the approval of the Market Agent (which approval shall not be unreasonably withheld), and (iv) has entered into a Broker-Dealer Agreement that remains effective.

"Broker-Dealer Agreement" shall mean the Broker-Dealer Agreement dated as of January 1, 1996 between the Auction Agent and the Broker-Dealer and each other agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

"Broker-Dealer Fee" shall mean the fee to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreement.

"Broker-Dealer Fee Rate," on any Auction Date, shall mean the rate per annum at which the service charge to be paid to the Broker-Dealer for the services rendered by it with respect to such Auction Date accrues, which shall equal .25 of 1% per annum until changed by the Trustee pursuant to the Auction Agency Agreement and, thereafter, shall equal the rate per annum most recently determined by the Trustee pursuant to the Auction Agency Agreement.

"Business Day" shall mean any day other than April 14 and 15, December 30 and 31, such other dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker Dealer and the Authority, or a Saturday, Sunday, holiday or day on which banks located in the city of New York, New York, or the New York Stock Exchange, the Trustee or the Auction Agent, are authorized or permitted by law or executive order to close.

"Carry-over Amount" shall mean the excess, if any, of (a) the amount of interest on a Series H Bond that would have accrued with respect to the related Auction Period at the Auction Rate over (b) the amount of interest on such Series H Bond actually accrued with respect to such Series H Bond, with respect to such Auction Period based on the Maximum Rate, together with the unpaid portion of any such excess from prior Auction Periods; provided that any reference to "principal" or "interest" in this Third Supplemental Resolution and in the Series H Bonds shall not include within the meanings of such words any Carry-over Amount or any interest accrued on any Carry-over Amount.

"Default Rate" on any date of determination shall mean the interest rate per annum equal to the lesser of (i) One-Month LIBOR plus 1.50% or (ii) the Maximum Interest Rate.

"Depository" shall mean Cede & Co., as the nominee of DTC or any successor securities depository selected or approved by the Authority.

"Existing Holder" shall mean a person who has signed a Master Purchaser's Letter and is listed as the owner of ARCs in the records of the Auction Agent.

"Hold Order" shall have the meaning set forth in Section 1.6(a)(i) of this Schedule A.

"Holder" as used in this Schedule A shall mean the beneficial owner of any bonds.

"Initial Interest Payment Date" shall mean March 27, 1996.

"Initial Interest Period" shall mean the period from and including the date of delivery of the Series H Bonds and ending on March 26, 1996.

"Interest Amount" shall mean the amount of interest distributable in respect of each \$1,000 in principal amount (taken, without rounding, to .0001 of one cent) of ARCs for any Interest Period or part thereof, as calculated in accordance with Section 1.10 of this Schedule A.

"Interest Payment Date" shall mean the day after the end of each Interest Period, except as changed as provided herein, and on the maturity date thereof, or if any such date is not a Business Day, the next succeeding Business Day.

"Interest Period" means (i) so long as Interest Payment Dates are specified to occur at the end of each Auction Period as described in Section 1.20 of this Schedule A, the Initial Interest Period and each period commencing on an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date, and (ii) as described in Section 1.20 of this Schedule A, each successive 35-day period thereafter, commencing on a Wednesday and ending on (and including) a Tuesday (or such other changed period).

"LIBOR" shall mean (A) for any Auction Period of fewer than forty-nine (49) days, the offered rates for deposits in U.S. dollars for a one-month period which appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on the date of determination, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market (the "calculation date") and (B) for any Auction Period of (i) at least forty-nine (49) but fewer than seventy (70) days, such rates for deposits in U.S. dollars for a two-month period, (ii) at least seventy (70) but fewer than eighty-five (85) days, the arithmetic average of such rates for deposits in U.S. dollars for two- and three-month periods, and (iii) at least eighty-five (85) but fewer than ninety-one (91) days, such rate for deposits in U.S. dollars for a three-month period; provided, that if on any calculation date, no rate appears on Telerate Page 3750 as specified above, "LIBOR" means the arithmetic average of the offered quotations of four major banks in the London interbank market, selected by the Market Agent, for deposits in U.S. dollars for the respective periods specified above to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such calculation date and in a principal amount of not less than \$1,000,000 that is representative of a single transaction in such market at such time, unless fewer than two such quotations are provided, in which case, the arithmetic average of the rates quoted at approximately 11:00 a.m., New York City time, on the date next preceding such calculation date by three major banks in the City of New York selected by the Market Agent for loans in U.S. dollars to leading European banks in a principal amount of not less than \$1,000,000 that is representative of a single transaction in such market at such time.

"LIBOR Determination Date" shall mean the Auction Date, or if no Auction Date is applicable, the Business Day immediately preceding the first day of each Interest Period.

"Market Agent" shall mean the market agent or market agents appointed pursuant to Section 1.13 of this Schedule A, and its or their successors or assigns.

"Market Agent Agreement" shall mean the Market Agent Agreement dated as of January 1, 1996, between the Trustee and the Market Agent, and any similar agreement with a successor Market Agent, in each case as from time to time amended or supplemented.

"Master Purchaser's Letter" means a letter in the form of Exhibit C to the Auction Agency Agreement, addressed to, among others, the Authority, the Auction Agent, a Broker-Dealer and a Participant.

"Maximum Auction Rate" shall mean either the (A) Ninety-One Day United States Treasury Bill Rate plus 1.20% (if all ratings assigned by the Rating Agencies to the ARCs are "Aa3" or "AA-" or better) or (B) Ninety-One Day United States Treasury Bill Rate plus 1.50% (if any one of the ratings assigned by the Rating Agencies to the ARCs is less than "Aa3" or "AA-" but both such ratings are at least any category of "A") or (C) Ninety-One Day United States Treasury Bill Rate plus 1.75% (if any one of the ratings assigned by the Rating Agencies to the ARCs is less than the lowest category of "A"). For purposes of the Auction Agent and the Auction Procedures, the ratings referred to in this definition shall be the last ratings of which the Auction Agent has been given notice pursuant to the Auction Agency Agreement.

"Maximum Interest Rate" shall mean the lesser of (a) 17% per annum or (b) the maximum rate of interest permitted under the Act.

"Maximum Rate," on any date of determination, shall mean the interest rate per annum equal to the lesser of:

- (a) the Maximum Auction Rate; or
- (b) the Maximum Interest Rate.

"Ninety-One Day United States Treasury Bill Rate" shall mean the Bond-Equivalent Yield on the 91-day United States Treasury Bills sold at the last auction thereof that immediately precedes the Auction Date, as determined by the Market Agent on the Auction Date.

"One-Month LIBOR" shall mean the London interbank offered rate for deposits in U.S. dollars having a maturity of one month commencing on the related LIBOR Determination Date (the "One-Month Index Maturity") which appears on Telerate Page 3750 as of 11:00 a.m., London time, on such LIBOR Determination Date. If such rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the One-Month Index Maturity and in a principal amount of not less than U.S. \$1,000,000, are offered at approximately 11:00 a.m., London time, on such LIBOR Determination Date to prime banks in the London interbank market by four major banks in the

London interbank market selected by the Auction Agent (the "Reference Banks"). The Auction Agent will request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Auction Agent, at approximately 11:00 a.m., New York City time, on such LIBOR Determination Date for loans in U.S. dollars to leading European banks having the One Month Index Maturity and in a principal amount equal to an amount of not less than U.S. \$1,000,000; provided that if the banks selected as aforesaid are not quoting as mentioned in this sentence, One-Month LIBOR in effect for the applicable Interest Period will be One-Month LIBOR in effect for the previous Interest Period.

"Order" shall have the meaning set forth in Section 1.6(a) of this Schedule A.

"Participant" shall mean a member of or participant in, the Depository.

"Payment Default" shall mean failure to make payment of interest on, premium, if any, and principal of the ARCs when due, by the Authority, followed by a default by the Bond Insurer under the 1996 Bond Insurance Policy.

"Person" means and includes, unless otherwise specified, an individual, corporation, company, trust, estate, partnership or association.

"Potential Holder" shall mean any Person, including any Existing Holder, (1) who shall have executed a Master Purchaser's Letter and (2) who may be interested in acquiring ARCs (or, in the case of an Existing Holder thereof, an additional principal amount of ARCs).

"Record Date" shall mean if, and for so long as, Interest Payment Dates are specified to occur at the end of each Auction Period, as provided in Section 1.20 of this Schedule A, the Applicable Number of Business Days immediately preceding each Interest Payment Date.

"Redemption Date," when used with respect to any ARCs to be redeemed, shall mean the date fixed for such redemption.

"Registrar" shall mean the Trustee or any separate registrar appointed under the Resolution with respect to the Series H Bonds.

"SEC" shall mean the Securities and Exchange Commission.

"Securities Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Sell Order" shall have the meaning set forth in Section 1.6(a) of this Schedule A.

"Submission Deadline" shall mean 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent, as specified by the Auction Agent from time to time.

"Submitted Bid" shall have the meaning set forth in Section 1.6(c)(i) of this Schedule A.

"Submitted Hold Order" shall have the meaning set forth in Section 1.6(c)(i) of this Schedule A.

"Submitted Order" shall have the meaning set forth in Section 1.6(c)(i) of this Schedule A.

"Submitted Sell Order" shall have the meaning set forth in Section 1.6(c)(i) of this Schedule A.

"Sufficient Clearing Bids" shall have the meaning set forth in Section 1.6(c)(i)(B) of this Schedule A.

"Winning Bid Rate" shall have the meaning set forth in Section 1.6(c)(i)(C) of this Schedule A.

Section 1.2. *Description of Series; Global Form; Depository.*

(a) As provided in this Third Supplemental Resolution, the Series H Bonds shall be issued as ARCs.

(b) Except as otherwise provided in this Section 1.2, the ARCs, in the form of one or more securities, shall be registered in the name of the Depository, and ownership thereof shall be maintained in book-entry form by the Depository for the account of the Participants thereof. Initially, the ARCs shall be registered in the name of Cede & Co., as the nominee of DTC. Except as provided in subsection (c) of this Section 1.2, the ARCs may be transferred, in whole but not in part, only to the Depository, or to a successor to DTC selected or approved by the Authority or to a nominee of such successor Depository.

(i) Neither the Authority, the Registrar nor any of their respective affiliates shall have any responsibility or obligation with respect to:

(A) the accuracy of the records of the Depository or any Participant with respect to any beneficial ownership interest in the ARCs;

(B) the delivery to any Participant, any beneficial owner of the ARCs or any other person, other than the Depository, of any notice with respect to the ARCs; or

(C) the payment to any Participant, any beneficial owner of the ARCs or any other person, other than the Depository, of any amount with respect to the principal, premium, if any, or interest on the ARCs.

So long as the certificates for the ARCs are not issued pursuant to subsection (c) of this Section 1.2, the Authority and the Registrar may treat the Depository as, and deem the

Depository to be, the absolute owner of the ARCs for all purposes whatsoever, including without limitation:

- (i) the payment of principal, premium, if any, and interest on the ARCs;
- (ii) giving notices of redemption and other matters with respect to the ARCs;
- (iii) registering transfer with respect to the ARCs; and
- (iv) the selection of ARCs for redemption.

(c) If at any time the Market Agent has notified the Authority that the ARCs should not be maintained in book entry form or the Depository notifies the Authority that it is unwilling or unable to continue as Depository with respect to the ARCs, or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, then this Section 1.2 shall no longer be applicable and the Authority shall execute and the Registrar shall authenticate and deliver certificates representing the ARCs as provided below. Certificates for the ARCs issued in exchange for a global certificate pursuant to this subsection (c) shall be registered in such names and authorized denominations as the Depository, pursuant to instructions from the Participants or otherwise, shall instruct the Authority and the Registrar. The Registrar shall deliver such certificates representing the ARCs to the persons in whose names such ARCs are so registered on the Business Day immediately preceding the first day of an Interest Period.

Section 1.3. *Limitations on Transfer.* So long as the ownership of the ARCs is maintained in book-entry form by the Depository, an Existing Holder may sell, transfer or otherwise dispose of its beneficial interest in ARCs only pursuant to a Bid or Sell Order placed in any Auction or to or through a Broker-Dealer or to a person who has signed and delivered to the Auction Agent a Master Purchaser's Letter; provided that in the case of all transfers other than pursuant to Auctions or mandatory tenders such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer.

Section 1.4. *Interest on ARCs.*

(a) Interest on the ARCs shall accrue for each Interest Period and shall be payable in arrears, on each Interest Payment Date.

(b) The rate of interest on the ARCs for the Initial Interest Period shall be 5.35% per annum. The rate of interest on the ARCs for each subsequent Interest Period shall be the Auction Rate unless the Auction Rate exceeds the Maximum Rate, in which case, the rate of interest on the ARCs for such Interest Period shall be the Maximum Rate, or unless the Maximum Rate shall actually be lower than the All-Hold Rate, in which case the rate of interest on the ARCs for such Interest Period shall be the Maximum Rate; provided that if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next

succeeding Interest Period shall equal the Maximum Rate on such Auction Date. Notwithstanding the foregoing, if:

(i) the ownership of the ARCs is no longer maintained in book-entry form by the Depository, the rate of interest on the ARCs for any Interest Period commencing after the delivery of certificates representing ARCs pursuant to Section 1.2(c) of this Schedule A shall equal the Maximum Rate on the Business Day immediately preceding the first day of such Interest Period; or

(ii) if a Payment Default occurs, Auctions will be suspended and the Applicable ARCs Rate (as defined below) for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured will equal the Default Rate.

The rate per annum at which interest is payable on the ARCs for any Interest Period is herein referred to as the "Applicable ARCs Rate." Notwithstanding anything herein to the contrary, the Applicable ARCs Rate cannot exceed the Maximum Rate.

(c) Notwithstanding anything herein to the contrary, if any ARC or portion thereof has been selected for redemption during the next succeeding Interest Period, said ARC or portion thereof, will not be included in the Auction preceding such Redemption Date, and said ARC or portion thereof, will continue to bear interest until the Redemption Date at the rate established for the Interest Period prior to said Auction.

Section 1.5. *Payments.* So long as the ARCs are registered in the name of the Depository or the nominee thereof, payment of interest (other than at maturity) and premium, if any, on, and of principal at redemption of, the ARCs shall be made to the Depository by wire transfer provided proper wire instructions are received. Each holder of ARCs, by such Holder's purchase of ARCs, appoints the Trustee as its agent in connection with the payment by such Holder of its share, if any, of the amounts payable to the Auction Agent and the Broker-Dealers pursuant to Section 1.8(a) of this Schedule A.

Section 1.6. *Auction Procedures.* Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Interest Period commencing after the ownership of the ARCs is no longer maintained in book-entry form by the Depository; (ii) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Interest Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the following manner:

(a) (i) Prior to the Submission Deadline on each Auction Date:

(A) each Existing Holder of ARCs may submit to a Broker-Dealer information as to:

(1) the principal amount of Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Interest Period;

(2) the principal amount of Outstanding ARCs, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Interest Period shall be less than the rate per annum specified by such Existing Holder; and/or

(3) the principal amount of Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Interest Period; and

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of ARCs which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Interest Period shall not be less than the rate per annum specified by such Potential Holder.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A)(1), (A)(2), (A)(3) or (B) of this paragraph (i) is hereinafter referred to as an "Order" and collectively as "Orders" and each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders"; an Order containing the information referred to in (x) clause (A)(1) of this paragraph (i) is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders," (y) clause (A)(2) or (B) of this paragraph (i) is hereinafter referred to as a "Bid" and collectively as "Bids" and (z) clause (A)(3) of this paragraph (i) is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders."

(ii) (A) Subject to the provisions of Section 1.6(b) of this Schedule A, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this Section 1.6 of this Schedule A shall be less than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in Section 1.6(d)(i)(D) of this Schedule A, if the Auction Rate determined as provided in this Section 1.6 shall be equal to the rate specified in such Bid; or

(3) such principal amount or a lesser principal amount of Outstanding ARCs to be determined as set forth in Section 1.6(d)(ii)(C) of this Schedule A if the rate specified shall be higher than the Maximum Rate and Sufficient Clearing Bids have not been made.

(B) Subject to the provisions of Section 1.6(b) of this Schedule A, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding ARCs specified in such Sell Order; or

(2) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in Section 1.6(d)(ii)(C) of this Schedule A if Sufficient Clearing Bids have not been made.

(C) Subject to the provisions of Section 1.6(b) of this Schedule A, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(1) the principal amount of Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this Section 1.6 of this Schedule A shall be higher than the rate specified in such Bid; or

(2) such principal amount or a lesser principal amount of Outstanding ARCs as set forth in Section 1.6(d)(i)(E) of this Schedule A if the Auction Rate determined as provided in this Section 1.6 of this Schedule A shall be equal to the rate specified in such Bid.

(b) (i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each such Order:

(A) the name of the Bidder placing such Order;

(B) the aggregate principal amount of ARCs that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

(1) the principal amount of ARCs, if any, subject to any Hold Order placed by such Existing Holder;

(2) the principal amount of ARCs, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(3) the principal amount of ARCs, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate and amount specified in such Potential Holder's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1 %.

(iii) If an Order or Orders covering all Outstanding ARCs held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding ARCs held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(iv) None of the Authority, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(v) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding ARCs held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of ARCs held by such Existing Holder, and if the aggregate principal amount of ARCs subject to such Hold Orders exceeds the aggregate principal amount of ARCs held by such Existing Holder, the aggregate principal amount of ARCs subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding ARCs held by such Existing Holder;

(B) (1) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(2) subject to subclause (1) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal amount of Outstanding ARCs subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess and the stated amount of ARCs subject to each Bid with the same rate shall be reduced pro rata to cover the stated amount of ARCs equal to such excess;

(3) subject to subclause (1) and (2) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(4) in any such event, the aggregate principal amount of Outstanding ARCs, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding ARCs held by such Existing Holder over the aggregate principal amount of ARCs subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vi) If more than one Bid for ARCs is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination therefor shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of ARCs not equal to an Authorized Denomination therefor shall be rejected.

(viii) Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate and any such Bid shall be considered as valid and shall be selected in the ascending order of the respective rates in the Submitted Bids.

(c) (i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding ARCs over the sum of the aggregate principal amount of Outstanding ARCs subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available ARCs"); and

(B) from such Submitted Orders whether:

(1) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Rate, exceeds or is equal to the sum of:

(2) the aggregate principal amount of Outstanding ARCs subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate; and

(3) the aggregate principal amount of Outstanding ARCs subject to Submitted Sell Orders;

(in the event such excess or such equality exists, other than because the sum of the principal amounts of ARCs in subclauses (1) and (3) above is zero because all of the Outstanding ARCs are subject to Submitted Hold Orders, such Submitted Bids in subclause (1) above being hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids have been made, the lowest rate specified in such Submitted Bids (which shall be the "Winning Bid Rate") such that if:

(1) (aa) each such Submitted Bid from Existing Holders specifying such lowest rate and (bb) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of ARCs subject to such Submitted Bids; and

(2) (aa) each such Submitted Bid from Potential Holders specifying such lowest rate and (bb) all other Submitted Bids from Potential Holders specifying lower rates were accepted;

the result would be that such Existing Holders described in subclause (1) above would continue to hold an aggregate principal amount of Outstanding ARCs which, when added to the aggregate principal amount of Outstanding ARCs to be purchased by such Potential Holders described in subclause (2) above, would equal not less than the Available ARCs.

(ii) Promptly after the Auction Agent has made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall advise the Trustee of the Maximum Auction Rate, the Maximum Interest Rate and the All Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Interest Period (the "Auction Rate") as follows:

(A) if Sufficient Clearing Bids have been made, that the Auction Rate for the next succeeding Interest Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period shall be equal to the Maximum Rate; or

(C) if all outstanding ARCs are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Interest period shall be equal to the All Hold Rate.

If the Auction Rate determined as set forth above exceeds the Maximum Rate, the Applicable ARCs Rate for such Interest Period shall be equal to the Maximum Rate, and the excess of the amount of interest on the Bonds that would have accrued at the rate equal to the Auction Rate over the amount of interest on such Bonds actually accrued at the Maximum Rate will accrue as the Carry-over Amount. The Carry-over Amount will bear interest at a rate equal to One-Month LIBOR from the Interest Payment Date for the Interest Period for which the Carry-over Amount was calculated until paid, or until extinguished in accordance with Section 3.10(D) of the Third Supplemental Resolution.

(d) Existing Holders shall continue to hold the principal amount of ARCs that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to Section 1.6(c)(i) of this Schedule A, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraph (iv) of this subsection (d), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring such Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids;

(D) each Existing Holders' Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bid, unless the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids shall be greater than the principal amount of ARCs (the "remaining principal amount") equal to the excess of the Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing

Holder shall be entitled to continue to hold the principal amount of ARCs subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of ARCs obtained by multiplying the remaining principal amount by a fraction the numerator of which shall be the principal amount of Outstanding ARCs held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding ARCs subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of ARCs obtained by multiplying the excess of the aggregate principal amount of Available ARCs over the aggregate principal amount of ARCs subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Outstanding ARCs subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), subject to the provisions of paragraph (iv) of this subsection (d), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of ARCs subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring each Potential Holder to purchase the aggregate principal amount of ARCs subject to such Submitted Bids; and

(C) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARCs subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of ARCs obtained by multiplying the aggregate principal amount of ARCs subject to Submitted Bids described in clause (B) of this paragraph (ii) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding ARCs held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall

be the aggregate principal amount of Outstanding ARCs subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding ARCs are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraph (i) or (ii) of this subsection (d), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of ARCs that is not equal to an Authorized Denomination therefor the Auction Agent shall, in such manner as it shall, in its sole discretion, determine, round up or down the principal amount of ARCs to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of ARCs purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing any ARCs.

(e) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of ARCs to be purchased and the aggregate principal amount of ARCs to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of ARCs to be sold differs from such aggregate principal amount of ARCs to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARCs.

Section 1.7. *Certain Orders Not Permitted.* The Authority may not submit an Order in any Auction. The Auction Agent shall have no duty or liability in monitoring or enforcing compliance with this Section 1.7.

Section 1.8. *Notice of Payment Defaults and Cures; Payment of Service Charges.*

(a) The Authority shall pay to the Auction Agent, on behalf of the Holders of the ARCs ~~in same day funds~~ out of amounts in the Revenue Fund, (i) on the first Business Day on or following the first day of March, June, September and December commencing June 1, 1996, an amount equal to the Auction Agent Fee as calculated in the Auction Agency Agreement and (ii) on the first Business Day on or following the first day of March, June, September and December commencing June 1, 1996, an amount equal to the Broker-Dealer Fee as calculated in the Broker-Dealer Agreement.

(b) By 12:30 p.m. on the Business Day immediately succeeding each Interest Payment Date, the Trustee will determine if a Payment Default has occurred. If a Payment Default has occurred, the Trustee shall notify the Auction Agent and Broker-Dealer by 1:00 p.m. of such Payment Default. If a Payment Default has been cured, the Trustee shall so notify the Auction Agent and the Broker-Dealer by 5:00 p.m. on the day such Payment Default is cured.

Section 1.9. *Calculation of Rates.* The Auction Agent shall calculate the Maximum Auction Rate, the Maximum Rate, the All Hold Rate and the One-Month LIBOR Rate on each Auction Date. The determination by the Auction Agent of the One-Month LIBOR will (in the absence of manifest error) be final and binding upon the Bondholders and all other parties. If the ownership of the ARCs is no longer maintained in book-entry form by the Depository, the Trustee shall calculate the Maximum Rate on the Business Day immediately preceding the first day of each Interest Period commencing after the delivery of certificates representing the ARCs pursuant to Subsection 1.2(c) of this Schedule A. If a Payment Default shall have occurred, the Trustee shall calculate the Default Rate on the first day of (i) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Interest Period commencing less than two Business Days after the cure of any Payment Default.

Section 1.10. *Computation of Interest.* The amount of interest distributable to Holders of ARCs in respect of each \$50,000 in principal amount thereof for any Interest Period or part thereof shall be calculated by applying the Applicable ARCs Rate for such Interest Period or part thereof to the principal amount of \$50,000, multiplying such product by the actual number of days in the Interest Period or part thereof concerned divided by 365 or 366, as applicable, and truncating the resultant figure to the nearest one cent. Interest on the ARCs shall be computed by the Trustee on the basis of a 365-day year for the number of days actually elapsed; except that for any such calculation with respect to an Interest Payment Date occurring after December 1 of any year preceding a leap year through December 1 of the next succeeding year (being the leap year), such interest shall be computed on the basis of a 366-day year period. In the event an Interest Payment Date occurs in any Interest Period on a date other than the first day of such Interest Period, the Trustee, after confirming the calculation required above, shall calculate the portion of the Interest Amount payable on such Interest Payment Date and the portion payable on the next succeeding Interest Payment Date. The Trustee shall make the calculation required in this Section 1.10 not later than the close of business on each Auction Date.

Section 1.11. *Notification of Rates, Amounts and Payment Dates.*

(a) The Trustee shall determine the aggregate amount of interest distributable on the next succeeding Interest Payment Date to the Holders of the ARCs. So long as the ownership of the ARCs is maintained in book-entry form by the Depository, the Trustee shall advise the Depository of each Record Date for the ARCs at least two Business Days prior thereto.

(b) Promptly after the date of original issuance of the Series H Bonds and each Interest Payment Date, and in any event at least 10 days prior to each Interest Payment Date, the Trustee shall:

(i) so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, confirm the Auction Agent's determination of (A) the date of such next Interest Payment Date and (B) the amount payable to the Auction Agent on each Interest Payment Date pursuant to Section 1.8 hereof and notify the Auction Agent of any discrepancy therein; and

(ii) advise the Depository, so long as the ownership of the ARCs is maintained in book-entry form by the Depository, of the Applicable ARCs Rate and the Interest Amount in respect of the next succeeding Interest Period.

In the event that any day that is scheduled to be an Interest Payment Date shall be changed after the Trustee shall have given the notice referred to in clause (i) of the preceding sentence, not later than 9:15 a.m., New York City time, on the Business Day next preceding the earlier of the new Interest Payment Date or the old Interest Payment Date, the Trustee shall, by such means as the Trustee deems practicable, give notice of such change to the Auction Agent, so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository.

Section 1.12. *Reserved.*

Section 1.13. *Market Agent.* The Trustee shall enter into a Market Agent Agreement with PaineWebber Incorporated, as the initial Market Agent. The Market Agent shall serve as such under the terms and provisions hereof and of the Market Agent Agreement. The Market Agent, including any successor appointed pursuant hereto, shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$25,000,000, and be authorized by law to perform all the duties imposed upon it by this Third Supplemental Resolution and the Market Agent Agreement. The Market Agent may be removed at any time by the Trustee, acting at the direction of (a) the Authority, or (b) the holders of 66-2/3 % of the aggregate principal amount of the ARCs, provided that such removal shall not take effect until the appointment of a successor Market Agent. The Market Agent may resign upon 30 days' written notice delivered to the Authority and the Trustee. The Authority shall use its best efforts to appoint a successor Market Agent that is a qualified institution, effective as of the effectiveness of any such resignation or removal. Notwithstanding that the Market Agent is the agent of the Trustee under the Market Agent Agreement, the Trustee shall not be liable in any way for any action taken, suffered, or omitted, or for any error of judgment made by the Market Agent, whether in the performance of its duties under the Market Agent Agreement or otherwise.

Section 1.14. *Auction Agent.*

(a) Bankers Trust Company, New York, New York, shall serve as the initial Auction Agent for the ARCs. The Trustee is hereby directed to enter into an agreement with the Auction Agent which shall provide as follows: The Auction Agent shall be (i) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, The City of New York, and having a combined capital stock, surplus and undivided profits of at least \$15,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000 and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by this Third Supplemental Resolution by giving at least 90 days' written notice to the Authority, the Trustee and the Market Agent (30 days' written notice if the Auction Agent has not been paid its fee for more than 30 days). The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity

other than the Trustee, acting at the direction of (i) the Authority or (ii) the holders of 66-2/3% of the aggregate principal amount of the ARCs, by an instrument signed by the Trustee and filed with the Auction Agent, the Authority and the Market Agent upon at least 90 days' notice; provided that, if required by the Market Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the Authority acting in lieu of the Trustee.

(b) In the event that the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Authority shall use its best efforts to appoint a successor as Auction Agent, and the Trustee shall thereupon enter into an Auction Agency Agreement with such successor.

(c) The Auction Agent shall be acting as agent for the Trustee and the Authority in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment.

(d) Notwithstanding that the Auction Agent is the agent of the Trustee hereunder and under the Auction Agency Agreement, the Trustee shall not be liable in any way for any action taken, suffered or omitted, or for any error of judgment made by the Auction Agent, whether in the performance of its duties under the Auction Agency Agreement or otherwise, subject to Section 3.4(b) of the Auction Agency Agreement.

Section 1.15. *Broker-Dealers.*

(a) The Auction Agent shall enter into a Broker Dealer Agreement with PaineWebber Incorporated, as the initial Broker-Dealer. The Market Agent may from time to time approve one or more additional persons to serve as Broker-Dealer under Broker-Dealer Agreements.

(b) Any Broker-Dealer may be removed at any time at the request of an Authorized Officer of the Authority, but there shall, at all times, be at least one Broker-Dealer appointed and acting as such.

Section 1.16. *Reserved.*

Section 1.17. *Reserved.*

Section 1.18. *Reserved.*

Section 1.19. *Redemption of Series H Bonds.* The Series H Bonds shall be subject to redemption prior to maturity as provided in the form of ARCs Bonds attached as Exhibit B hereto.

Section 1.20. *Changes in Auction Periods or Auction Date or Interest Payment Dates.*

(a) Changes in Auction Period or Periods.

(i) The Market Agent:

(A) in order to conform with then current market practice with respect to similar securities, shall; or

(B) in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the ARCs and with the written consent of an Authorized Officer of the Authority, may

change, from time to time, the length of one or more Auction Periods. In connection with any such change, or otherwise, but for the same stated purpose, the Market Agent:

(A) in order to conform with then current market practice with respect to similar securities, shall; and

(B) with the written consent of an Authorized Officer, may

change Interest Payment Dates; any such change shall be considered a "change in the length of one or more Auction Periods" for the purposes of this Third Supplemental Resolution. The Authorized Officer of the Authority shall not consent to such change in the length of the Auction Period, if such consent is required above, unless he or she shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall initiate the change in the length of one or more Auction Periods by giving written notice to the Trustee, the Auction Agent, the Authority and the Depository in substantially the form of, or contain substantially the information contained in, Exhibit C to this Third Supplemental Resolution at least 10 days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall not be less than 7 days nor more than 91 days. If any such changed Auction Period will be less than 28 days, the notice described above will be effective only if it is accompanied by a written statement of the Trustee, the Auction Agent and the Depository to the effect that they are capable of performing their duties, if any, under this Third Supplemental Resolution, the Auction Agency Agreement and any Broker-Dealer Agreement with respect to such changed Auction Period.

(iii) The change in the length of one or more Auction Periods shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this Section 1.20(a) and the Auction immediately preceding the proposed change.

(iv) The change in length of one or more Auction Periods shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 A.M. on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Market Agent in substantially the form attached as, or containing substantially the same information contained in, Exhibit D to this Third Supplemental Resolution, authorizing the change in the length of one or more Auction Periods specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) above is not met, the applicable ARCs Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Applicable ARCs Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be the Auction Period determined without reference to the proposed change.

(b) Changes in the Auction Date. The Market Agent:

(i) in order to conform with then current market practice with respect to similar securities, shall; or

(ii) in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the ARCs and with the written consent of an Authorized Officer of the Authority, may

specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in Section 1.1 of this Schedule A with respect to one or more specified Auction Periods. The Authorized Officer of the Authority shall not consent to such change in the Auction Date, if such consent is required in subparagraph (b)(ii) above, unless he or she shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together within a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the Authority and the Depository. Such notice shall be substantially in the form of, or contain substantially the information contained in, Exhibit E to this Third Supplemental Resolution.

(c) In connection with any change described in this Section 1.20, the Auction Agent shall provide such further notice to such parties as is specified in Section 2.5 of the Auction Agency Agreement.

(d) No change shall be made to the Auction Period or Auction Date unless the Authority shall have received confirmation from the Rating Agency that the rating on any of the Bonds will not be adversely affected.

Section 1.21. *Credit Ratings.* The Authority shall take all reasonable action necessary to enable at least one nationally recognized statistical rating organization (as that term is used in the rules and regulations of the SEC under the Securities Exchange Act) to provide credit ratings for the ARCs.

Section 1.22. *Notices.* The Market Agent shall provide the Trustee and, so long as no default under the Resolution has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by the Depository, the Auction Agent with notice of any change in the Maximum Interest Rate.

Section 1.23. *Purchases of ARCs.* The Authority shall not purchase or otherwise acquire ARCs unless the Authority redeems or otherwise cancels such ARCs on the day of any purchase.

Section 1.24. *Notice of Payment Default.*

(a) If the Authority determines that a Payment Default has occurred the Authority shall promptly notify the Trustee thereof.

(b) So long as the ownership of the ARCs is maintained in book-entry form by the Depository, upon the occurrence of a Payment Default the Trustee shall immediately send a notice thereof to the Auction Agent and Market Agent by telecopy or similar means.

(c) So long as the ownership of the ARCs is maintained in book-entry form by the Depository, the Trustee shall immediately send notice to the Auction Agent by telecopy or similar means if a Payment Default is cured.

EXHIBIT B

(FORM OF ARCS SERIES H BOND)

**MISSOURI HIGHER EDUCATION LOAN AUTHORITY
STUDENT LOAN REVENUE BOND
SERIES 1996H (TAXABLE)**

No. _____

<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Maturity</u>	<u>Dated</u> <u>Date</u>	<u>CUSIP</u>
Variable	August 15, 2025	February 13, 1996	

Registered Owner: CEDE & CO.

Principal Amount _____ Dollars

Missouri Higher Education Loan Authority (the "Authority") a public instrumentality and body corporate and politic of the State of Missouri, for value received, hereby promises to pay, but only from the sources and as hereinafter provided, to the Registered Owner specified above, or registered assigns, the Principal Amount shown above in lawful money of the United States of America on the Date of Maturity shown above, unless prepaid prior thereto with interest thereon from the interest payment date next preceding the date of authentication hereof, unless such date of authentication is prior to the first interest payment date, in which case this Bond shall bear interest from the Dated Date specified above or unless such date of authentication is an interest payment date, in which case this Bond shall bear interest from such interest payment date; provided, however, that if as shown by the records of the Trustee (defined herein) interest on the Series H Bonds (defined herein) shall be in default, Series H Bonds issued in lieu of such Series H Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series H Bonds surrendered until payment of the principal hereof has been made or duly provided for. Principal of this Bond is payable upon the presentation and surrender hereof at the principal corporate trust office of Mercantile Bank of St. Louis N.A., St. Louis, Missouri, as trustee (the "Trustee"). Interest on this Bond is payable to the Registered Owner of record as of the close of business on the applicable record date as shown on the registration books of the Authority maintained by the Trustee in its capacity as Bond registrar, or its successor in such capacity, by check or draft mailed to the registered owner at the registered address.

Any capitalized words and terms used as defined words and terms in this Bond and not otherwise defined herein shall have the meanings given them in the Resolution (hereinafter defined).

This Bond shall initially bear interest at the rate of interest per annum established by the Broker-Dealer for the initial Auction Period pursuant to the Broker-Dealer Agreement, written notice of which shall be given to the Trustee. For each Auction Period thereafter, the unpaid principal amount hereof from time to time outstanding shall bear interest at the Auction Rate, except as hereinafter provided, determined in accordance with the provisions of Schedule A of the Third Supplemental Resolution, payable on each Interest Payment Date and on the date of payment or redemption of principal hereof to the extent of interest accrued on the principal then being paid or redeemed, such interest to accrue from the later of the date hereof or the date through which interest has been paid or duly provided for. Interest at the Auction Rate established from time to time pursuant to Schedule A of the Third Supplemental Resolution shall be computed for the actual number of days elapsed on the basis of a year consisting of 365 or 366 days, as applicable, and as provided in Schedule A of the Third Supplemental Resolution.

This Bond shall bear interest at an Auction Rate based on an Auction Period that shall, until adjusted pursuant to Schedule A of the Third Supplemental Resolution, generally consist of 35 days, all as determined in Schedule A of the Third Supplemental Resolution.

If, for any Auction Period, the Auction Rate exceeds the Maximum Rate, each as determined in accordance with the provisions of Schedule A of the Third Supplemental Resolution, then the applicable interest rate for this Bond for that Auction Period will be the Maximum Rate. The excess of the amount of interest that would have accrued on this Bond at the Auction Rate over the amount of interest actually accrued at the Maximum Rate, together with any unpaid portion of any such excess from Prior Auction Periods, will accrue as the Carry-over Amount. The Carry-over Amount will bear interest at a rate equal to One-Month LIBOR (as defined in Schedule A of the Third Supplemental Resolution) from the Interest Payment Date for the Auction Period for which the Carry-over Amount was calculated until paid or extinguished as described in the Third Supplemental Resolution. No reference to "principal" or "interest" in this Bond or in the Third Supplemental Resolution shall include within the meaning of such words any Carry-over Amount or any interest accrued on any Carry-over Amount.

The Carry-over Amount (and interest accrued thereon) will be paid by the Trustee, if ever, on such Series H Bond on the next occurring Interest Payment Date, and each succeeding Interest Payment Date until paid, for each Auction Period subsequent to the Auction Period in which such Carry-over Amount accrued, if and to the extent that (1) during such subsequent Auction Period, no additional Carry-over Amount is accruing on such Series H Bond, and if paid, such Carry-over Amount is paid solely to the extent that during such Auction Period, the amount of interest that would be payable on such Series H Bond at the Maximum Rate exceeds the amount of interest that is payable for such Auction Period on such Series H Bond at the interest rate in effect for such Auction Period and (2) moneys are available pursuant to the terms of the Resolution in an amount sufficient to pay all or such portion of Carry-over Amount as described in clause (1) above. Any such payment obligation is extinguished when this Bond is paid at maturity or by earlier redemption.

The Auction Period, the Auction Rate, the method of determining the Auction Rate and the Maximum Rate on this Bond and the Auction Procedures related thereto, a change in the Auction Date and the Interest Payment Dates will be determined in accordance with

the terms, conditions and provisions of, including, without limitation, required notices thereof to the Existing Holders of the Series H Bonds, the Resolution and the Auction Agency Agreement, to which terms, conditions and provisions specific reference is hereby made, and all of which terms, conditions and provisions are hereby specifically incorporated herein by reference.

This Bond is one of a duly authorized series of revenue bonds of the Authority designated Student Loan Revenue Bonds, Series 1996H (Taxable) (the "Series H Bonds"), limited in aggregate principal amount to \$55,000,000 issued pursuant to the Twelfth General Student Loan Program Resolution adopted May 1, 1995 (the "General Resolution"), as amended by a First Supplemental Resolution adopted May 1, 1995 (the "First Supplemental Resolution"), a Second Supplemental Resolution adopted June 5, 1995 (the "Second Supplemental Resolution") and a Third Supplemental Resolution adopted February 7, 1996 (the "Third Supplemental Resolution" and, together with the Second Supplemental Resolution, the First Supplemental Resolution and the General Resolution, the "Resolution"). Concurrently with the issuance of the Series H Bonds, the Authority is issuing, also under the Third Supplemental Resolution \$16,415,000 of its Student Loan Revenue Bonds, Series 1996E (the "Series E Bonds"), \$3,600,000 of its Student Loan Revenue Bonds, Series 1996F (the "Series F Bonds") and \$16,000,000 of its Student Loan Revenue Bonds, Series 1996G (the "Series G Bonds"). The Authority has previously issued under the First Supplemental Resolution \$20,000,000 of its Student Loan Revenue Bonds, Series 1995A (the "Series A Bonds") and \$55,000,000 of its Student Loan Revenue Bonds, Series 1995B (the "Series B Bonds") and has previously issued under the Second Supplemental Resolution \$45,000,000 of its Student Loan Revenue Bonds, Series 1995C (Taxable) (the "Series C Bonds") and \$40,000,000 of its Student Loan Revenue Bonds, Series 1995D (Taxable) (the "Series D Bonds").

This Bond is a limited obligation of the Authority, payable solely from the principal and interest on Loans financed pursuant to the Resolution, any guaranty payments thereon received by the Authority, payments received by the Authority from the United States Government on account of any such Loans, and certain other revenues and earnings to be held pursuant to the Resolution, all in an amount and in the manner provided in the Resolution. Additional Bonds and other obligations may be issued or entered into under the Resolution the right to payment of which is equal with the Series A, B, C, D, E, F, G and H Bonds. Any additional Bonds together with the Series A, B, C, D, E, F, G and H Bonds are referred to herein as "Bonds". Reference is made to the Resolution for a complete statement of the terms and conditions upon which the Series H Bonds have been issued and provisions made for their security and for the rights, duties and obligations of the Authority, the Trustee and the owners of the Series H Bonds.

Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Series H Bond has been issued by AMBAC Indemnity Corporation ("Bond Insurer"). The Policy has been delivered to the United States Trust Company of New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this

Series H Bond acknowledges and consents to the subrogation rights of Bond Insurer as more fully set forth in the Policy.

The Resolution pledges for the payment of the Bonds the student loans identified in the Resolution (the "Loans") and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds and accounts of the Authority set forth in the Resolution, including a Debt Service Reserve Fund (collectively, the "Trust Estate").

Reference is hereby made to the Resolution for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Series H Bonds, the manner of enforcement of such security, the custody and application of the proceeds of such Bonds, the terms and conditions upon which such Bonds are issued, the rights, duties and obligations of the Authority and the Trustee, and the rights and priorities of the holders of such Bonds. Copies of the Resolution are on file in the office of the Authority and at the principal corporate trust office of the Trustee. To the extent and in the manner permitted by its terms, the Resolution may be amended by the Authority in certain instances without consent of the Bondholders, and in certain circumstances with the consent of the holders of at least 51 % in principal amount of the Bonds Outstanding thereunder.

Reference is made to the Resolution for a description of the rights of the owners of the Series H Bonds; the rights and obligations of the Authority; the rights, duties and obligations of the Trustee, and the Trustee in its capacity as Paying Agent and Registrar, or its successor in such capacity and the provisions relating to amendments and modifications thereof. The acceptance of the terms and conditions of such documents (including amplifications and qualifications of the provisions hereof), copies of which are on file at the corporate trust office of the Trustee, is an explicit and material part of the consideration of the Authority's issuance hereof and each owner hereof by acceptance of this Bond accepts and assents to all such terms and conditions as if fully set forth herein.

OPTIONAL REDEMPTION

The Series H Bonds shall be subject to redemption prior to maturity at the option of the Authority from any source of funds in whole or in part on any date at a redemption price equal to 100 % of the principal amount of such Bonds or portions thereof redeemed, together with accrued interest thereon to the date of redemption.

EXTRAORDINARY REDEMPTION FROM EXCESS REVENUES AND RECOVERIES OF PRINCIPAL

At the option of the Authority, the Series H Bonds are subject to redemption prior to maturity, in whole or in part, at any time, upon notice as hereinafter provided without premium, at a redemption price equal to 100 % of the principal amount of such Bonds or portions thereof redeemed, together with accrued interest thereon to the date of redemption, from excess Revenues or Recoveries of Principal (each as defined in the Resolution and other than from the voluntary sale of Loans) which the Authority determines will not be applied to finance Loans. Loans may be sold and the proceeds applied for allowable purposes if, in the opinion of the

Authority, such sale and application is likely to prevent the occurrence of an Event of Default. In such circumstances, the sale of Loans is not deemed to be voluntary.

EXTRAORDINARY REDEMPTION FROM UNEXPENDED PROCEEDS

The Series H Bonds are subject to redemption prior to maturity at the option of the Authority in whole or in part, at any time, at the principal amount thereof plus accrued interest to the redemption date, without premium, to the extent that unexpended Series H Bond proceeds are not expected to be applied to finance the acquisition of Eligible Loans within the Acquisition Period, as defined in the Third Supplemental Resolution.

EXTRAORDINARY REDEMPTION UPON CERTAIN EVENTS

The Series H Bonds shall be subject to redemption in whole or in part at any time upon the direction of the Authority and notice to the Trustee at a redemption price equal to 100 % of the principal amount thereof plus accrued interest to the date of redemption if (i) the Authority shall suffer unreasonable burdens or excessive liabilities in connection with the operation of its Loan Purchase Program to the extent financed with proceeds of Bonds, including without limitation, material increases in the cost of maintaining or obtaining any liquidity facility pursuant to the terms thereof or (ii) the redemption of Bonds shall be required or necessary under applicable law or regulations of the United States Secretary of Education to enable the Authority to continue to receive Special Allowance Payments on Loans at the levels in effect at the time the Series H Bonds were issued.

REDEMPTION NOTICE AND EFFECT OF REDEMPTION OR ACCELERATION

Notice of redemption is to be given by mail not less than fifteen (15) days prior to the date fixed for redemption to the registered owner of each Series H Bond to be redeemed at the address of the registered owner, as shown on the registration books of the Authority maintained by the Trustee as Registrar. The notice of redemption of Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed, a new Bond or Bonds in the same aggregate principal amount equal to the unredeemed portion of the Bond surrendered, shall be issued to the registered owner thereof with the same interest rate, Series and maturity. Failure to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the Resolution, this Bond if so called for redemption, shall become due and payable at the stated redemption price and to the extent moneys are available therefor, interest shall cease to accrue on this Bond and this Bond shall no longer be entitled to any benefit or security under the Resolution. Bonds to be redeemed in part shall be selected by lot.

Upon any declaration of acceleration after an Event of Default under the Resolution, the Trustee shall give notice of such declaration to registered owners of Series H Bonds and if funds in an amount sufficient to pay the principal of and interest on such Bonds have been deposited with the Trustee, interest shall cease to accrue on such Bonds.

No recourse shall be had for the payment of principal or redemption price of, or interest on, this Bond, or for any claim based hereon or on the Resolution, against any member, officer or employee, past, present or future, of the Authority or of any successor body, as such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

The Series H Bonds are issuable as registered bonds in the denomination of \$50,000 or any integral multiple thereof. Subject to the limitations provided in the Resolution and upon payment of any tax or governmental charge, Series H Bonds may be exchanged for a like aggregate principal amount of Series H Bonds of other authorized denominations.

The owner of this Bond shall have no right to enforce the provisions of the Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Resolution, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Resolution. If an Event of Default under the Resolution occurs, the principal of all Bonds then Outstanding issued under the Resolution may be declared due and payable upon the conditions and in the manner and with the effect provided in the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding obligation of the Authority according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

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

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Trustee.

IN WITNESS WHEREOF, the Missouri Higher Education Loan Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairman or its Executive Director and a facsimile of its seal to be hereto imprinted, and to be signed and attested with the manual or facsimile signature of its Assistant Secretary.

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

(FACSIMILE SEAL)

By: _____

Attest

Assistant Secretary

TRUSTEE'S CERTIFICATE
TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series H Bonds of the series so designated and described in the provisions of the within-mentioned Resolution.

Date of Authentication:

_____,

Trustee

By _____
Authorized Officer

ASSIGNMENT

For Value Received _____ hereby sell(s), assign(s) and transfer(s) unto

(Please print or type an address
including postal zip code of transferee)

(Social Security number
of transferee)

the within Bond, together with accrued interest thereon and all right, title and interest thereto, and hereby irrevocably authorize(s) and appoint(s) _____ attorney to transfer said Bond on the books of the within named Authority with full power of substitution in the premises.

Dated _____ L.S.

Guaranteed by:

EXHIBIT C

**FORM OF NOTICE OF CHANGE IN LENGTH OF
ONE OR MORE AUCTION PERIODS**

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

\$55,000,000

**STUDENT LOAN REVENUE BONDS
SERIES 1996H (TAXABLE)**

**NOTICE OF PROPOSED CHANGE IN LENGTH
OF ONE OR MORE AUCTION PERIODS**

Notice is hereby given that _____, as Market Agent for the captioned Bonds, proposes to change the length of one or more Auction Periods pursuant to the Third Supplemental Resolution therefor as follows:

(a) The change shall take effect on _____, _____, the date of commencement of the next Auction Period (the "Effective Date").

(b) The change in length of one or more Auction Periods described in Paragraph 1 above shall take place only if (A) the Trustee and Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the Auction Period commencing on the Effective Date, a certificate from the Market Agent, as required by the Third Supplemental Resolution authorizing the change in length of one or more Auction Periods and (B) Sufficient Clearing Bids exist on the Auction Date for the Auction Period commencing on the Effective Date.

(c) If the condition referred to in (A) above is not met, the Applicable ARCs Rate for the Auction Period commencing on the Effective Date will be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) above is met but the condition referred to in (B) above is not met, the Applicable ARCs Rate for the Auction Period commencing on the Effective Date shall be the Maximum Rate and the Auction Period shall be the Auction Period determined without reference to the proposed change.

(d) It is hereby represented, upon advice of the Auction Agent for the Bonds described herein, that there were Sufficient Clearing Bids for such Bonds at the Auction immediately preceding the date of this Notice.

(e) Terms not defined in this Notice shall have the meanings set forth in the Resolution authorizing the captioned Bonds.

Dated: _____

By _____

EXHIBIT D

FORM OF NOTICE ESTABLISHING CHANGE IN LENGTH
OF ONE OR MORE AUCTION PERIODS

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

\$55,000,000

STUDENT LOAN REVENUE BONDS
SERIES 1996H (TAXABLE)

NOTICE ESTABLISHING CHANGE IN LENGTH
OF ONE OR MORE AUCTION PERIODS

Notice is hereby given that _____, as Market Agent for the captioned Bonds, hereby establishes new lengths for one or more Auction Periods pursuant to the Third Supplemental Resolution therefor as follows:

1. The change shall take effect on _____, _____, the date of commencement of the next Auction Period (the "Effective Date").

2. Interest Payment Dates shall be (or, if applicable, remain) each _____ and _____ after the date of this Notice. For the Auction Period commencing on the Effective Date, the Interest Period (and Auction Period) shall be the period commencing on the Effective Date through and including _____, _____ (date). For Auction Periods occurring after the Auction Period commencing on the Effective Date, the Interest Period (and Auction Period) shall be the period commencing on _____, _____ (date) through and including _____, _____ (date) and each _____ (number of days) day period thereafter commencing on a _____ (day of week) and ending on (and including) a _____ (day of week); provided, however, that the length of subsequent Auction Periods shall be subject to further change hereafter as provided in Section 1.20 of Schedule A to the Third Supplemental Resolution.

3. The changes described above shall take place only upon delivery of this Notice and the satisfaction of other conditions set forth in the Third Supplemental Resolution and our prior notice dated _____ regarding the proposed change.

4. Terms not defined in this Notice shall have the meanings set forth in the Resolution relating to the captioned Bonds.

Dated: _____

By _____

EXHIBIT E

FORM OF NOTICE OF CHANGE IN AUCTION DATE

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

\$55,000,000
STUDENT LOAN REVENUE BONDS
SERIES 1996H (TAXABLE)

NOTICE OF CHANGE IN AUCTION DATE

Notice is hereby given that _____, as Market Agent for the captioned Bonds, that the Auction Date is hereby changed as follows:

1. The definition of "Auction Date" shall be deemed amended by substituting " (*number*) Business Day" in the third line thereof and by substituting " (*number*) Business Days" for "two Business Days" in the first line of the definition of "Applicable Number of Business Days."
2. This change shall take effect on _____ which shall be the Auction Date for the Auction Period commencing on _____.
3. The Auction Date for the Bonds shall be subject to further change hereafter as provided in the Third Supplemental Resolution.
4. Terms not defined in this Notice shall have the meanings set forth in the Third Supplemental Resolution relating to the Bonds.

_____, as Market Agent

Dated: _____

By _____

EXHIBIT F

(FORM OF SERIES E, F AND G BOND)

**MISSOURI HIGHER EDUCATION LOAN AUTHORITY
STUDENT LOAN REVENUE BOND
SERIES 1996[E][F][G]**

No. _____

Interest	Date of	Dated	
<u>Rate</u>	<u>Maturity</u>	<u>Date</u>	<u>CUSIP</u>

_____, ____ February 1, 1996

Registered Owner: CEDE & CO.

Principal Amount _____ Dollars

Missouri Higher Education Loan Authority (the "Authority") a public instrumentality and body corporate and politic of the State of Missouri, for value received, hereby promises to pay, but only from the sources and as hereinafter provided, to the Registered Owner specified above, or registered assigns, the Principal Amount shown above in lawful money of the United States of America on the Date of Maturity shown above, unless prepaid prior thereto with interest thereon from the interest payment date next preceding the date of authentication hereof, unless such date of authentication is prior to the first interest payment date, in which case this Bond shall bear interest from the Dated Date specified above or unless such date of authentication is an interest payment date, in which case this Bond shall bear interest from such interest payment date; provided, however, that if as shown by the records of the Trustee (defined herein) interest on the Series [E][F][G] Bonds (defined herein) shall be in default, Series [E][F][G] Bonds issued in lieu of such Series [E][F][G] Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series [E][F][G] Bonds surrendered at the Interest Rate per annum specified above, payable on February 15 and August 15 (each an "Interest Payment Date") of each year commencing August 15, 1996, until payment of the principal hereof has been made or duly provided for. Principal of this Bond is payable upon the presentation and surrender hereof at the principal corporate trust office of Mercantile Bank of St. Louis N.A., St. Louis, Missouri, as trustee (the "Trustee"). Interest on this Bond is payable to the Registered Owner of record as of the close of business on the last day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by the Trustee in its capacity as bond registrar, or its successor in such capacity, by check or draft mailed to the registered owner at the registered address. Interest on this Bond shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Any capitalized words and terms used as defined words and terms in this bond and not otherwise defined herein shall have the meanings given them in the Resolution (hereinafter defined).

This Bond is one of a duly authorized series of revenue bonds of the Authority designated Student Loan Revenue Bonds, Series 1996[E][F][G] (the "Series [E][F][G] Bonds"), limited in aggregate principal amount to **[\$16,415,000] [\$3,600,000] [\$16,000,000]** issued for the purpose of refunding certain outstanding obligations of the Authority pursuant to the Twelfth General Student Loan Program Resolution adopted May 1, 1995 (the "General Resolution"), as amended by a First Supplemental Resolution adopted May 1, 1995 (the "First Supplemental Resolution"), a Second Supplemental Resolution adopted June 5, 1995 (the "Second Supplemental Resolution") and a Third Supplemental Resolution adopted February 7, 1996 (the "Third Supplemental Resolution") (the General Resolution, the First, Second and Third Supplemental Resolutions are collectively called the "Resolution"). Concurrently with the issuance of the Series [E][F][G] Bonds, the Authority is issuing, also under the Third Supplemental Resolution, **[\$16,415,000 Student Loan Revenue Bonds, Series 1996E (the "Series E Bonds")], [\$3,600,000 Student Loan Revenue Bonds, Series 1996F (the "Series F Bonds")], [\$16,000,000 Student Loan Revenue Bonds, Series 1996G (the "Series G Bonds")]** and \$55,000,000 Student Loan Revenue Bonds, Series 1996H (Taxable) (the "Series H Bonds"). The Authority has previously issued under the First Supplemental Resolution \$20,000,000 of its Student Loan Revenue Bonds, Series 1995A (the "Series A Bonds") and \$55,000,000 of its Student Loan Revenue Bonds, Series 1995B (the "Series B Bonds"), and has previously issued under the Second Supplemental Resolution \$45,000,000 of its Student Loan Revenue Bonds, Series 1995C (Taxable) (the "Series C Bonds") and \$40,000,000 of its Student Loan Revenue Bonds, Series 1995D (Taxable) (the "Series D Bonds").

This Bond is a limited obligation of the Authority, payable solely from the principal and interest on Loans financed pursuant to the Resolution, any guaranty payments thereon received by the Authority, payments received by the Authority from the United States Government on account of any such Loans, and certain other revenues and earnings to be held pursuant to the Resolution, all in an amount and in the manner provided in the Resolution. Additional Bonds and other obligations may be issued or entered into under the Resolution the right to payment of which is equal with the Series A, B, C, D, E, F, G and H Bonds. Any additional Bonds together with the Series A, B, C, D, E, F, G and H Bonds are referred to herein as "Bonds". Reference is made to the Resolution for a complete statement of the terms and conditions upon which the Series [E][F][G] Bonds have been issued and provisions made for their security and for the rights, duties and obligations of the Authority, the Trustee and the owners of the Series [E][F][G] Bonds.

Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Series [E][F][G] Bond has been issued by AMBAC Indemnity Corporation ("Bond Insurer"). The Policy has been delivered to the United States Trust Company of New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Bond Insurer or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this

Series [E][F][G] Bond acknowledges and consents to the subrogation rights of Bond Insurer as more fully set forth in the Policy.

The Resolution pledges for the payment of the Bonds the student loans identified in the Resolution (the "Loans") and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds and accounts of the Authority set forth in the Resolution, including a Debt Service Reserve Fund (collectively, the "Trust Estate").

Reference is hereby made to the Resolution for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Series [E][F][G] Bonds, the manner of enforcement of such security, the custody and application of the proceeds of such Bonds, the terms and conditions upon which such Bonds are issued, the rights, duties and obligations of the Authority and the Trustee, and the rights and priorities of the holders of such Bonds. Copies of the Resolution are on file in the office of the Authority and at the principal corporate trust office of the Trustee. To the extent and in the manner permitted by its terms, the Resolution may be amended by the Authority in certain instances without consent of the Bondholders, and in certain circumstances with the consent of the holders of at least 51% in principal amount of the Bonds Outstanding thereunder.

Reference is made to the Resolution for a description of the rights of the owners of the Series [E][F][G] Bonds; the rights and obligations of the Authority; the rights, duties and obligations of the Trustee, and the Trustee in its capacity as Paying Agent and Registrar, or its successor in such capacity and the provisions relating to amendments and modifications thereof. The acceptance of the terms and conditions of such documents (including amplifications and qualifications of the provisions hereof), copies of which are on file at the corporate trust office of the Trustee, is an explicit and material part of the consideration of the Authority's issuance hereof and each owner hereof by acceptance of this Bond accepts and assents to all such terms and conditions as if fully set forth herein.

The Series [E][F][G] Bonds are not subject to redemption except as provided below.

OPTIONAL REDEMPTION

The Series G Bonds maturing after February 15, 2006 are subject to redemption prior to maturity at the option of the Authority on or after February 15, 2006, from any source of funds in whole at any time or in part on any Interest Payment Date at the following redemption prices (expressed as a percentage of the principal amount of such Bonds or portions thereof redeemed), together with accrued interest thereon to the date of redemption.

<u>Redemption Dates</u>	<u>Redemption Prices</u>	
February 15, 2006 through February 14, 2007	102%	
February 15, 2007 through February 14, 2008	101%	
February 15, 2008 and thereafter	100%	1

EXTRAORDINARY REDEMPTION FROM EXCESS REVENUES AND RECOVERIES OF PRINCIPAL

At the option of the Authority, the Series [E][F][G] Bonds are subject to redemption prior to maturity, in whole or in part, at any time, in any order of maturities designated by the Authority and by lot within a maturity, upon notice as hereinafter provided without premium, at a redemption price equal to 100% of the principal amount of such Bonds or portions thereof redeemed, together with accrued interest thereon to the date of redemption, from excess Revenues or Recoveries of Principal (each as defined in the Resolution and other than from the voluntary sale of Loans) which the Authority determines will not be applied to finance Loans. Loans may be sold and the proceeds applied for allowable purposes if, in the opinion of the Authority, such sale and application is likely to prevent the occurrence of an Event of Default. In such circumstances, the sale of Loans is not deemed to be voluntary.

EXTRAORDINARY REDEMPTION FROM UNEXPENDED PROCEEDS

The Series [E][F][G] Bonds are subject to redemption prior to maturity at the option of the Authority in whole or in part, at any time, in any order of maturities designated by the Authority and by lot within a maturity, at the principal amount thereof plus accrued interest to the redemption date, without premium, to the extent that amounts received by the Trustee on the refunding of certain outstanding obligations of the Authority are not expected to be applied to finance the acquisition of Eligible Loans within the Acquisition Period, as defined in the Third Supplemental Resolution.

EXTRAORDINARY REDEMPTION UPON CERTAIN EVENTS

The Series [E][F][G] Bonds shall be subject to redemption in whole or in part at any time, in any order of maturities designated by the Authority and by lot within a maturity, upon the direction of the Authority and notice to the Trustee at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption if (i) the Authority shall suffer unreasonable burdens or excessive liabilities in connection with the operation of its Loan Purchase Program to the extent financed with proceeds of Bonds, including without limitation, material increases in the cost of maintaining or obtaining any liquidity facility pursuant to the terms thereof or (ii) the redemption of Bonds shall be required or necessary under applicable law or regulations of the United States Secretary of Education to enable the Authority to continue to receive Special Allowance Payments on Loans at the levels in effect at the time the Series [E][F][G] Bonds were issued.

REDEMPTION NOTICE AND EFFECT OF REDEMPTION OR ACCELERATION

Notice of redemption is to be given by mail not less than thirty (30) days prior to the date fixed for redemption to the registered owner of each Series [E][F][G] Bond to be redeemed at the address of the registered owner, as shown on the registration books of the Authority maintained by the Trustee as Registrar. The notice of redemption of Bonds redeemed in part shall state that upon surrender of the Bond to be redeemed, a new Bond or Bonds in the same aggregate principal amount equal to the unredeemed portion of the Bond surrendered, shall be issued to the registered owner thereof with the same interest rate, Series and maturity. Failure

to give such notice to any Bondholder, or any defect therein, shall not affect the validity of any proceeding for the redemption of any Bond with respect to which no such failure or defect has occurred. On the date designated for redemption by notice as provided under the Resolution, this Bond if so called for redemption, shall become due and payable at the stated redemption price and to the extent moneys are available therefor, interest shall cease to accrue on this Bond and this Bond shall no longer be entitled to any benefit or security under the Resolution. Bonds within a maturity to be redeemed in part shall be selected by lot.

Upon any declaration of acceleration after an Event of Default under the Resolution, the Trustee shall give notice of such declaration to registered owners of Series [E][F][G] Bonds and if funds in an amount sufficient to pay the principal of and interest on such Bonds have been deposited with the Trustee, interest shall cease to accrue on such Bonds.

No recourse shall be had for the payment of principal or redemption price of, or interest on, this Bond, or for any claim based hereon or on the Resolution, against any member, officer or employee, past, present or future, of the Authority or of any successor body, as such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

The Series [E][F][G] Bonds are issuable as registered bonds in the denomination of \$5,000 or any integral multiple thereof. Subject to the limitations provided in the Resolution and upon payment of any tax or governmental charge, Series [E][F][G] Bonds may be exchanged for a like aggregate principal amount of Series [E][F][G] Bonds of other authorized denominations.

The owner of this Bond shall have no right to enforce the provisions of the Resolution or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Resolution, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Resolution. If an Event of Default under the Resolution occurs, the principal of all Bonds then Outstanding issued under the Resolution may be declared due and payable upon the conditions and in the manner and with the effect provided in the Resolution.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to be done, to exist, to happen and to be performed in order to make this Bond a valid and binding obligation of the Authority according to its terms have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

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

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Trustee.

IN WITNESS WHEREOF, the Missouri Higher Education Loan Authority has caused this Bond to be executed with the manual or facsimile signature of its Chairman or its Executive Director and a facsimile of its seal to be hereto imprinted, and to be signed and attested with the manual or facsimile signature of its Assistant Secretary.

MISSOURI HIGHER EDUCATION LOAN AUTHORITY

(FACSIMILE SEAL) By: _____

Attest

Assistant Secretary

TRUSTEE'S CERTIFICATE
TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series [E][F][G] Bonds of the series so designated and described in the provisions of the within-mentioned Resolution.

Date of Authentication: _____, _____ Trustee

By _____
Authorized Officer

ASSIGNMENT

For Value Received _____ hereby sell(s), assign(s) and transfer(s) unto

(Please print or type an address
including postal zip code of transferee)

(Social Security number
of transferee)

the within Bond, together with accrued interest thereon and all right, title and interest thereto, and hereby irrevocably authorize(s) and appoint(s) _____ attorney to transfer said Bond on the books of the within named Authority with full power of substitution in the premises.

Dated _____ L.S.

Guaranteed by:
