

OFFICIAL STATEMENT DATED AUGUST 1, 2008

NEW ISSUE**Book-Entry-Only**

Ratings:
(See "RATINGS" herein)

In the opinion of McManimon & Scotland, L.L.C., Bond Counsel, pursuant to the applicable provisions of the Internal Revenue Code of 1986, as amended ("Code"), and assuming continuing compliance with certain tax covenants described herein, interest on the 2008 Series A Bonds is not included in the gross income of the owners thereof for federal income tax purposes, but such interest on the 2008 Series A Bonds is an item of tax preference for purposes of calculating the alternative minimum tax imposed by the Code with respect to individuals and corporations. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2008 Series A Bonds. Further, in the opinion of Bond Counsel, interest on the 2008 Series A Bonds and any gain on the sale thereof are not includable as gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
(State of New Jersey)
\$350,000,000 Student Loan Revenue Bonds, 2008 Series A

Dated: Date of Delivery**Due: June 1, as shown on the inside front cover**

The Higher Education Student Assistance Authority Student Loan Revenue Bonds, 2008 Series A ("2008 Series A Bonds") when issued, will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the 2008 Series A Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2008 Series A Bonds purchased. So long as DTC is the registered owner of the 2008 Series A Bonds, payments of the principal of, redemption premium, if any, and interest on the 2008 Series A Bonds will be made directly to DTC. Disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants and Indirect Participants. See "THE 2008 SERIES A BONDS - Book-Entry-Only System" herein. Wells Fargo Bank, National Association, Jacksonville, Florida, shall act as trustee, paying agent and bond registrar ("Trustee") for the 2008 Series A Bonds.

The 2008 Series A Bonds will be dated the date of delivery thereof and will bear interest at the rates per annum set forth on the inside front cover, payable December 1, 2008 and semiannually thereafter on each June 1 and December 1 and will mature on June 1 in the years and in the principal amounts set forth on the inside front cover.

Payment of principal at stated maturity of and scheduled interest on the 2008 Series A Bonds when due will be guaranteed pursuant to the terms of a financial guaranty insurance policy ("Bond Insurance Policy") to be issued concurrently with the delivery of the 2008 Series A Bonds by Assured Guaranty Corp.



See "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY – The Bond Insurance Policy" herein.

The 2008 Series A Bonds are the initial Series of Senior Bonds being issued under the Indenture of Trust, dated as of August 1, 2008 ("Original Trust Indenture"), as amended and supplemented by a First Supplemental Indenture, dated as of August 1, 2008 ("First Supplemental Indenture" and together with the Original Trust Indenture, the "2008 Indenture"), between the Higher Education Student Assistance Authority ("Authority") and the Trustee, and pursuant to a resolution of the Authority adopted May 28, 2008. The 2008 Series A Bonds are issued for the purpose of: (i) making a deposit into the Student Loan Fund established pursuant to the 2008 Indenture to be applied as set forth therein including, without limitation, to make or purchase 2008 Student Loans (as hereinafter defined); and (ii) making a deposit into the Capitalized Interest Fund established pursuant to the 2008 Indenture. In addition, upon issuance of the 2008 Series A Bonds, the Authority will use other available Authority funds to make a deposit into the Student Loan Fund to be applied for the respective purposes for such Fund as set forth in the 2008 Indenture.

The 2008 Series A Bonds are secured by a pledge, subject to the terms of the 2008 Indenture, of the Student Loans (including notes evidencing the same), the moneys and securities in the various funds established under the 2008 Indenture (except the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund) and the Revenues and Recoveries of Principal. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS – General" herein.

The 2008 Series A Bonds are additionally secured by a Debt Service Reserve Fund (funded initially with the deposit of the Debt Service Reserve Fund Insurance Policy, as hereinafter defined) into which moneys may be paid by the State of New Jersey pursuant to a provision of the Act, subject to and dependent upon annual appropriations by the Legislature of the State of New Jersey for such purpose, as more fully described herein. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS – Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations" herein. Such provision does not constitute a legally enforceable obligation on the part of the State of New Jersey or create a debt or liability on behalf of the State of New Jersey enforceable against the State.

The 2008 Series A Bonds are subject to redemption prior to maturity as described herein. See "THE 2008 SERIES A BONDS – Redemption Provisions" herein.

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

THE 2008 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY HAS NO POWER TO LEVY OR TO COLLECT TAXES. THE 2008 SERIES A BONDS DO NOT CREATE ANY DEBT OR LIABILITY ON BEHALF OF THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF NEW JERSEY NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2008 SERIES A BONDS, EXCEPT FROM THE MONEYS AND FUNDS OF THE AUTHORITY PLEDGED UNDER THE 2008 INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2008 SERIES A BONDS.

The 2008 Series A Bonds will be offered subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, and are subject to the final approving opinion of McManimon & Scotland, L.L.C., Newark, New Jersey, Bond Counsel to the Authority, and to certain other conditions described herein. Certain legal matters in connection with the 2008 Series A Bonds are subject to the approval of Parker McCay P.A., Marlton, New Jersey, counsel to the Underwriters. It is expected that the 2008 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about August 7, 2008.

Morgan Stanley**Citi**

\$350,000,000
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
STUDENT LOAN REVENUE BONDS, 2008 SERIES A

MATURITY SCHEDULE

\$105,185,000 5.875% Term Bonds Due June 1, 2021 - Price 100% CUSIP No. 646080HG9*
\$244,815,000 6.125% Term Bonds Due June 1, 2030 - Price 100% CUSIP No. 646080HH7*

* Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the 2008 Series A Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2008 Series A Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2008 Series A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations with respect to the 2008 Series A Bonds, other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute any offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2008 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Information set forth herein has been furnished by the Higher Education Student Assistance Authority ("Authority") and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above or that the other information or opinions are correct as of any time subsequent to the date hereof. References in this Official Statement to the Act and the 2008 Indenture (as hereinafter defined) do not purport to be complete and potential purchasers are referred to the Act and the 2008 Indenture for full and complete details of the provisions thereof.

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

The information set forth under the heading "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY" herein and in APPENDIX C - "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (BOND INSURANCE POLICY)" and APPENDIX D - "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND)" to this Official Statement has been provided by Assured Guaranty Corp. ("Assured Guaranty" or "Credit Facility Provider"). The Authority has not confirmed the accuracy or completeness of the information relating to the Credit Facility Provider, the financial guaranty insurance policy to be issued by the Credit Facility Provider insuring the payment of principal at stated maturity of and scheduled interest on the 2008 Series A Bonds in accordance with the terms of such policy ("Bond Insurance Policy") when due (Sinking Fund Payments do not constitute scheduled payments of principal and interest for purposes of the Bond Insurance Policy) or the financial guaranty insurance policy for the reserve fund to be issued by the Credit Facility Provider satisfying the Debt Service Reserve Fund Requirement for the 2008 Series A Bonds ("Debt Service Reserve Fund Insurance Policy"). The Authority disclaims any responsibility for the accuracy or completeness of the information relating to the Credit Facility Provider, the Bond Insurance Policy or the Debt Service Reserve Fund Insurance Policy contained herein.

Assured Guaranty makes no representation regarding the 2008 Series A Bonds or the advisability of investing in the 2008 Series A Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY" and in APPENDIX C - "SPECIMEN FINANCIAL GUARANTY

INSURANCE POLICY (BOND INSURANCE POLICY)" and APPENDIX D – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND)" hereto.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE 2008 SERIES A BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN CONNECTION WITH THE OFFERING OF THE 2008 SERIES A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2008 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Upon issuance, the 2008 Series A Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the 2008 Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the 2008 Series A Bonds and the security therefor, including an analysis of the risks involved. The 2008 Series A Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification or exemption of the 2008 Series A Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the 2008 Series A Bonds have been registered, qualified or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the 2008 Series A Bonds or the adequacy, accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy or adequacy of this Official Statement or approved the 2008 Series A Bonds for sale.

There follows in this Official Statement certain information concerning the Authority, together with descriptions of the terms of the 2008 Series A Bonds, certain documents related to the security for the 2008 Series A Bonds and certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws, as in effect, and to each such document as such document has been or will be executed and delivered on or prior to the date of issuance of the 2008 Series A Bonds, and all references to the 2008 Series A Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto contained in the 2008 Indenture. This Official Statement is submitted in connection with the sale of the 2008 Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and no conclusion should be drawn from the order of material or information presented in this Official Statement. The offering of the Higher Education Student Assistance Authority's Student Loan Revenue Bonds, 2008 Series A ("2008 Series A Bonds") to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All capitalized terms used in this Summary Statement shall have the same meaning as defined in this Official Statement.

Reference in this Official Statement to making, originating, purchasing or acquiring (or similar words) 2008 Student Loans (as hereinafter defined) shall mean and include all such terms and words.

The Authority

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

As of May 31, 2008, the Authority had originated approximately 143,000 of New Jersey College Loans to Assist State Students loans ("NJCLASS Loans") in an aggregate principal amount of \$1,468,879,246 under its NJCLASS Loan Program to assist New Jersey students and their parents, spouses or other relatives providing financial support in meeting the costs of the students' education at an eligible institution located within or outside the State. To date, all NJCLASS Loans have been originated pursuant to the Authority's Prior Indentures (as hereinafter defined). See "THE AUTHORITY – Outstanding Indebtedness of the Authority" herein.

NJCLASS Loan Program

The NJCLASS Loan Program is a supplemental loan program initiated by the Authority in September 1991. The NJCLASS Loan Program offers an alternative source of financial support to students and their parents, spouses, legal guardians or other relatives in meeting the costs of the student's education at an eligible institution of higher education. The NJCLASS Loan Program is not part of the federal guaranteed student loan programs identified under the Federal Higher Education Act of 1965, as amended, as the Federal Family Education Loan Program ("FFEL Program") and NJCLASS Loans are not guaranteed or insured pursuant to the FFEL Program. See "INTRODUCTION" and "THE NJCLASS LOAN PROGRAM" herein. Approximately \$1.09 billion of outstanding NJCLASS Loans, comprised of all NJCLASS Loans originated from proceeds of the Authority's bonds issued under the Prior Indentures (as hereinafter defined), are currently pledged to secure such bonds, and these outstanding NJCLASS Loans **do not** secure the 2008 Series A Bonds issued under the 2008 Indenture.

2008 Indenture Student Loan Program

The 2008 Indenture only permits the financing of student loans to eligible undergraduate and graduate students satisfying the administrative rules of the Authority's NJCLASS Loan Program as in effect from time to time with a fixed rate of interest for a loan term not exceeding twenty (20) years and which satisfy the credit underwriting criteria set forth in the First Supplemental Indenture ("Fixed Rate NJCLASS Loans"). See "THE NJCLASS LOAN PROGRAM" herein for a further description of the NJCLASS Loan Program and, in particular, Fixed Rate NJCLASS Loan criteria. Fixed Rate NJCLASS Loans originated with proceeds of the 2008 Series A Bonds are referred to herein as "2008 Student Loans". The Authority expects to use proceeds of the 2008 Series A Bonds deposited into the Student Loan Fund established pursuant to the 2008 Indenture to originate 2008 Student Loans only. The 2008 Student Loans pledged under the 2008 Indenture, together with all other Eligible Loans (as defined in the 2008 Indenture) financed with proceeds of Additional Bonds issued under the 2008 Indenture on a parity with or subordinate to the 2008 Series A Bonds or certain other available moneys under the 2008 Indenture, are referred to herein, collectively, as the "Student Loans".

The 2008 Indenture permits changes to the NJCLASS Loan Program and the terms thereof subject in certain instances to the prior approval of the Credit Facility Provider (as hereinafter defined) and delivery of a Rating Agency Condition from each Rating Agency.

The 2008 Series A Bonds

The \$350,000,000 aggregate principal amount of the Authority's Student Loan Revenue Bonds, 2008 Series A ("2008 Series A Bonds") are the initial Series of Senior Bonds (as defined in the hereinafter defined 2008 Indenture) being issued under the Indenture of Trust, dated as of August 1, 2008 ("Original Trust Indenture"), as amended and supplemented by a First Supplemental Indenture, dated as of August 1, 2008 ("First Supplemental Indenture" and together with the Original Trust Indenture, the "2008 Indenture"), between the Authority and Wells Fargo Bank, National Association, Jacksonville, Florida, as trustee, paying agent and bond registrar ("Trustee"). The 2008 Series A Bonds will mature and bear interest at the rates set forth on the inside cover hereof.

Payment of principal at stated maturity of and scheduled interest on the 2008 Series A Bonds when due will be guaranteed pursuant to the terms of a financial guaranty insurance policy ("Bond Insurance Policy") issued by Assured Guaranty Corp. ("Assured Guaranty" or "Credit Facility Provider") simultaneously with the delivery of the 2008 Series A Bonds. See "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY" herein and APPENDIX C – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (BOND INSURANCE POLICY)" hereto.

The 2008 Series A Bonds are issued for the purposes of providing the Authority with funds which will be used to (i) make a deposit into the Student Loan Fund established pursuant to the 2008 Indenture to be applied as set forth therein, including, without limitation, to make or purchase 2008 Student Loans; and (ii) make a deposit into the Capitalized Interest Fund established pursuant to the 2008 Indenture. In addition, upon issuance of the 2008 Series A Bonds, the Authority will use other available Authority funds to make a deposit into the Student Loan Fund to be applied for the respective purposes for such Fund as set forth in the 2008 Indenture.

The Authority may hereafter issue Additional Bonds under the 2008 Indenture on a parity with or subordinate to the 2008 Series A Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS - Additional Bonds" herein and APPENDIX A - "FORM OF 2008 INDENTURE" hereto.

Sources of Payment and Security for the 2008 Series A Bonds

General. The 2008 Series A Bonds are limited obligations of the Authority, secured by and payable solely from: (i) Student Loans; (ii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on 2008 Student Loans); (iii) the Debt Service Reserve Fund; and (iv) the moneys and securities in the various other funds established under the 2008 Indenture (except the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund) (collectively, the "Trust Estate"). Upon issuance of the 2008 Series A Bonds, the Authority will use other available Authority funds in the amount of \$14,000,000 to make an additional deposit into the Student Loan Fund thereby providing an initial Parity Percentage of 104%. In addition, the Authority will use unencumbered funds to pay costs of issuance of the 2008 Series A Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

The initial amount to be deposited in the Debt Service Reserve Fund in connection with the issuance of the 2008 Series A Bonds is three percent (3%) of the original principal amount of the 2008 Series A Bonds and, thereafter, shall equal the greater of (i) three percent (3%) of the principal amount of Outstanding 2008 Series A Bonds or (ii) \$500,000 ("2008 Reserve Requirement"). In lieu (in whole or in part) of a cash deposit to the Debt Service Reserve Fund at the time of issuance of a Series of Bonds equal to the Debt Service Reserve Fund Requirement established pursuant to the 2008 Indenture, the Authority may provide a Funding Instrument to satisfy all or a portion of the Debt Service Reserve Fund Requirement for such Series of Bonds. The initial 2008 Reserve Requirement will be funded with the deposit of a Funding Instrument in the form of a reserve fund financial guaranty insurance policy ("Debt Service Reserve Fund Insurance Policy") issued by Assured Guaranty Corp. The Debt Service Reserve Fund Insurance Policy will be in the initial face amount of \$10,500,000. See APPENDIX D - "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND)" hereto.

Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations. The amount of the Debt Service Reserve Fund Insurance Policy to be deposited in the Debt Service Reserve Fund is less than the maximum amount of principal of and interest on the 2008 Series A Bonds in certain future Bond Years. The Act contains a specific budgetary procedure with respect to bonds issued by the Authority pursuant to which the Chairman of the Authority is required to annually certify to the Legislature of the State ("State Legislature") the amount of any deficiency in the debt service reserve fund maintained to meet payments of debt service on Authority bonds. The Act provides that the amount of the deficiency shall be appropriated by the State Legislature and paid to the Authority for deposit to the debt service reserve fund during the State's then current fiscal year. The State's obligation to make such payments is subject to and dependent upon annual appropriations by the State Legislature for such purpose. In addition, because the Debt Service Reserve Fund Requirement for the 2008 Series A Bonds is less than the maximum amount of principal of and interest on the 2008 Series A Bonds in certain future Bond Years, even in the event that the State Legislature makes all appropriations contemplated by the Act, the amount available in the Debt Service Reserve Fund may be insufficient to pay debt service on the 2008 Series A Bonds as the same becomes due and payable. Such provision of the Act does not constitute a legally enforceable obligation on the

part of the State or create a debt or liability on behalf of the State enforceable against the State. To date, the Authority has not had a revenue deficiency which required the State to appropriate funds pursuant to the Act. There is no statutory limitation on the amount of "moral obligation" bonds which may be issued by the Authority. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS - Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations" herein.

The Appropriation Act for the State's fiscal year ending June 30, 2009 ("Fiscal Year 2009 Appropriation Act"), L. 2008, c.35, approved on June 30, 2008, includes the following language provision relating to the Debt Service Reserve Fund:

In furtherance of the "Higher Education Student Assistance Authority Law," P.L.1999, c.46 (C.18A:71A-1 *et seq.*), in the event of a draw upon a debt service reserve surety bond or any other debt service reserve cash equivalent instrument or any insufficiency of such instruments to pay debt service on the bonds issued by the Higher Education Student Assistance Authority, there are appropriated to the Higher Education Student Assistance Authority such sums as are necessary to repay the issuer of such surety bond or such other cash equivalent instrument for such draw or to satisfy such insufficiency, subject to the approval of the Director of the Division of Budget and Accounting.

Pursuant to this language provision, the Fiscal Year 2009 Appropriation Act appropriates such sums as are necessary to replenish a draw on the Debt Service Reserve Fund Insurance Policy that may occur through June 30, 2009 without requiring additional action by the Governor or State Legislature. There can be no assurance that similar language provisions making an appropriation to the Authority to replenish a draw on the Debt Service Reserve Fund Insurance Policy will be included in future fiscal years' Appropriation Acts of the State. Whether or not such a language provision is included in future fiscal years' Appropriation Acts of the State, the State Legislature could appropriate funds to the Authority pursuant to the Act to restore any deficiency in the Debt Service Reserve Fund as described above. UNDER THE CONSTITUTION OF THE STATE, ALL MONEYS REQUIRED UNDER THE ACT TO BE PAID BY THE STATE TO THE AUTHORITY FOR MAINTENANCE OF THE DEBT SERVICE RESERVE FUND ARE SUBJECT TO APPROPRIATION BY THE STATE LEGISLATURE. ACCORDINGLY, SUCH PROVISION OF THE ACT DOES NOT CONSTITUTE A LEGALLY ENFORCEABLE OBLIGATION OF THE STATE NOR CREATE A DEBT ON BEHALF OF THE STATE ENFORCEABLE AGAINST THE STATE.

NJCLASS Loan Reserve Fund. Upon issuance of the 2008 Series A Bonds, the Authority will establish (but will not deposit any proceeds of the 2008 Series A Bonds into) the Loan Reserve Fund established pursuant to the 2008 Indenture to be used to pay principal of and interest on defaulted 2008 Student Loans or to be applied upon the direction of the Authority to any lawful purpose of the Authority with the written consent of the Credit Facility Provider and ten (10) days' prior notice to each Rating Agency. The Authority is required under the 2008 Indenture to deposit into such fund from time to time an amount equal to one percent (1%) of the original principal amount of each 2008 Student Loan (exclusive of deferred interest which may be added to principal) from amounts received by the Authority as application fees with respect to 2008 Student Loans. The Loan Reserve Fund is not pledged to Bondholders. However, the Authority may not create or suffer to be created any charge, security interest, encumbrance or lien on the Loan Reserve Fund.

Authority Debt Collection Powers. The Authority has broad debt collection powers pursuant to New Jersey statutes and regulations to significantly enhance its debt collection efforts from both borrowers and cosigners on defaulted 2008 Student Loans including, but not limited to, enforcement of the New Jersey Set-Off Individual Liability Law which allows the Authority to file a claim against State income tax refunds, property tax rebates and/or homestead rebates due defaulted borrowers or to offset State lottery prize winnings in excess of \$600; administrative wage garnishment for public sector employees as well as private sector employees (both New Jersey and non-New Jersey based) which can be initiated prior to default; filing suit against all parties to the loan; and requiring professional and other occupational licensing boards to define delinquent or default loan status as misconduct punishable by the denial, suspension or revocation of the borrower's professional or occupational license by the applicable licensing board. See "THE NJCLASS LOAN PROGRAM - Loan Servicing - *Defaults--Collections on Defaulted Loans – Authority Enforcement Procedures*" herein.

Redemption

The 2008 Series A Bonds are subject to optional redemption, sinking fund redemption, mandatory redemption resulting from non-origination, special optional redemption from excess revenues and special mandatory redemption from excess revenues prior to maturity. See "THE 2008 SERIES A BONDS - Redemption Provisions" herein.

NJCLASS Origination Period

The Authority has made certain estimates of the demand for Fixed Rate NJCLASS Loans in the 2008-2009 academic years in determining the principal amount of the 2008 Series A Bonds. The NJCLASS Origination Period under the 2008 Indenture for the 2008 Series A Bonds ends on July 1, 2009, but may be extended with the written consent of the Credit Facility Provider and delivery to each Rating Agency of at least ten (10) days' prior notice of such extension. Such estimates are based on the Authority's prior experience with the NJCLASS Loan Program and an analysis of the relationship between the NJCLASS Loan Program and various federal programs. No assurance can be given that the estimates will be realized. At the expiration of the NJCLASS Origination Period under the 2008 Indenture, moneys remaining in the 2008 NJCLASS Student Loan Account of the Student Loan Fund are required to be used to redeem 2008 Series A Bonds. See "THE 2008 SERIES A BONDS - Redemption Provisions – *Mandatory Redemption Resulting From Non-Origination*", "THE NJCLASS LOAN PROGRAM - Cash Flow and Other Assumptions" and "CERTAIN RISK FACTORS" herein and APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture – Section 1.2 - Definitions)" hereto.

Recycling

The 2008 Indenture permits Recoveries of Principal on Student Loans and excess Revenues to be applied to originate additional Student Loans ("Recycling"). The Recycling Period under the 2008 Indenture for the 2008 Series A Bonds ends on July 1, 2010 but may be extended with the written consent of the Credit Facility Provider and delivery to each Rating Agency of at least ten (10) days' prior notice of such extension. The termination of Recycling may result in Recoveries of Principal and excess Revenues being applied to the redemption of 2008 Series A Bonds prior to their stated maturity. See "THE 2008 SERIES A BONDS - Redemption Provisions" herein and APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture – Section 1.2 – Definitions)" hereto.

Release of Excess Trust Estate Assets

Upon issuance of the 2008 Series A Bonds, the initial Parity Percentage will be 104% which includes an additional deposit into the Student Loan Fund of other available Authority funds in the amount of \$14,000,000. The 2008 Indenture provides that the Trustee shall transfer to the Authority from time to time, at the direction of the Authority, free and clear of the lien of the 2008 Indenture, amounts held in the Revenue Fund established under the 2008 Indenture if on a Principal Payment Date, after all payments and transfers required by Section 5.5(A)(1)(i) through (xiii) of the 2008 Indenture have been made and after taking into account the Principal Installment due on such date, and no event of default under the Surety Bond Reimbursement Agreement has occurred, and when: (i) the Repayment Ratio is 80% or more but less than 90% and the average Delinquent Loans Percentage during the immediately preceding six month period is less than 12%, and if the Parity Percentage is at least 104%; or (ii) the Repayment Ratio is 90% or more and the average Delinquent Loans Percentage during the immediately preceding six month period is less than 12%, and if the Parity Percentage is at least 103%; or (iii) the Repayment Ratio is 80% or more and the average Delinquent Loans Percentage during the immediately preceding six month period is 12% or more, and if the Parity Percentage is at least 1.0 plus the Delinquent Loans Percentage (or such lower Parity Percentage as may be approved by the Credit Facility Provider, such approval not to be unreasonably withheld or delayed). See APPENDIX A - "FORM OF 2008 INDENTURE - (Indenture of Trust – Section 5.5 – Use and Disbursements of Revenue Fund Moneys)" and " - (First Supplemental Indenture – Section 3.5 - Parity Percentage)" hereto.

Certain Rights of the Credit Facility Provider and Rating Agency Condition

The 2008 Indenture provides that the Credit Facility Provider may approve any action, determination or election under the 2008 Indenture in lieu of obtaining the consent of Owners of the 2008 Series A Bonds, including in connection with certain amendments to the 2008 Indenture and direction of remedies upon the occurrence of any Event of Default. The Credit Facility Provider has various other approval and consent rights under the 2008 Indenture. In addition, the 2008 Indenture provides that the Rating Agencies have various notice rights and further requires as a condition of certain actions or determinations that a Rating Agency Condition be delivered pursuant to the 2008 Indenture including, but not limited to, in connection with the sale or transfer of 2008 Student Loans, changes in credit underwriting criteria; issuance of Additional Bonds and replacement of the Authority as Servicer. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS - Certain Rights of the Credit Facility Provider and Rating Agency Condition" herein.

Certain Risk Factors

Attention should be given to certain investment considerations described in the within Official Statement which could affect the ability of the Authority to pay debt service on the 2008 Series A Bonds and which could have an effect on the market price of the 2008 Series A Bonds to an extent that cannot be determined. See "CERTAIN RISK FACTORS" herein. Each prospective purchaser of 2008 Series A Bonds should read this entire Official Statement, including the cover page and Appendices hereto.

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OFFICIAL STATEMENT

Relating to

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY (State of New Jersey)

\$350,000,000 STUDENT LOAN REVENUE BONDS, 2008 SERIES A

INTRODUCTION

This Official Statement, including the cover page and inside cover page hereof, the Summary Statement and the Appendices hereto, sets forth information regarding the issuance by the Higher Education Student Assistance Authority ("Authority") of \$350,000,000 aggregate principal amount of its Student Loan Revenue Bonds, 2008 Series A ("2008 Series A Bonds"). Terms used in this Official Statement and not otherwise defined herein shall have the same meanings set forth in APPENDIX A hereto.

The 2008 Series A Bonds are being issued under the authority of and pursuant to the Higher Education Student Assistance Authority Law, *N.J.S.A. 18A:71A-1 et seq.*, as amended and supplemented and any successor legislation ("Act"), the Indenture of Trust, dated as of August 1, 2008 ("Original Trust Indenture"), as amended and supplemented by a First Supplemental Indenture, dated as of August 1, 2008 ("First Supplemental Indenture" and together with the Original Trust Indenture, the "2008 Indenture"), between the Authority and Wells Fargo Bank, National Association, Jacksonville, Florida, as trustee ("Trustee"), registrar ("Registrar") and paying agent ("Paying Agent"), and pursuant to a resolution of the Authority adopted on May 28, 2008 ("Resolution"). Pursuant to the provisions of the Act, the State of New Jersey ("State") has pledged to the holders of bonds issued by the Authority that it will not limit the contractual obligations of the Authority to bondholders. The 2008 Indenture contains this statutory pledge as part of the Authority's contract with holders of the 2008 Series A Bonds.

The Act authorizes the Authority, among other things, to loan money to students or to parents, spouses, legal guardians of, or other relatives providing financial support for, students to assist them to pay for the cost of the students' attendance at eligible institutions of higher education located within or without the State of New Jersey ("State"). The Authority has developed the New Jersey College Loans to Assist State Students Loan Program ("NJCLASS Loan Program") in response to this legislative authorization and has been originating student loans under the NJCLASS Loan Program ("NJCLASS Loans") since 1991. In 2005 and 2006, the Authority initiated its NJCLASS Loan Consolidation Program and its Graduate/Professional Fixed Rate NJCLASS Loan Program, respectively. For a discussion of the NJCLASS Loan Program, see "THE NJCLASS LOAN PROGRAM" herein.

To finance the NJCLASS Loan Program, the Authority is authorized to borrow money and issue obligations, payable from, among other sources, the revenues derived from such loans. Loans originated pursuant to the NJCLASS Loan Program are referred to in this Official Statement as "NJCLASS Loans". The 2008 Indenture only permits the financing of student loans to eligible undergraduate and graduate students satisfying the administrative rules of the Authority's NJCLASS Loan Program as in effect from time to time with a fixed rate of interest

for a loan term not exceeding twenty (20) years and which satisfy the credit underwriting criteria set forth in the First Supplemental Indenture (collectively, "Fixed Rate NJCLASS Loans"). The Authority expects to use proceeds of the 2008 Series A Bonds deposited into the Student Loan Fund established pursuant to the 2008 Indenture to originate Fixed Rate NJCLASS Loans only (collectively, "2008 Student Loans").

The 2008 Series A Bonds are subject to redemption prior to maturity as set forth under "THE 2008 SERIES A BONDS – Redemption Provisions" herein.

The 2008 Series A Bonds are secured by and payable solely from payments, proceeds, charges and other income received by the Authority from or on account of the Student Loans and from amounts on deposit in the funds established in the 2008 Indenture (other than amounts held in the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund), subject to the provisions of the 2008 Indenture permitting the application or exercise thereof for or to the purposes and on the terms and conditions set forth therein, including the payment of Program Expenses and Bond Fees as described in APPENDIX A - "FORM OF 2008 INDENTURE (Indenture of Trust – Section 1.2 – Definitions)". Such income includes, without limitation, payment of interest on such Student Loans (whether regularly scheduled, delinquent or advance) and income on investments and principal payments on such Student Loans (whether regularly scheduled, delinquent or advance). Under certain circumstances described herein, the Authority may issue Additional Bonds on a parity with or subordinate to the 2008 Series A Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS - Additional Bonds" herein and APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture – Section 4.2 – Additional Bonds and Supplemental Indentures)" hereto.

Additionally, regularly scheduled payments of principal of and interest on the 2008 Series A Bonds will be guaranteed pursuant to the terms of a financial guaranty insurance policy ("Bond Insurance Policy") issued by Assured Guaranty Corp. ("Assured Guaranty" or "Credit Facility Provider") simultaneously with the delivery of the 2008 Series A Bonds. See "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY – The Bond Insurance Policy" herein and APPENDIX C – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (BOND INSURANCE POLICY)" hereto.

THE 2008 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY HAS NO POWER TO LEVY OR TO COLLECT TAXES. THE 2008 SERIES A BONDS DO NOT CREATE ANY DEBT OR LIABILITY ON BEHALF OF THE STATE OF NEW JERSEY OR ANY POLITICAL SUBDIVISION THEREOF. NEITHER THE STATE OF NEW JERSEY NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE 2008 SERIES A BONDS, EXCEPT FROM THE MONEYS AND FUNDS OF THE AUTHORITY PLEDGED UNDER THE 2008 INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE 2008 SERIES A BONDS.

The descriptions of the 2008 Series A Bonds, the documents authorizing and securing the 2008 Series A Bonds, the Bond Insurance Policy, the Debt Service Reserve Fund Insurance Policy and the pertinent State legislation and Authority administrative rules contained herein do not purport to be comprehensive or definitive. All references herein to such documents or

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

Reference in this Official Statement to making, originating, purchasing or acquiring (or similar words) 2008 Student Loans shall mean and include all such terms and words.

PURPOSE OF THE 2008 SERIES A BONDS

The 2008 Series A Bonds are being issued to provide funds to the Authority which will be used to: (i) make a deposit into the Student Loan Fund established pursuant to the 2008 Indenture to be applied as set forth therein, including, without limitation, to make or purchase 2008 Student Loans; and (ii) make a deposit into the Capitalized Interest Fund established pursuant to the 2008 Indenture. In addition, upon issuance of the 2008 Series A Bonds, the Authority will use other available Authority funds to make a deposit into the Student Loan Fund to be applied for the respective purposes for such Fund as set forth in the 2008 Indenture. See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

The Authority may hereafter issue Additional Bonds under the 2008 Indenture on a parity with or subordinate to the 2008 Series A Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS - Additional Bonds" herein. The Authority expects to apply the proceeds from the 2008 Series A Bonds and the Authority equity contribution in the amount of \$14,000,000 deposited into the Student Loan Fund to originate 2008 Student Loans only. See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS

General

The 2008 Series A Bonds are limited obligations of the Authority, payable solely from the Trust Estate pledged pursuant to the 2008 Indenture as described herein. None of the Authority's assets or funds existing under its Prior Indentures (as hereinafter defined) (other than the Trust Estate) are pledged as security under the 2008 Indenture.

The 2008 Series A Bonds are limited obligations of the Authority which are secured by and payable, subject to the terms of the 2008 Indenture, solely from: (i) the proceeds derived from the sale of the 2008 Series A Bonds (until expended for the purposes for which the 2008 Series A Bonds were issued); (ii) Student Loans; (iii) all amounts on deposit in the Funds established by the 2008 Indenture (including all accounts therein), excluding the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund; and (iv) moneys received as Revenues, constituting the scheduled, delinquent and advance payments of interest on any Student Loan, earnings on investments in the pledged funds (other than earnings required to be deposited into the Rebate Fund or the Excess Yield Fund and earnings from investment of the Loan Reserve Fund), and moneys received as Recoveries of Principal, including scheduled, delinquent and advance payments of principal on any Student Loan, or received as proceeds from the prepayment or sale of any Student Loan. Upon issuance of the 2008 Series A Bonds, the

Authority will use other available Authority funds in the amount of \$14,000,000 to make an additional deposit into the Student Loan Fund thereby providing an initial Parity Percentage of 104%. In addition, the Authority will use unencumbered funds to pay costs of issuance of the 2008 Series A Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. The Authority intends to finance only Fixed Rate NJCLASS Loans through application of the proceeds of the 2008 Series A Bonds. For a discussion of certain of the terms applicable to the Fixed Rate NJCLASS Loans, see "THE NJCLASS LOAN PROGRAM - Loan Terms" herein. For a more detailed description of the funds established under the 2008 Indenture, certain accounts established therein under the 2008 Indenture, and the purposes to which such funds may be applied, see APPENDIX A - "FORM OF 2008 INDENTURE – (Indenture of Trust – Article V – Pledge of Indenture; Establishment of Funds and Accounts)" and " - (First Supplemental Indenture – Article III – Establishment of Additional Subaccounts, Application of Proceeds of the Sale of 2008 Series A Bonds; and Use and Disbursements of Accounts)" hereto.

Loan Reserve Fund

The 2008 Indenture establishes a Loan Reserve Fund, which is not pledged to Bondholders. Upon issuance of the 2008 Series A Bonds, the Authority will establish pursuant to the 2008 Indenture, but will not deposit any proceeds of the 2008 Series A Bonds into, the Loan Reserve Fund. The Authority is required under the 2008 Indenture to deposit into such Loan Reserve Fund from time to time a portion of the application fees received by the Authority in connection with 2008 Student Loans. The portion to be so deposited is equal to one percent (1%) of the original principal amount of each 2008 Student Loan (exclusive of deferred interest which may be added to principal) from amounts received by the Authority as application fees with respect to 2008 Student Loans. Amounts on deposit in such Loan Reserve Fund are required to be transferred to the Revenue Fund in the event that any NJCLASS Loan shall become a Defaulted Loan in an amount equal to the unpaid principal of and accrued interest on such Defaulted Loan, subject to the reserved right of the Authority to direct the Trustee to defer such transfer for up to sixty (60) days with respect to such Defaulted Loans having aggregate unpaid outstanding principal and accrued interest which may at no time exceed \$200,000. The 2008 Indenture provides for all Purchased Loan Net Recoveries to be credited to the Loan Reserve Fund. In addition, moneys in such Loan Reserve Fund may, in certain circumstances, be applied upon the Authority's direction to any lawful purpose of the Authority with the written consent of the Credit Facility Provider and ten (10) days' prior notice to each Rating Agency.

Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations

The 2008 Series A Bonds are additionally secured by the Debt Service Reserve Fund established under the 2008 Indenture. The initial amount to be deposited in the Debt Service Reserve Fund in connection with the issuance of the 2008 Series A Bonds is three percent (3%) of the original principal amount of the 2008 Series A Bonds and, thereafter, shall equal the greater of (i) three percent (3%) of the principal amount of Outstanding 2008 Series A Bonds or (ii) \$500,000 ("2008 Reserve Requirement"). The Debt Service Reserve Fund Requirement for any series of Additional Bonds issued under the 2008 Indenture will be determined in the Supplemental Indenture authorizing such series of Additional Bonds. The 2008 Indenture provides for the funding from available moneys in the Capitalized Interest Fund, Student Loan Fund and Revenue Fund of any deficiency in the Debt Service Reserve Fund prior to a draw on the Debt Service Reserve Fund Insurance Policy (as hereinafter defined). Amounts on deposit in the Debt Service Reserve Fund (other than amounts in excess of the above-described

requirement which are to be transferred to the Revenue Fund) are to be used to pay the principal of or interest on the 2008 Series A Bonds to the extent other available moneys held under the 2008 Indenture are insufficient. See APPENDIX A - "FORM OF 2008 INDENTURE – (Indenture of Trust – Section 5.6 – Use and Disbursements of Debt Service Reserve Fund Moneys)" hereto.

The 2008 Indenture permits the Authority to deposit into the Debt Service Reserve Fund, in lieu (in whole or in part) of a cash deposit at the time of issuance of a Series of Bonds to satisfy all or a portion of the Debt Service Reserve Fund Requirement for such Series of Bonds, a Funding Instrument (which is defined in the 2008 Indenture as any surety bond, insurance policy, letter of credit or other similar obligation, the provider of which shall be rated in one of the two highest rating categories by each Rating Agency, or shall have the qualifications set forth in the Supplemental Indenture authorizing such Series of Bonds). The initial 2008 Reserve Requirement will be funded with the deposit of a Funding Instrument in the form of a reserve fund financial guaranty insurance policy ("Debt Service Reserve Fund Insurance Policy") issued by Assured Guaranty Corp. The Debt Service Reserve Fund Insurance Policy will be in the initial face amount of \$10,500,000. See APPENDIX D - "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND)" hereto.

The Act requires the Authority to establish and maintain a special fund to be called the "New Jersey Higher Education Student Assistance Capital Reserve Fund" in which there shall be deposited (i) all moneys appropriated by the State for the purpose of such fund; (ii) all proceeds of bonds required to be deposited therein by the terms of any contract between the Authority and its bondholders or any resolution of the Authority with respect to such proceeds or bonds; and (iii) any other moneys or funds of the Authority which it determines to deposit therein. The Debt Service Reserve Fund is designated by the Authority pursuant to the 2008 Indenture as a part of said special fund required to be maintained under the Act with respect to the 2008 Series A Bonds.

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

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

In order to assure the maintenance of the maximum debt service reserve in the capital reserve fund, there shall be appropriated annually and paid to the [A]uthority for deposit in the fund, such sum, if any, as shall be certified by the chairperson of the Board of the [Authority] to the Governor as necessary to restore the fund to an amount equal to the maximum debt service reserve. The chairperson shall annually, on or before December 1, make and deliver to the

Governor a certificate stating the sums, if any, required to restore the fund to the amount equal to the [Debt Service Reserve Fund Requirement], and the sum or sums so certified shall be appropriated and paid to the [A]uthority during the then current State fiscal year.

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

The 2008 Indenture requires the Chairperson of the Board of the Authority, on or before December 1, to deliver to the Governor of the State a certificate stating the sum, if any, required to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement. However, because the Debt Service Reserve Fund Requirement is less than the maximum amount of principal of and interest on the 2008 Series A Bonds in certain future Bond Years, even in the event that the State Legislature makes all appropriations contemplated by the Act, such appropriations may be insufficient to pay debt service on the 2008 Series A Bonds as the same becomes due and payable.

The Appropriation Act for the State's fiscal year ending June 30, 2009 ("Fiscal Year 2009 Appropriation Act"), L. 2008, c.35, approved on June 30, 2008, includes the following language provision relating to the Debt Service Reserve Fund:

In furtherance of the "Higher Education Student Assistance Authority Law," P.L.1999, c.46 (C.18A:71A-1 *et seq.*), in the event of a draw upon a debt service reserve surety bond or any other debt service reserve cash equivalent instrument or any insufficiency of such instruments to pay debt service on the bonds issued by the Higher Education Student Assistance Authority, there are appropriated to the Higher Education Student Assistance Authority such sums as are necessary to repay the issuer of such surety bond or such other cash equivalent instrument for such draw or to satisfy such insufficiency, subject to the approval of the Director of the Division of Budget and Accounting.

Pursuant to this language provision, the Fiscal Year 2009 Appropriation Act appropriates such sums as are necessary to replenish a draw on the Debt Service Reserve Fund Insurance Policy that may occur through June 30, 2009 without requiring additional action by the Governor or State Legislature. There can be no assurance that similar language provisions making an appropriation to the Authority to replenish a draw on the Debt Service Reserve Fund Insurance Policy will be included in future fiscal years' Appropriation Acts of the State. Whether or not such an appropriation is included in future fiscal years' Appropriation Acts of the State, the State Legislature could appropriate funds to the Authority pursuant to the Act to restore any deficiency in the Debt Service Reserve Fund as described above. UNDER THE CONSTITUTION OF THE STATE, ALL MONEYS REQUIRED UNDER THE ACT TO BE PAID BY THE STATE TO THE AUTHORITY FOR MAINTENANCE OF THE DEBT SERVICE RESERVE FUND ARE SUBJECT TO APPROPRIATION BY THE STATE LEGISLATURE. ACCORDINGLY, SUCH PROVISION OF THE ACT DOES NOT CONSTITUTE A LEGALLY ENFORCEABLE OBLIGATION OF THE STATE NOR CREATES A DEBT ON BEHALF OF THE STATE ENFORCEABLE AGAINST THE STATE.

Additional Bonds

Upon certain conditions the Authority may issue Additional Bonds (including Refunding Bonds and Subordinate Bonds) on a parity with or subordinate to the 2008 Series A Bonds (collectively, the "Bonds"). If any 2008 Series A Bonds are Outstanding, the Authority has agreed in the 2008 Indenture not to issue any Additional Bonds unless, among other requirements specified in the 2008 Indenture, the Authority has received the prior written consent of the Credit Facility Provider and delivery to the Trustee and the Credit Facility Provider of a Rating Agency Condition from each Rating Agency. See APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture – Section 4.2 – Additional Bonds and Supplemental Indentures)" hereto. The 2008 Indenture provides that the Authority shall not create or permit the creation of any obligations or additional indebtedness secured by a lien on the revenues and assets pledged as security for the 2008 Series A Bonds under the 2008 Indenture except for Additional Bonds.

Other Debt

The Authority has heretofore issued various series of its revenue bonds pursuant to the 1991 Indenture (as hereinafter defined), the 1992 Indenture (as hereinafter defined) and the 1998 Indenture (as hereinafter defined) (collectively, the "Prior Indentures") to finance its NJCLASS Loan Program and student loans ("FFELP Loans") under certain federal guaranteed student loan programs identified under the Federal Higher Education Act of 1965, as amended, as the Federal Family Education Loan Program ("FFEL Program"). See "THE AUTHORITY - Outstanding Indebtedness of the Authority" herein. Such obligations are secured by moneys, investments and NJCLASS Loans held in funds which are not pledged under the 2008 Indenture. In addition to such obligations and to Senior Bonds or Subordinate Bonds issued under the 2008 Indenture (collectively, the "Bonds"), the Authority may from time to time issue or incur other debt, including debt issued for the NJCLASS Loan Program, secured by moneys and funds not pledged under the 2008 Indenture.

Release of Excess Trust Estate Assets

Upon issuance of the 2008 Series A Bonds, the initial Parity Percentage will be 104% which includes an additional deposit into the Student Loan Fund of other available Authority funds in the amount of \$14,000,000. The 2008 Indenture provides that the Trustee shall transfer to the Authority from time to time, at the direction of the Authority, free and clear of the lien of the 2008 Indenture, amounts held in the Revenue Fund established under the 2008 Indenture if on a Principal Payment Date, after all payments and transfers required by Section 5.5(A)(1)(i) through (xiii) of the 2008 Indenture have been made and after taking into account the Principal Installment due on such date, and no event of default under the Surety Bond Reimbursement Agreement has occurred, and when: (i) the Repayment Ratio is 80% or more but less than 90% and the average Delinquent Loans Percentage during the immediately preceding six month period is less than 12%, then if the Parity Percentage is at least 104%; or (ii) the Repayment Ratio is 90% or more and the average Delinquent Loans Percentage during the immediately preceding six month period is less than 12%, then if the Parity Percentage is at least 103%; or (iii) the Repayment Ratio is 80% or more and the average Delinquent Loans Percentage during the immediately preceding six month period is 12% or more, then if the Parity Percentage is at least 1.0 plus the Delinquent Loans Percentage (or such lower Parity Percentage as may be approved by the Credit Facility Provider, such approval not to be unreasonably withheld or

delayed). See APPENDIX A - "FORM OF 2008 INDENTURE – (Indenture of Trust – Section 5.5 – Use and Disbursements of Revenue Fund Moneys)" and " - (First Supplemental Indenture – Section 3.5 - Parity Percentage)" hereto.

Certain Rights of the Credit Facility Provider and Rating Agency Condition

The 2008 Indenture provides that the Credit Facility Provider may approve any action, determination or election under the 2008 Indenture in lieu of obtaining the consent of Owners of the 2008 Series A Bonds, including in connection with certain amendments to the 2008 Indenture and direction of remedies upon the occurrence of any Event of Default. In addition, the 2008 Indenture provides that the Authority and the Trustee may take, or refrain from taking, various actions based in whole or in part upon the consent, approval or direction of the Credit Facility Provider and delivery of a Rating Agency Condition from each Rating Agency, including determinations of the types of educational loans to be included as Student Loans, changes in Application Fees, changes in the loan rate for Student Loans, the issuance of Additional Bonds, release of assets from the 2008 Indenture, and required levels of reserves and periods for recycling Revenues and Recoveries of Principal into Student Loans. See APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture)" hereto.

BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY

The following information is not complete and reference is made to APPENDIX C – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (BOND INSURANCE POLICY)" for a specimen of the Bond Insurance Policy and to APPENDIX D – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND)" for a specimen of the Debt Service Reserve Fund Insurance Policy of Assured Guaranty.

The Bond Insurance Policy

Assured Guaranty Corp. ("Assured Guaranty") has made a commitment to issue a financial guaranty insurance policy relating to the 2008 Series A Bonds ("Bond Insurance Policy"), effective as of the date of issuance of such 2008 Series A Bonds. Under the terms of the Bond Insurance Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the 2008 Series A Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment ("Bond Insured Payments"). Sinking Fund Payments are not Bond Insured Payments and are not guaranteed under the Bond Insurance Policy. Bond Insured Payments shall not include any additional amounts owing by the Authority solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Bond Insurance Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the 2008 Series A Bonds, the stated maturity date thereof and does not refer to any earlier date on which payment is due by reason of Sinking Fund Payments, a call for redemption, acceleration or other advancement of

maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such 2008 Series A Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Authority to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the 2008 Series A Bonds. It is further understood that the term Nonpayment in respect of a 2008 Series A Bond also includes any amount previously distributed to the Holder (as such term is defined in the Bond Insurance Policy) of such 2008 Series A Bond in respect of any Bond Insured Payment by or on behalf of the Authority, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of a Bond Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Bond Insurance Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the 2008 Series A Bonds to receive payments in respect of the Bond Insured Payments to the extent of any payment by Assured Guaranty under the Bond Insurance Policy.

The Bond Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Debt Service Reserve Fund Insurance Policy

Assured Guaranty has made a commitment to issue a financial guaranty insurance policy for the Debt Service Reserve Fund with respect to the 2008 Series A Bonds ("Debt Service Reserve Fund Insurance Policy"), effective as of the date of issuance of such 2008 Series A Bonds. Under the terms of the Debt Service Reserve Fund Insurance Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of the principal at maturity and interest scheduled to be paid on the 2008 Series A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority ("Debt Service Insured Payments"). Sinking Fund Payments are not Debt Service Insured Payments and are not guaranteed under the Debt Service Reserve Fund Insurance Policy.

Assured Guaranty will pay each portion of a Debt Service Insured Payment that is due for payment and unpaid by reason of nonpayment by the Authority to the Trustee or Paying Agent, as beneficiary of the Debt Service Reserve Fund Insurance Policy on behalf of the holders of the 2008 Series A Bonds on the later to occur of (i) the date such principal at maturity or scheduled interest becomes due for payment or (ii) the Business Day next following the day on which Assured Guaranty receives a demand for payment therefor in accordance with the terms of the Debt Service Reserve Fund Insurance Policy.

No payment shall be made under the Debt Service Reserve Fund Insurance Policy in excess of an amount equal to (i) on the date of issuance of the 2008 Series A Bonds, \$10,500,000, and (ii) thereafter, the greater of (i) three percent (3%) of the principal amount of Outstanding 2008 Series A Bonds or (ii) \$500,000 ("Debt Service Reserve Fund Insurance Policy Limit"). Pursuant to the terms of the Debt Service Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by Assured Guaranty under the Debt Service Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to Assured Guaranty, the amount available under the Debt Service Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Debt Service Reserve Fund Insurance Policy Limit.

The Debt Service Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

The Debt Service Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

See APPENDIX D - "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND)" hereto.

The Credit Facility Provider

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy,

sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

On July 21, 2008, Moody's issued a press release stating that it had placed the "Aaa" insurance financial strength rating of Assured Guaranty under review for possible downgrade. Moody's noted in its press release that, while the outcome of the review was uncertain, a downgrade of Assured Guaranty's insurance financial strength rating below "Aa2" was currently seen as unlikely. A copy of the press release is available at www.moody's.com.

Assured Guaranty intends to cooperate with Moody's in connection with its review. Assured Guaranty cannot give any assurance as to the outcome of the review or the timing of when such review may be completed.

On July 17, 2008, Fitch issued a report to provide an update on its views with respect to the outlook for the monoline financial guaranty industry. In such report, Fitch stated that Assured Guaranty continues to maintain a "AAA" insurer financial strength rating from Fitch with a stable rating outlook.

On June 18, 2008, S&P issued a press release in which it affirmed its "AAA" financial strength and financial enhancement ratings on Assured Guaranty. In such press release, S&P stated that Assured Guaranty's outlook is stable.

Capitalization of Assured Guaranty Corp.

As of March 31, 2008, Assured Guaranty had total admitted assets of \$1,518,398,730 (unaudited), total liabilities of \$1,138,285,708 (unaudited), total surplus of \$380,113,022 (unaudited) and total statutory capital (surplus plus contingency reserves) of \$1,001,533,924 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (audited), total liabilities of \$961,967,238 (audited), total surplus of \$399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 29, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the 2008 Series A Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY – The Credit Facility Provider" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the 2008 Series A Bonds or the advisability of investing in the 2008 Series A Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY".

THE 2008 SERIES A BONDS

General Terms of the 2008 Series A Bonds

The 2008 Series A Bonds will initially be dated and will bear interest from the date of delivery. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2008. The 2008 Series A Bonds will bear interest at the interest rates per annum, and will mature on June 1 in each of the years and in the principal amounts shown on the inside front cover of this Official Statement.

The 2008 Series A Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof.

Redemption Provisions

The 2008 Indenture sets forth the provisions for the redemption of the 2008 Series A Bonds prior to maturity, as described below. The Trustee shall provide notice of the redemption of 2008 Series A Bonds in accordance with the provisions described below under " — *Notice and Effect of Redemption*" and as described in APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture – Section 2.8 – Redemption of 2008 Series A Bonds)" hereto.

Optional Redemption. The 2008 Series A Bonds maturing prior to June 1, 2019 are not subject to optional redemption prior to maturity. The 2008 Series A Bonds maturing on and after June 1, 2019 are subject to redemption prior to their respective maturities, at the option of the Authority, in whole or in part, on any date on or after June 1, 2018 at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the date of redemption. See APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture – Section 2.8(A)(a) – Optional Redemption" hereto for a discussion of the selection of maturities of 2008 Series A Bonds to be redeemed depending upon the sources of funds for such optional redemption. All redemptions shall be in integral multiples of the Authorized Denomination.

Sinking Fund Redemption. The 2008 Series A Bonds are subject to sinking fund redemption, in whole or in part, pursuant to the provisions of Section 5.5(A)(1)(x) of the 2008 Indenture, from Recoveries of Principal available therefor (if any) in the amounts and on June 1 in each of the years set forth below ("Sinking Fund Payment Schedule"), at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date. To the extent Recoveries of Principal are not on deposit in the Revenue Fund after making the necessary disbursements as provided in Section 5.5(A)(1)(i)-(ix) of the 2008 Indenture and available to make a particular Sinking Fund Payment, the unsatisfied portion of each Sinking Fund Payment shall be added to the next following Sinking Fund Payment.

2008 Series A Bonds Due June 1, 2021

Date (June 1)	Sinking Fund Payment
2014	\$ 5,415,000
2015	12,405,000
2016	12,935,000
2017	13,135,000
2018	13,790,000
2019	15,120,000
2020	16,455,000
2021*	15,930,000

* Final maturity.

2008 Series A Bonds Due June 1, 2030

Date (June 1)	Sinking Fund Payment
2022	\$23,515,000
2023	23,160,000
2024	28,565,000
2025	31,115,000
2026	33,800,000
2027	39,200,000
2028	31,820,000
2029	16,450,000
2030*	17,190,000

* Final maturity.

Payment of the principal amount of the 2008 Series A Bonds at final maturity is guaranteed under the terms of the Bond Insurance Policy; however, redemptions of 2008 Series A Bonds prior to final maturity from Sinking Fund Payments are not guaranteed under either the Bond Insurance Policy or the Debt Service Reserve Fund Insurance Policy.

Mandatory Redemption Resulting From Non-Origination. The 2008 Series A Bonds are subject to redemption prior to maturity, in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct), in whole or in part, on any date, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the 2008 Series A Bonds remaining in the 2008 NJCLASS Student Loan Account of the Student Loan Fund at the expiration of the Origination Period which have not been committed to originate or acquire 2008 Student Loans from such Account as provided in Section 5.4(A)(1)(vi) of the 2008 Indenture.

The Origination Period for 2008 Student Loans to be financed with proceeds of the 2008 Series A Bonds ends on the date that the Authority no longer reasonably expects to originate 2008 Student Loans from the 2008 NJCLASS Student Loan Account of the Student Loan Fund with proceeds of the 2008 Series A Bonds, but not later than July 1, 2009, unless extended with

the written consent of the Credit Facility Provider and delivery to each Rating Agency of at least ten (10) days' prior notice of such extension.

Special Optional Redemption From Excess Revenues. The 2008 Series A Bonds are subject to redemption prior to maturity, in whole or in part, in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct) on any date, pursuant to Section 5.5(A)(1)(x) of the 2008 Indenture (provided that such date shall be no earlier than twenty (20) days after each Payment Date), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the redemption date, from (i) Revenues and Recoveries of Principal (other than resulting from voluntary sales of 2008 Student Loans) which the Authority determines are not to be used to originate or acquire additional 2008 Student Loans, including upon the cessation of Recycling; or (ii) any moneys available therefor upon a determination by the Authority, with the consent of the Credit Facility Provider and at least ten (10) days' prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities, subject to the requirements of the First Supplemental Indenture regarding certain amounts to be retained in the 2008 NJCLASS Revenue Account of the Revenue Fund to provide for the payment of scheduled Debt Service. See APPENDIX A - "FORM OF 2008 INDENTURE – (First Supplemental Indenture – Section 2.8(A)(c) – Special Optional Redemption From Excess Revenues" hereto.

A special optional redemption of 2008 Series A Bonds from excess revenues could result from the Authority's inability to apply the proceeds of the 2008 Series A Bonds to originate 2008 Student Loans due to lack of demand or to other factors; from the Authority's receipt of Revenues and Recoveries of Principal in excess of amounts necessary to pay scheduled debt service on Bonds from time to time and other amounts payable by the Authority under the 2008 Indenture; or from the cessation of Recycling, which refers to the application or Recoveries of Principal and excess Revenues to originate additional 2008 Student Loans. The 2008 Indenture provides that Recycling may continue until July 1, 2010, but may be extended subject to satisfaction of certain conditions, including the written consent of the Credit Facility Provider and delivery to each Rating Agency of at least ten (10) days' prior notice of such extension, provided, further, that the Recycling Period shall end in any event on such earlier date on which an Event of Default shall occur.

Special Mandatory Redemption From Excess Revenues. The 2008 Series A Bonds are subject to redemption prior to maturity, in whole or in part, on any date, pursuant to the provisions of Section 5.5(A)(1)(x) of the 2008 Indenture, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the redemption date, from moneys to be applied to such redemption when the Outstanding principal amount of 2008 Series A Bonds is less than ten percent (10%) of the original principal amount of 2008 Series A Bonds, from (i) Revenues and Recoveries of Principal or (ii) any moneys available therefor upon a determination by the Authority with the consent of the Credit Facility Provider and at least ten (10) days' prior notice to each Rating Agency that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities.

Notice and Effect of Redemption. On the date designated by notice for redemption as provided under the 2008 Indenture, the 2008 Series A Bonds so called for redemption shall become due and payable at the stated Redemption Price and, to the extent moneys are available

therefor, interest shall cease to accrue on such 2008 Series A Bonds and such 2008 Series A Bonds shall no longer be entitled to any benefit or security under the 2008 Indenture. Notice is to be given by mail not less than ten (10) days prior to the date fixed for redemption. If, at the time of mailing of any notice of optional redemption, the redemption notice shall state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, then such notice shall be of no effect unless such moneys are so deposited.

Selection of 2008 Series A Bonds to be Redeemed. The 2008 Series A Bonds may be redeemed only in Authorized Denominations, except that the remaining 2008 Series A Bonds left Outstanding must be in Authorized Denominations or must be redeemed in whole.

Book-Entry Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2008 Series A Bonds, payment of principal, redemption premium, if any, and interest and other payments with respect to the 2008 Series A Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such 2008 Series A Bonds and other related transactions by and among The Depository Trust Company, New York, New York ("DTC"), the Direct Participants and Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Authority.

DTC will act as securities depository for the 2008 Series A Bonds. The 2008 Series A Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2008 Series A Bonds in the aggregate principal amount of such maturity and will be deposited with DTC.

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

Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 2008 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2008 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2008 Series A Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2008 Series A Bonds, except in the event that use of the book-entry only system for the 2008 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2008 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2008 Series A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2008 Series A Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2008 Series A Bonds may wish to ascertain that the nominee holding the 2008 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners; in the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008 Series A Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2008 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2008 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2008 Series A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2008 Series A Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2008 Series A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2008 Series A Bond certificates will be printed and delivered to DTC.

The Trustee and the Authority will recognize DTC or its nominee as the 2008 Series A Bondholder for all purposes, including notices and voting, and so long as a book-entry-only system is used, will send any notice of redemption or other notices to 2008 Series A Bondholders only to DTC. Any failure of DTC to advise any DTC Participants, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2008 Series A Bonds called for redemption or of any other action premised on such notice.

The Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC or any DTC Participant with respect to any beneficial ownership interest in the 2008 Series A Bonds, (b) the delivery to any Beneficial Owner of the 2008 Series A Bonds or other person, other than DTC, of any notice with respect to the 2008 Series A Bonds or (c) the payment to any Beneficial Owner of the 2008 Series A Bonds or other person, other than DTC, of any amount with respect to the principal of or interest on the 2008 Series A Bonds. Neither the Authority nor the Trustee shall have any responsibility with respect to obtaining consents from anyone other than the Registered Owners.

The Trustee and the Authority cannot and do not give any assurance that DTC will distribute payments of debt service to DTC Participants or that the DTC Participants or others will distribute payments of debt service on the 2008 Series A Bonds paid to DTC or its nominee, as the registered owner thereof, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

The information in this section concerning DTC and DTC's book-entry system is based upon information obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

CERTAIN RISK FACTORS

Attention should be given to the investment considerations described below which, among others, could affect the ability of the Authority to pay debt service on the 2008 Series A Bonds, and which could also affect the market price of the 2008 Series A Bonds to an extent that cannot be determined. However, in the event that the Authority is unable to pay debt service on the 2008 Series A Bonds, Bondholders would be entitled to the benefit of the Bond Insurance Policy (in accordance with the terms of the Bond Insurance Policy). See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS" and "BOND INSURANCE POLICY AND DEBT SERVICE RESERVE FUND INSURANCE POLICY – The Bond Insurance Policy" herein. This section of this Official Statement does not include all risk factors, but is an attempt to summarize certain of such matters. Each prospective purchaser of the 2008 Series A Bonds should read this Official Statement in its entirety, including the Appendices hereto.

Sufficiency and Timing of Receipt of Revenues. Upon issuance of the 2008 Series A Bonds, the Authority will use other available Authority funds in the amount of \$14,000,000 to make an additional deposit into the Student Loan Fund thereby providing an initial Parity Percentage of 104%. In addition, the Authority expects, and the cash flows indicate, that the Revenues and Recoveries of Principal to be received pursuant to the 2008 Indenture will be sufficient to pay principal of and interest on the 2008 Series A Bonds when due and also to pay the annual cost of all Trustee fees, servicing costs and other expenses related thereto and the 2008 Student Loans until the final maturity thereof. This expectation is based upon an analysis of cash flow assumptions, which the Authority believes are reasonable, regarding the timing of the financing of such 2008 Student Loans to be held pursuant to the 2008 Indenture, the future composition of and yield on the Student Loan portfolio, the rate of return on moneys to be invested in various funds and accounts under the 2008 Indenture, and the occurrence of future events and conditions. These assumptions are derived from the Authority's experience in the administration of the NJCLASS Loan Program. There can be no assurance, however, that the 2008 Student Loans will be financed as anticipated, that interest and principal payments from the 2008 Student Loans will be received as anticipated or that the reinvestment rates assumed on the amounts in various funds and accounts will be realized. Furthermore, future events over which the Authority has no control may adversely affect the Authority's actual receipt of Revenues and Recoveries of Principal pursuant to the 2008 Indenture.

Receipt of principal of and interest on 2008 Student Loans may be accelerated, causing an unanticipated redemption of 2008 Series A Bonds, due to various factors, including, without limitation: (i) default claims or claims due to the disability, death or bankruptcy of the borrowers greater than those assumed; (ii) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Authority's Student Loan portfolio expected to be held pursuant to the 2008 Indenture; (iii) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon the current analysis of the Authority's Student Loan portfolio expected to be held pursuant to the 2008 Indenture; and (iv) economic conditions that induce borrowers to refinance or repay their loans prior to maturity.

Delay in the receipt of principal of and interest on 2008 Student Loans may adversely affect payment of the principal of and interest on the 2008 Series A Bonds when due. Principal of and interest on 2008 Student Loans may be delayed due to numerous factors including, without limitation: (i) borrowers entering deferment periods due to a return to school or other eligible purposes; (ii) forbearance being granted to borrowers; (iii) loans in delinquency for periods longer than assumed; (iv) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Authority's Student Loan portfolio expected to be held pursuant to the 2008 Indenture; and (v) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the Student Loan portfolio expected to be held pursuant to the 2008 Indenture.

If actual receipt of the Revenues and Recoveries of Principal under the 2008 Indenture or actual expenditures vary materially from those projected, the Authority may be unable to pay the principal of and interest on the 2008 Series A Bonds and amounts owing on other obligations when due. In the event that Revenues and Recoveries of Principal to be received under the 2008 Indenture are insufficient to pay the principal of and interest on the 2008 Series A Bonds and amounts owing on any other obligations when due, the 2008 Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default, sell the 2008 Student Loans and all other assets comprising the Trust Estate and accelerate the 2008 Series A Bonds. It is possible, however, that the Trustee would not be able to sell the 2008 Student Loans and the other assets comprising the Trust Estate in a timely manner or for an amount sufficient to permit payment of the principal of and accrued interest on all Outstanding Bonds when due and all amounts due with respect to other obligations.

NJCLASS Loan Program. Under the NJCLASS Loan Program, the Authority finances NJCLASS Loans to eligible persons from the proceeds of obligations issued by the Authority, from repayments or prepayments of NJCLASS Loans and from other moneys available therefor under the NJCLASS Loan Program. NJCLASS Loans are made in accordance with creditworthiness criteria established by Authority policy. During the 2008-2009 academic year, the Authority expects to originate only Fixed Rate NJCLASS Loans with proceeds of the 2008 Series A Bonds. NJCLASS Loans are not guaranteed by the Authority or insured or reinsured by the United States Department of Education.

The Composition and Characteristics of the Loan Portfolio Will Continually Change, and Loans That Bear a Lower Rate of Return or Have a Greater Risk of Loss May Be Acquired. The Eligible Loans the Authority intends to make or acquire with the proceeds of the 2008 Series A Bonds on the closing date are described in this Official Statement. Certain amounts received with respect to the 2008 Student Loans may be used to acquire additional loans during the recycling period. The characteristics of the Student Loan portfolio included in the

Trust Estate will change from time to time as new Student Loans are acquired, changes in terms of the Authority's NJCLASS Loan Program, sales or exchanges of loans and scheduled amortization, prepayments, delinquencies and defaults on the Student Loans.

Prepayment of 2008 Student Loans. 2008 Student Loans may be prepaid by borrowers at any time. For this purpose the term "prepayments" include repayments in full or in part and liquidations due to default. The rate of prepayments on the loans may be influenced by a variety of economic, social and other factors affecting borrowers, including interest rates, the availability of alternative financing and the general job market for graduates of institutions of higher education.

To the extent that 2008 Student Loans are prepaid or liquidated, the proceeds of such prepayments or liquidations may be used to redeem 2008 Series A Bonds which would otherwise not have been redeemed or which would have been redeemed at a later date. See "THE 2008 SERIES A BONDS - Redemption Provisions" herein.

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

Currently, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA") preserves the changes made in the 1998 amendments to the Bankruptcy Code which had removed one of the two exceptions to non-dischargeability of student loans making it more difficult to discharge a student loan in bankruptcy. Bankruptcy reform legislative proposals to alter the non-dischargeability of student loans have been discussed and/or introduced in the Congress of the United States among which include proposals to allow private student loans to be dischargeable in bankruptcy. No assurance can be given as to whether these or any alternative bankruptcy reform legislative proposals will be enacted at the federal level.

Limited Assets Available to Pay Principal and Interest. The 2008 Series A Bonds are obligations solely of the Authority and will not be insured or guaranteed by the originating lender or the Trustee. Moreover, the Authority will have no obligation to make any of its assets available to pay principal of or interest on the 2008 Series A Bonds, other than the 2008 Student Loans acquired with proceeds of the 2008 Series A Bonds and the other assets making up the Trust Estate. Bondholders must rely for repayment upon revenues realized from the 2008 Student Loans and other assets in the Trust Estate. The 2008 Series A Bonds are the initial Series of Bonds being issued under the 2008 Indenture. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS" herein.

Principal Amount of 2008 Series A Bonds Outstanding May Exceed Principal Amount of Assets in the Trust Estate; Possible Loss After an Event of Default. The principal amount of 2008 Series A Bonds Outstanding at any time may exceed the principal amount of 2008 Student Loans and other assets in the Trust Estate held by the Trustee under the 2008 Indenture. If an Event of Default occurs and the assets in the Trust Estate are liquidated, the 2008 Student Loans might have to be sold at a premium in order for the 2008 Series A Bondholders to avoid a loss.

The Authority cannot predict the rate or timing of accelerated payments of principal or the occurrence of an Event of Default or when the aggregate principal amount of the 2008 Series A Bonds may be reduced to the aggregate principal amount of the 2008 Student Loans.

Payment of principal of and interest on the 2008 Series A Bonds is dependent upon collections on the 2008 Student Loans. If the yield on the financed 2008 Student Loans does not generally exceed the interest rate on the 2008 Series A Bonds and expenses relating to the servicing of the financed 2008 Student Loans and administration of the 2008 Indenture, the Authority may have insufficient funds to repay the 2008 Series A Bonds.

Redemption of the 2008 Series A Bonds May Create Reinvestment Risks. 2008 Student Loans may be prepaid by borrowers at any time without penalty and the Authority may use such prepayments to prepay the 2008 Series A Bonds. If the 2008 Series A Bonds are redeemed prior to their respective stated maturities, Bondholders may not be able to reinvest their funds at the same yield as the yield on the 2008 Series A Bonds and may suffer adverse effects if purchased at a premium or discount. The Authority cannot predict the prepayment rate of any 2008 Series A Bonds, and reinvestment risks or reductions in yield resulting from prepayment will be borne entirely by the affected Bondholders. The rate of prepayments may be influenced by economic and other factors, such as interest rates, the availability of other financing and the general job market.

Credit Facility Provider Can Permit Certain Actions to be Taken Without Bondholder Approval and Subject to a Rating Agency Condition. The 2008 Indenture provides that the Credit Facility Provider may approve any action, determination or election under the 2008 Indenture in lieu of obtaining the consent of owners of the 2008 Series A Bonds, including in connection with certain amendments to the 2008 Indenture and direction of remedies upon the occurrence of any Event of Default. In addition, the 2008 Indenture provides that the Authority and the Trustee may take, or refrain from taking, various actions based in whole or in part upon the consent, approval or direction of the Credit Facility Provider and delivery of a Rating Agency Condition from each Rating Agency, including determinations of the types of educational loans to be included as Student Loans, changes in application fees, changes in the loan rate for Student Loans, the issuance of Additional Bonds, release of assets from the 2008 Indenture and required levels of reserves and periods for recycling Revenues and Recoveries of Principal into Student Loans. To the extent such actions are taken after issuance of the 2008 Series A Bonds, investors in the 2008 Series A Bonds will be relying on the evaluation by the Credit Facility Provider of such actions. The consent of the 2008 Series A Bondholders is not required and such actions will be taken upon receipt of a Rating Agency Condition from each Rating Agency.

Uncertainty of Available Remedies. The remedies available to the Trustee, the Authority or Bondholders upon an Event of Default under the 2008 Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (Federal Bankruptcy Code), the remedies provided in the 2008 Indenture may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the 2008 Series A Bonds and the 2008 Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, moratorium, insolvency or other laws affecting the rights or remedies of creditors generally and by limitations on the availability of equitable remedies.

General Economic Conditions. Certain general economic conditions such as a downturn in the economy resulting in increasing unemployment either regionally or nationally may result in increased defaults by borrowers in repaying eligible loans. Failures by borrowers to pay timely the principal of and interest on the 2008 Student Loans or an increase in deferments or forbearances could affect the timing and amount of available funds for any monthly collection period and the ability to pay principal of and interest on the 2008 Series A Bonds. The effect of these factors, including the effect on the timing and amount of available funds for any monthly collection period and the ability to pay principal of and interest on the 2008 Series A Bonds, is impossible to predict.

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

Pursuant to the Relief Act, NJCLASS borrowers who enter military service shall not incur interest in excess of six percent (6%) per year during their military service. Any interest greater than six percent (6%) is forgiven by the Authority. There are currently eleven (11) NJCLASS borrowers in active military status who have applied for and received approval for interest rate reduction, with a total principal balance owed totaling \$343,356.

THE AUTHORITY

General

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

Organization of the Authority

The Authority is a public body corporate and politic in, but not of, the Department of State and an instrumentality of the State. The Authority board consists of 18 members. The Act provides that the State Treasurer or a designee, the Chairperson of the Commission on Higher Education or a designee from among the public members of the Commission, the Chairperson of the Board of Directors of the Educational Opportunity Fund ("Board") or a designee from among the public members of the Board, and the Executive Director of the Authority or designee shall serve in an *ex-officio* capacity on the Board of the Authority. The remaining members shall be five representatives of New Jersey post secondary institutions, two student members and seven public members who are New Jersey residents one of whom includes a lender. The seven public members of the Authority are appointed by the Governor of the State, with advice and consent of

the State Senate. The five institutional representatives are nominated either by their institution or sector association and appointed by the Governor of the State, with advice and consent of the State Senate. Public and institutional members of the Authority are appointed to four-year terms staggered so that the term of at least two members shall expire each year. Student members are the elected chairperson and vice-chairperson of the Student Advisory Committee, a committee representative of all collegiate sectors, created by the Authority. Student members shall serve a term of office not to exceed two years. No more than four of the public members shall be members of the same political party, and the members hold office until the appointment and qualification of their successors. All members serve without compensation but may be reimbursed for their necessary expenses incurred in their official duties. All members except the Executive Director of the Authority shall be voting members. Any vacancy in the membership of the Board shall be filled in the same manner as the original appointment or election was made, but for the unexpired term only. There are currently five (5) vacancies on the Board of the Authority.

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

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

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

The Act made some programmatic changes specific to the NJCLASS Program, although most of these are not self-implementing and are subject to the Authority's discretion and rulemaking. One such change broadened the eligibility of institutions participating in the NJCLASS Program beyond collegiate institutions and degree granting programs of New Jersey proprietary institutions to other proprietary institutions. Another provision, responsive to the needs of those pursuing lifelong learning, broadened the eligibility of borrowers to include part time (less than half time) students and dropped the requirement that a student be enrolled in a degree or certificate granting program. The latter provision would require regulatory amendment to be implemented. Regulatory changes have expanded the definition of eligible institutions for NJCLASS Loans to include non-degree granting proprietary institutions that already participate in federal Title IV programs and have federal student loan cohort default rates below 20%.

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

Member	Affiliation	Category	Member Appointment Status
Chairperson Maria I. Torres	Retired, Guidance Counselor Oakcrest High School Mays Landing, New Jersey	Public Member	Appointed
Vice Chairperson Rossy M. Matos	Program Officer Woodrow Wilson National Fellowship Foundation Princeton, New Jersey	Public Member	Appointed
Secretary-Treasurer E. Michael Angulo, Esq.	Executive Director Higher Education Student Assistance Authority Trenton, New Jersey	Not Applicable	<i>Ex-Officio</i> (Non-voting)
Warren E. Smith, Esq.	Attorney Plainfield, New Jersey	Public Member	Appointed
Tabatha Ialacci	Student Thomas Edison College Trenton, New Jersey	Student Advisory Committee	<i>Ex-Officio</i>
Jean McDonald Rash	Rutgers, the State University New Brunswick, New Jersey	Rutgers	Appointed
Kevin J. Collins	Retired, Managing Director First Boston Corporation	Commission on Higher Education	<i>Ex-Officio</i>
Dr. Joann LaPerla Morales	Middlesex County College Edison, New Jersey	County Colleges	Appointed
M. Wilma Harris	Vice President of Human Resources Prudential Insurance Co. Newark, New Jersey	Public Member	Appointed
Raymond Castor	Student Rutgers University Camden, New Jersey	Student Advisory Committee	<i>Ex-Officio</i>
Dr. Harvey Kesselman	Dean, School of Education The Richard Stockton College of New Jersey Pomona, New Jersey	State Colleges and Universities	Appointed
R. David Rousseau	State Treasurer Department of the Treasury Trenton, New Jersey	State Treasurer	<i>Ex-Officio</i>
Sister Paula Marie Buley, IHM	Executive Vice President for Administration Seton Hall University South Orange, New Jersey	Independent Colleges and Universities	Appointed

Administration of the Statutory Responsibilities of the Authority

The work of the Authority is accomplished through the Authority staff of over 200. Approximately 75% of Authority employees administer the FFEL Program operations (loan processing, claims, collections, fiscal affairs, research). There are currently the equivalent of 46 full-time Authority employees dedicated to the NJCLASS Loan Program. The following key staff members are expected to remain directly involved in the NJCLASS Loan Program financed with the proceeds of the 2008 Series A Bonds:

E. Michael Angulo, Esquire, Executive Director, Higher Education Student Assistance Authority, was appointed by Governor James E. McGreevey in July, 2004. The Executive Director oversees and directs all managerial, administrative, operational, financial, legal, and governmental affairs of the Authority. Previously, Mr. Angulo served as Assistant Counsel in the Office of Chief Counsel to the Governor where his responsibilities included monitoring legal, legislative, regulatory and policy issues impacting a number of State departments and agencies. His legal experience includes a judicial clerkship with the Superior Court of New Jersey, Camden County, and associations with prominent Camden County law firms. Mr. Angulo received a Bachelor of Science Degree in Financial Management from the Catholic University, Washington, D.C., and a Juris Doctor Degree from the Rutgers University School of Law.

Francine Andrea, Chief Operating Officer, Higher Education Student Assistance Authority, joined the Office of Student Assistance in October, 1995. Formerly the Dean of Financial Aid and Resource Management at Fairleigh Dickinson University, she has over 25 years of experience in the management and delivery of collegiate financial aid and enrollment management. The former president of the New Jersey Association of Student Financial Aid Administrators, she has participated in numerous advisory groups and task forces on the national level and holds a B.S. degree and a B.A. degree from Rutgers University. Her functional responsibilities include administration of state grants and scholarship programs, NJCLASS, Federal Family Education Loans, client services, research and financial aid services.

Eugene Hutchins, Chief Financial Officer, Higher Education Student Assistance Authority, serves as the head of the finance and budgeting, accounting and procurement and information technology and systems areas. He joined the Office of Student Assistance with its creation in July 1994, and continues in the Chief Financial Officer position for the Authority. For the eight previous years he was Director of Accounting and Purchasing for the Department of Higher Education and was responsible for the financial delivery of a wide array of direct institutional support programs, academic grant-in-aid programs, state and federal student financial aid programs and capital programs financed through both annual appropriation and general obligation bond issues and for the oversight of the Department's administrative budgets. Mr. Hutchins also spent five years as Assistant Director of the Department's Office of Budget and Fiscal Planning and three years on its internal audit staff. He holds a B.A. degree in Economics and an MBA degree in Accounting from Temple University, Philadelphia, Pennsylvania.

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

Administration from Temple University and a Bachelor of Business Administration degree in Accounting from the Wharton School of the University of Pennsylvania. He is a member of the American Institute of Certified Public Accountants.

Robin Bridges Johnson, Director of Legal and Governmental Affairs, Higher Education Student Assistance Authority, joined the Authority in May 2006. She is responsible for providing legal analysis, advice and opinions on all issues affecting the Authority, monitoring Federal and State legislation impacting the Authority and ensuring regulatory compliance, including FFELP and NJCLASS regulations. Previously, Ms. Johnson was Director of Intergovernmental Affairs for New Jersey Secretary of State Regena L. Thomas. Her legal experience includes managing complex environmental coverage litigation in the insurance industry, serving as a former Assistant City Solicitor for the City of Philadelphia Law Department and two judicial clerkships in the Pennsylvania Common Pleas Courts. She is also a former elected member and a former appointed member to the Lawrence Township Board of Education (Lawrenceville, New Jersey). Ms. Johnson is a graduate of the Temple University School of Law and Cheyney State University. She is admitted to practice before the Supreme Court of Pennsylvania and the United States District Court for the Eastern District of Pennsylvania.

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

Authority's Experience With the NJCLASS Loan Program

In September 1991 the Authority began originating loans under the NJCLASS Loan Program. As of May 31, 2008, the Authority had received approximately 187,000 applications for NJCLASS Loans and had originated approximately 143,000 NJCLASS Loans having an aggregate principal amount of \$1,468,879,246. Approximately 99,340 NJCLASS Loans having an aggregate principal amount of \$1,092,103,609 were outstanding as of this date. The Authority is functioning as the lender and servicer of all of the NJCLASS Loans.

The majority of NJCLASS Loans, approximately 59,000, were made directly to dependent college undergraduates. Another 26,000 NJCLASS Loans were made to parents of undergraduate college students, 49,000 NJCLASS Loans were made to independent undergraduates and 9,000 NJCLASS Loans were made to graduate students.

NJCLASS Loan Consolidation Program

The Authority initiated, effective June 1, 2005, the NJCLASS Loan Consolidation Program and used a portion of the proceeds of its 2005 Bonds, 2006 Bonds and 2007 Bonds issued under the 1998 Indenture (as hereinafter defined) to make loans to existing eligible NJCLASS borrowers to consolidate their existing NJCLASS Loans into a single, fixed rate NJCLASS consolidation loan. The Authority does not intend to allocate any 2008 Series A Bond proceeds for this purpose. See " - NJCLASS Loan Consolidation Program" herein for a further description of the program and conditions of eligibility for existing NJCLASS borrowers.

Graduate/Professional Fixed Rate NJCLASS Loan Program

In June 2006, the Authority initiated the Graduate/Professional Fixed Rate NJCLASS Loan Program offering fixed rate student loans to eligible graduate/professional school borrowers. The Authority used a portion of its 2006 Bonds and 2007 Bonds issued under the 1998 Indenture for this purpose. The Authority does not intend to allocate any 2008 Series A Bond proceeds for this purpose. See "THE NJCLASS LOAN PROGRAM" herein.

Outstanding Indebtedness of the Authority

The Authority has previously issued eight (8) series of its Student Loan Revenue Bonds in the aggregate principal amount of \$149,996,064 under the Trust Indenture, dated as of September 1, 1991, as amended and supplemented (collectively, the "1991 Indenture") and the Indenture of Trust, dated as of July 1, 1992, as amended and supplemented (collectively, the "1992 Indenture") and thirty-three (33) series of its Student Loan Revenue Bonds in the aggregate principal amount of \$1,705,000,000 under the Indenture of Trust, dated as of June 1, 1998, as amended and supplemented (collectively, the "1998 Indenture" and together with the 1991 Indenture and the 1992 Indenture, the "Prior Indentures"). As of May 31, 2008, \$1,576,875,000 of the Authority's student loan revenue bonds were outstanding under the 1992 Indenture and the 1998 Indenture.

The 2008 Series A Bonds are the initial Series of Bonds being issued under the 2008 Indenture. **The 2008 Series A Bonds are not secured by the assets and funds pledged under the Prior Indentures.**

The Authority has no other outstanding debt.

ESTIMATED SOURCES AND USES OF PROCEEDS¹

The Authority estimates the sources and uses of funds relevant to the 2008 Series A Bonds as follows:

Sources:

2008 Series A Bonds.....	\$350,000,000
Other Available Authority Funds.....	<u>14,000,000</u>
Total Sources:	<u>\$364,000,000</u>

Uses:

Deposit to 2008 NJCLASS Student Loan Account of Student Loan Fund ²	\$333,100,000
Deposit to 2008 Capitalized Interest Account of Capitalized Interest Fund.....	<u>30,900,000</u>
Total Uses:	<u>\$364,000,000</u>

¹ Costs of issuance, including Underwriters' discount, the full premium for the Debt Service Reserve Fund Insurance Policy and all other costs and expenses incurred in connection with the authorization, issuance and delivery of the 2008 Series A Bonds will be paid with unencumbered funds of the Authority. The Authority expects to fund the 2008 Reserve Requirement with the Debt Service Reserve Fund Insurance Policy in lieu of a cash deposit. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS – Debt Service Reserve Fund; Statutory Provisions Relating to Legislative Appropriations" herein.

² In addition to 2008 Series A Bond proceeds deposited into the 2008 NJCLASS Student Loan Account, the Authority will use the Other Available Authority Funds as an equity contribution.

THE 2008 INDENTURE STUDENT LOAN PROGRAM

The 2008 Indenture only permits the financing of 2008 Student Loans which are Fixed Rate NJCLASS Loans to eligible undergraduate and graduate students. The student, borrower and co-signer (if necessary) must meet the NJCLASS Loan Program eligibility criteria and the borrower and/or co-signer must demonstrate creditworthiness in accordance with established Authority credit underwriting criteria. See "THE NJCLASS LOAN PROGRAM – Origination Process for Fixed Rate NJCLASS Loans – *Credit Underwriting Criteria*" herein.

THE NJCLASS LOAN PROGRAM

General

The NJCLASS Loan Program is a program of the Authority established to offer an alternative source of loan funds to assist New Jersey students and their parents, spouses or other relatives providing financial support in meeting the costs of the students' education at an eligible institution located within or outside the State. The Authority administers the NJCLASS Loan Program in accordance with the rules and regulations ("Administrative Rules") promulgated by the Authority. The Act which established the NJCLASS program provides that unless restricted by the Authority by regulations, "eligible institution" means an institution of higher education licensed by the appropriate agency or department and accredited or pre-accredited by a nationally recognized accrediting association. Under the current Administrative Rules, the definition of "eligible institution" includes certain proprietary institutions that offer degree granting programs approved by the New Jersey Commission on Higher Education, as well as

non-degree granting proprietary institutions that already participate in the Federal Title IV programs. The Administrative Rules currently limit participation to institutions with a cohort default rate of 20% or less for Fixed Rate NJCLASS Loans and a three-year average cohort default rate of 10% or less for a Variable Rate NJCLASS Loan or a Fixed Rate Graduate/Professional NJCLASS Loan. The definition of "eligible institution" permits students attending New Jersey institutions with campuses outside of the United States to qualify for NJCLASS Loans.

The Administrative Rules also contain provisions covering the Fixed Rate NJCLASS and Variable Rate NJCLASS Loan Programs, consolidation and rehabilitation loan features and enforcement procedures for participating institutions.

Under the NJCLASS Loan Program, the Authority has historically made two types of student loans to eligible borrowers. The first type was the Fixed Rate NJCLASS Loan which is based on creditworthiness criteria. The Authority reviews all applications for Fixed Rate NJCLASS Loans to determine the applicant's ability to repay the loan. The Authority expects to originate only Fixed Rate NJCLASS Loans with proceeds of the 2008 Series A Bonds.

The second type was a non-creditworthiness based variable rate loan ("Variable Rate NJCLASS Loan") available only to students in graduate and professional degree programs at eligible institutions as described above. To obtain approval for Variable Rate NJCLASS Loans, students could have no negative credit history. Beginning with the 2006-2007 origination cycle, the Authority no longer originated Variable Rate NJCLASS Loans.

The Authority has also approved regulations permitting a third type of NJCLASS Loan, the NJCLASS Postgraduate Loan, to cover bar examination and medical/dental residency and relocation expenses of eligible borrowers. However, the Authority has not offered this type of loan to borrowers and does not plan to do so with proceeds of the 2008 Series A Bonds.

In addition to the loan types described above, in June 2005, the Authority initiated the NJCLASS Loan Consolidation Program, to provide borrowers with higher loan balances an opportunity to obtain a longer repayment term, a lower monthly payment plan and a fixed interest rate loan. NJCLASS Consolidation Loans are subject to the same creditworthiness criteria as Fixed Rate NJCLASS Loans. The Authority allocated a portion of the proceeds of the 2005 Bonds proceeds, 2006 Bonds and 2007 Bonds for this purpose. The Authority does not intend to allocate any 2008 Series A Bond proceeds for this purpose.

In June 2006, the Authority initiated the Graduate/Professional Fixed Rate NJCLASS Loan Program for fixed rate student loans to eligible students in graduate and professional degree programs at eligible institutions. The Authority allocated a portion of the proceeds of the 2006 Bonds and 2007 Bonds for this purpose. The Authority does not intend to allocate any 2008 Series A Bond proceeds for this purpose. The Fixed Rate Graduate/Professional NJCLASS Loan is a non-creditworthiness based loan. To obtain approval for the Fixed Rate Graduate/Professional NJCLASS Loan, students can have no negative credit history. The Fixed Rate Graduate/Professional NJCLASS Loan replaced the Variable Rate NJCLASS Loan, which had been available since 1997. Variable Rate NJCLASS Loans originated prior to the 2006-2007 origination cycle remain in effect as variable rate loans. As was the policy for the Variable Rate NJCLASS Loans, applications for the Fixed Rate Graduate/Professional NJCLASS Loans are reviewed to ensure an applicant is attending an eligible institution and has no negative credit history.

The Authority plans to originate only Fixed Rate NJCLASS Loans with the proceeds of the 2008 Series A Bonds. In future academic years, the Authority may issue Additional Bonds pursuant to a Supplemental Indenture for the purpose of originating Fixed Rate Graduate/Professional NJCLASS Loans, NJCLASS Consolidation Loans and/or NJCLASS Postgraduate Loans with the proceeds of such Additional Bonds, subject to the consent of the Credit Facility Provider and delivery to the Trustee and the Credit Facility Provider of a Rating Agency Condition from each Rating Agency.

Eligible Borrowers

To qualify as an eligible borrower under any NJCLASS Loan Program for NJCLASS Loans ("Eligible Borrowers"), an applicant must: (i) be a citizen, national or legal resident of the United States or be in the United States for other than temporary purposes and intend to become a permanent resident; (ii) not owe a grant refund, be in default on a student loan, have a student loan discharged in default, have a student loan written off as uncollectible, or be in violation of any of the other criteria for determining creditworthiness or have adverse credit, as applicable, as outlined in the Administrative Rules; (iii) provide an acceptable co-signer if it is determined by the Authority that one is required; and (iv) in the case of FFELP/FDSL loan amount or NJCLASS loan amount that previously was canceled due to the applicant's total and permanent disability, obtain a certification from a physician that the applicant's condition has improved and that the applicant is able to engage in substantial gainful activity and sign a statement acknowledging that the new NJCLASS loan received cannot be canceled on the basis of any present impairment.

In addition, the Act provides that the student applicant or the student, on whose behalf the parent or other borrower has applied for a Fixed Rate NJCLASS Loan or a Variable Rate NJCLASS Loan, shall, unless otherwise restricted by the Authority by regulation: (i) be a New Jersey resident enrolled on at least a part-time basis as an undergraduate or graduate student in an eligible institution in New Jersey; (ii) be a New Jersey resident enrolled on at least a part-time basis as an undergraduate or graduate student in an eligible institution outside of New Jersey; or (iii) reside outside the State and be enrolled on at least a part-time basis as an undergraduate or graduate student in an eligible institution in New Jersey. The Administrative Rules further restrict student eligibility for both Fixed Rate NJCLASS Loans and Variable Rate NJCLASS Loans. For a Fixed Rate NJCLASS Loan, a student shall: (i) be a citizen, national or legal resident of the United States or be in the United States for other than temporary purposes and intending to become a permanent resident as evidenced by Immigration and Naturalization Service Documentation; (ii) be a permanent resident of New Jersey prior to filing an application; however, residency is not required if enrolled in an eligible institution in New Jersey; (iii) have a high school diploma or a high school equivalency certificate; (iv) be enrolled or accepted for enrollment on at least a half-time basis in an eligible institution; (v) if currently enrolled in an eligible institution, be determined by the school to be making satisfactory academic progress in a degree or certificate program; and if applying for a NJCLASS Loan financed in whole or in part by qualified student loan bonds, as described in Section 144(b) of the Internal Revenue Code of 1986, as amended, have met the eligibility criteria described in that Section or have not violated any other criteria which would adversely affect the status of such bonds under Section 144(b) of the Internal Revenue Code of 1986, as amended. The Administrative Rules further restrict eligibility for Variable Rate NJCLASS Loans to student borrowers who are graduate or professional students with no adverse credit and who are attending institutions with the above-described lower cohort default rates.

The Eligible Borrower or co-signer for a Fixed Rate NJCLASS Loan must also meet the Authority's standards of creditworthiness ("Credit Underwriting Criteria"). See " - Origination Process for Fixed Rate NJCLASS Loans" below for a discussion of the Credit Underwriting Criteria. If a potential borrower is individually unable to pass the Credit Underwriting Criteria, he or she may still receive a NJCLASS Loan if the loan is co-signed by a credit worthy co-signer. In addition to passing the Credit Underwriting Criteria, each co-signer must satisfy the eligibility criteria for NJCLASS borrowers set forth in the Administrative Rules.

The Graduate/Professional Fixed Rate NJCLASS Loan Program uses the same standards as the Variable Rate NJCLASS Loan Program for determining eligible borrowers. The NJCLASS Loan Consolidation Program uses the same standards as the Fixed Rate NJCLASS Loan Program for determining eligible borrowers.

Origination Process for Fixed Rate NJCLASS Loans

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

Application Process. The student borrower and co-signer (if required) complete the NJCLASS "Xpress" web-based application. The application is also available in paper form as a download from the Authority website. The applicants must complete the application and submit it to the Authority. The application is used to determine the applicant's eligibility and creditworthiness under the Fixed Rate Program. The Authority will notify the Eligible School the student attends or plans to attend of the application and request certification of enrollment and completion of the school certification information. The Authority will process the application and the applicant and the Eligible School will be notified of Authority approval or disapproval.

Credit Underwriting Criteria. In order to determine eligibility for a Fixed Rate NJCLASS Loan, the Authority utilizes credit scoring as the means of determining creditworthiness in the loan approval process. Credit scoring is a comparable process and greatly reduces the amount of paper that the borrower is required to provide and speeds-up the approval process. Credit scoring has become the industry standard for approving consumer debt. If credit issues exist as a result of such credit scoring, the Authority may determine to deny the Fixed Rate NJCLASS Loan request unless the applicant is able to secure a creditworthy co-signer. Applicants who have credit scores that fall below a minimum threshold must apply with a creditworthy co-signer.

An applicant for a Fixed Rate NJCLASS Loan may be approved for the amount requested, or for the amount certified by the Eligible School, whichever is lower, or may be rejected as an Eligible Borrower, depending upon the ability of the applicant to satisfy the Credit Underwriting Criteria.

Certification by the Eligible School. The Eligible School will be required to certify: (i) whether the applicant is currently enrolled on at least a half-time basis or has been accepted for enrollment on at least a half-time basis; (ii) if applicable, whether the applicant is making satisfactory academic progress; (iii) whether the applicant is eligible for a Fixed Rate NJCLASS Loan based on cost of attendance and estimated financial aid; and (iv) whether the student has filed all financial aid information required by the school to determine the student's eligibility for

Federal Stafford (Guaranteed or Direct) Loans and has applied for Federal Stafford Loans if eligible before applying for a Fixed Rate NJCLASS Loan.

The amount of a Fixed Rate NJCLASS Loan cannot exceed the difference between the student's total cost of attendance at the Eligible School for the academic year for which the Fixed Rate NJCLASS Loan is sought and other forms of student assistance for which the borrower may be eligible, excluding Federal Plus Loans and Health Education Assistance Loans. In determining the cost of attendance, Eligible Schools will be requested to certify the student's eligibility for a Fixed Rate NJCLASS Loan for the period of attendance specified on the application.

Verification of Application and Determination of Loan Amount. Each application will be reviewed by the Authority and after applying the Credit Underwriting Criteria and otherwise determining that the applicant and co-signer, if applicable, have met all other criteria to be an Eligible Borrower and co-signer, the Authority will make a final determination as to the approved Fixed Rate NJCLASS Loan amount. Fixed Rate NJCLASS Loans may not be made in an amount less than \$500. The Authority will notify the applicant and the Eligible School as to whether the applicant has been approved for a Fixed Rate NJCLASS Loan and, if so, in what amount.

Loan Disbursement. The Authority disburses Fixed Rate NJCLASS Loan funds to borrowers in either one disbursement or multiple disbursements. Each Fixed Rate NJCLASS Loan to an applicant who is a parent, spouse, legal guardian or other relative will be disbursed electronically or by check depending upon institutional policy. Each Fixed Rate NJCLASS Loan to an applicant who is a student will be disbursed electronically to the Eligible School, or by master check to the Eligible School or by individual check payable to the Eligible School and the student. The Fixed Rate NJCLASS Loan may be canceled without penalty or interest after disbursement if the original NJCLASS check is returned to the Authority within 60 days of the date the loan proceeds were disbursed or, in the case of electronic funds transfer, the institution returns the entire loan proceeds to the Authority within 60 days.

2008 Student Loan Terms

General. The moneys deposited in the 2008 NJCLASS Student Loan Account of the Student Loan Fund from the proceeds of the 2008 Series A Bonds are expected to be used only to make Fixed Rate NJCLASS Loans.

Student Eligibility and Credit Underwriting Criteria. The Authority's eligibility requirements for 2008 Student Loans include that the borrower and co-signer (if necessary) must meet the NJCLASS Loan Program eligibility criteria described above under the heading " – Eligible Borrowers" and one of the borrower(s) and/or cosigner(s) must demonstrate creditworthiness with a FICO credit score of 670 or greater. In addition, the current minimum income restriction based on the 2008 Federal Poverty guideline for a family of four is \$21,200.

Loan Payment Options. The Eligible Borrowers for Fixed Rate NJCLASS Loans can request one of three payment options: (i) to pay principal and interest monthly beginning within 60 days of disbursement ("Option 1 Loans"); (ii) to pay only interest quarterly while the student is in school at least half-time and thereafter pay principal and interest monthly ("Option 2 Loans"); or (iii) to defer principal and interest payments while the student is in school at least

half-time and thereafter pay principal and interest monthly ("Option 3 Loans"). For Option 3 Loans, deferred interest payments are capitalized and added to the original loan principal balance annually on December 31 of each year. Option 3 Loans are subject to certain limits on availability (up to 50% of the 2008 Student Loans) and are offered at a higher loan interest rate (rate increased by 0.30% (30 basis points)) to cover increased costs.

Fixed Rate NJCLASS Loans must be repaid within twenty (20) years of the first loan disbursement, inclusive of any authorized period of forbearance or deferment. Interest rates for Fixed Rate NJCLASS Loans will be fixed based on market rates at the time of issuance and will increase by 0.75% (75 basis points) beginning with the borrower's fifth year of principal repayment. The Administrative Rules applicable to Fixed Rate NJCLASS Loans made after August 31, 1998 make the minimum acceptable monthly payment the amount required to fully repay a Fixed Rate NJCLASS Loan in the maximum repayment period; however, the minimum acceptable monthly payment would not be less than \$50 per borrower for all of that borrower's NJCLASS Loans. There is no penalty for prepayment of a Fixed Rate NJCLASS Loan. An administrative/application fee of up to two percent (2%) of each Fixed Rate NJCLASS Loan is deducted from the loan check prior to disbursement. The Authority is required by the 2008 Indenture to transfer, from the administrative/application fee it receives for each Fixed Rate NJCLASS Loan, one percent (1%) of each Fixed Rate NJCLASS Loan amount (excluding deferred interest which may be added to principal) to the Loan Reserve Fund established with respect to the 2008 Series A Bonds. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS – Loan Reserve Fund".

Deferments. The Authority will, upon receipt of required documentation, defer repayment of loans in certain circumstances. Only the following six deferments are currently available: (i) full-time or half-time study; (ii) unemployment, (iii) service in an eligible internship or residency; (iv) active duty in the Armed Forces; (v) Peace Corps; and (vi) temporary total disability. In addition, the Authority is authorized to determine the maximum allowable time periods for each type of deferment. In any event, periods of authorized deferment do not extend the 20-year maximum loan repayment term for Fixed Rate NJCLASS Loans. The borrower must submit a request for deferment and provide documentation supporting his/her request and his/her NJCLASS Loan account must be current. During periods of deferment, borrowers are permitted to make quarterly interest-only payments and defer payment of principal. The Authority reserves the right to permit borrowers to defer payment of principal and interest during periods of deferment. In all cases, interest that accrues is the responsibility of the borrower and, if not paid during the deferment period, any accrued interest is capitalized.

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

Forbearance. Forbearance may be granted at the sole discretion of the Authority in cases where, because of temporary hardship or recent graduation status, a borrower is willing but unable to pay in accordance with the repayment schedule. Forbearance would not be authorized when the borrower is unwilling to pay. The borrower must submit a request for forbearance and provide other documentation supporting his/her request and his/her NJCLASS Loan account must be current. Upon receipt of a written request for forbearance of the principal payment from

the Eligible Borrower or co-signer, forbearance will be granted for a period of time at the discretion of the Authority. In any event, periods of authorized forbearance do not extend the 20-year maximum loan repayment for Fixed Rate NJCLASS Loans. During periods of forbearance, borrowers are permitted to make quarterly interest-only payments and defer payment of principal. The Authority reserves the right to permit borrowers to defer payment of principal and interest during periods of forbearance. In all cases, interest that accrues is the responsibility of the borrower and, if not paid during the forbearance period, any accrued interest is capitalized.

Death, Disability and Bankruptcy. If an Eligible Borrower dies or becomes totally and permanently disabled, the Authority will pursue any co-borrower or co-signer for repayment of the loan. See "Loan Servicing - Defaults--Collections on Defaulted Loans – Authority Enforcement Procedures" herein. If a petition for relief under Chapter 7 of the Bankruptcy Code has been filed by the Eligible Borrower, the Authority will seek collection from the co-signer. However, the Eligible Borrower will remain liable on the Fixed Rate NJCLASS Loan to the extent the Fixed Rate NJCLASS Loan is not discharged in bankruptcy or paid by the co-signer. It should be noted that the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA") preserved the changes made in the 1998 amendments to the Bankruptcy Code which had removed one of the two exceptions to non-dischargeability of student loans making it more difficult to discharge a Fixed Rate NJCLASS Loan in bankruptcy. BAPCPA also makes clear that included within the meaning of educational loan (as used in the Bankruptcy Code) is a "qualified education loan, as defined in Section 221(d)(1) of the Internal Revenue Code of 1986, incurred by a debtor who is an individual".

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

Loan Servicing

After disbursement, the 2008 Student Loans will be serviced by the Authority, as servicer (in such capacity, "Servicer"). The Authority may in the future contract with a loan servicer to provide such services for any or all Student Loans financed with the proceeds of Additional Bonds issued pursuant to the 2008 Indenture. The Authority will be paid a fee to act as Servicer, which fee will be a Program Expense.

Loan Collection. Except with respect to an Option 3 Loan, the Servicer will bill Eligible Borrowers quarterly for interest only during the in-school period and monthly for principal and interest after a student's less than half-time enrollment, withdrawal or graduation. To assist borrowers with the transition to repayment status, the Authority initiates a number of measures to remind and counsel borrowers of their repayment obligation. Borrowers in Option 2 and Option 3 Loan repayment statuses are notified 60 days prior to their repayment transition. This notice

reminds borrowers of the distinctions between NJCLASS Loans and Federal Stafford loans; specifically, that there is no 6-month grace period for NJCLASS Loans and that repayment begins immediately after graduation. Borrowers are assigned to a Customer Care Specialist for further assistance. Borrowers also receive repayment notification 45 days prior to their first payment due date and monthly bill statements are generated 20 days prior to the payment due date. The Authority provides borrowers with a number of payment options, such as ACH payments, Western Union "Quik Collect" payments and credit card payments (via web or phone).

If payments are not received on time, the Servicer will institute collection procedures consisting of repeated written notices to the Eligible Borrower and co-signer(s) beginning after the first 21 days of delinquency and specified intervals thereafter through the 180th day of delinquency for a NJCLASS Loan payable in monthly installments and the 240th day of delinquency for a NJCLASS Loan payable in less frequent than monthly installments. Initial telephone calls to the Eligible Borrower and co-signer(s) commence after the first 10 days of delinquency and, thereafter, occur at various intervals through the 180th day of delinquency for a NJCLASS Loan payable in monthly installments and the 240th day of delinquency for a NJCLASS Loan payable in less frequent than monthly installments. In addition, the Servicer will make reports to a national credit bureau regarding borrower delinquency and eventual default. The Authority presently services nearly 53,000 borrowers under the NJCLASS Loan Program.

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

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

Loan Reserve Fund. The Authority has established separate accounts in the loan reserve fund securing the bonds of each series issued under the respective Prior Indentures used to make NJCLASS Loans thereunder and for any other lawful purpose of the Authority in connection with the NJCLASS Loan Program.

The Authority is required under the 2008 Indenture to deposit from time to time a portion of the application fee received with respect to each 2008 Student Loan to the Loan Reserve Fund established under the 2008 Indenture, to be used: (i) upon notice by the Authority to the Trustee that a 2008 Student Loan has become a Defaulted Loan, unless the Authority directs the Trustee to defer such transfer, to fund transfers to the Revenue Fund in the amounts of the principal of and interest on such Defaulted Loan; or (ii) to be applied, upon the direction of the Authority and with the written consent of the Credit Facility Provider and ten (10) days' prior notice to each

Rating Agency, to any lawful purpose of the Authority. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2008 SERIES A BONDS - Loan Reserve Fund" herein.

The 2008 Indenture provides that the Authority may, in its discretion, direct the Trustee in writing to defer the transfer of funds described in the immediately preceding paragraph with respect to specific Defaulted Loans originated from proceeds of the 2008 Series A Bonds for such period, not in excess of 60 days, as the Authority may direct; provided, that the aggregate amount of unpaid principal and accrued interest upon Defaulted Loans to which such deferral applies shall at no time exceed \$200,000. The 2008 Indenture further provides that: (i) no transfer shall be made from the Loan Reserve Fund with respect to any such Defaulted Loan if the Authority shall give the Trustee written notice prior to the expiration of the applicable deferral period that the default has been fully cured; and (ii) the amount to be transferred with respect to any such Defaulted Loan if not so cured shall be calculated as of the expiration of the applicable deferral period. The 2008 Indenture provides for all Purchased Loan Net Recoveries to be credited to the Loan Reserve Fund.

Collections on Defaulted Loans – Authority Enforcement Procedures. When a NJCLASS Loan becomes a Defaulted Loan, the Authority will process the Defaulted Loan for default collection. To improve collection efforts, the Authority has implemented measures such as filing suit, enforcing the New Jersey Set-Off Individual Liability Law, which allows the Authority to file a claim against State income tax refunds, property tax rebates and/or homestead rebates due defaulted borrowers and garnishing the wages of State employees and other groups of public employees. In 1997, legislation was enacted allowing the Authority to offset State lottery prize winnings in excess of \$600. Further amendments to the Act and wage garnishment administrative rules expanded administrative wage garnishment to include employees of private sector employers (both New Jersey and non-New Jersey based) which can be initiated prior to default, filing suit against both borrowers and cosigners, expanded information exchanges with other state agencies for collection purposes and required professional and other occupational licensing boards to define delinquent or default status as misconduct punishable by the denial, suspension or revocation of the borrower's professional or occupational license by the applicable licensing board.

Amendment of Loan Rate; Credit Criteria, Program Expense Budget

The 2008 Indenture provides that various characteristics of the Authority's NJCLASS Loan Program and the Student Loans to be made thereunder, including the permitted types of Student Loans, the deposits to various funds established under the 2008 Indenture, the interest rate to be borne by Student Loans originated with proceeds of the 2008 Series A Bonds, the Program Expense budget and the credit criteria set forth in the 2008 Indenture to be used in evaluating loan applications, may be changed by the Authority without consent of or notice to the Bondholders. However, changes or amendments to the Loan Rate or the Credit Criteria and Program Expense budget are subject to certain conditions as described below.

Loan Rate. Any amendment to the Loan Rate is subject to the delivery to: (i) the Credit Facility Provider, a Cash Flow Statement taking into account such amendment; and (ii) the Trustee, a Bond Counsel's Opinion to the effect that the revised interest rate is authorized or permitted under the Act and the 2008 Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2008 Series A Bonds.

Amendment of Credit Criteria. Any amendment to the credit criteria is subject to the consent of the Credit Facility Provider and delivery of a Rating Agency Condition from each Rating Agency.

Authority Covenants

The Authority has covenanted in the 2008 Indenture to, among other things, with all practical dispatch and in a sound and economical manner consistent in all respects with the provisions of the 2008 Indenture and sound banking practices and principles: (i) use and apply the proceeds of the 2008 Series A Bonds, to the extent not reasonably or otherwise required for other purposes of the NJCLASS Loan Program, to finance Student Loans pursuant to the 2008 Indenture or to pay other obligations of the Authority required to be paid under the 2008 Indenture; (ii) do all such acts and things as shall be necessary to receive and collect Revenues and Recoveries of Principal sufficient to pay the 2008 Series A Bonds; (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Authority to protect its rights with respect to and to enforce all terms, covenants and conditions of Student Loans; and (iv) pay, to the extent moneys available under the 2008 Indenture are not sufficient therefor, the Program Expenses.

Program Expenses

The Program Expenses (including servicing fees of the Authority as well as fees and expenses paid to others to administer the NJCLASS Loan Program) of the Authority incurred in carrying out and administering the NJCLASS Loan Program shall be provided for, if not from other sources of the Authority, from Revenues and Recoveries of Principal and may be paid out of the Student Loan Fund prior to the making of any Student Loans and may be paid prior to the payment of principal and interest on the 2008 Series A Bonds.

Cash Flow and Other Assumptions

Based on certain assumptions, the Authority expects that the Trust Estate will be sufficient to meet debt service payments on the 2008 Series A Bonds. No assurance can be given that the assumptions (including the assumptions as to demand for Fixed Rate NJCLASS Loans) will be realized.

The ability of the Revenues and Recoveries of Principal to meet the debt service payments on the 2008 Series A Bonds after giving effect to the proposed issuance of the 2008 Series A Bonds and projected application of the proceeds thereof to the origination and acquisition of Fixed Rate NJCLASS Loans is based upon an analysis of the portfolio of 2008 Student Loans anticipated to be made or acquired with the proceeds of the 2008 Series A Bonds. The analysis uses what are believed to be reasonable assumptions regarding the current and future composition of and yield on such Student Loan portfolio, the rate of return on moneys invested in various funds and accounts under the 2008 Indenture and the occurrence of future events and conditions. There is no assurance, however, that interest and principal payments from the 2008 Student Loans will be received as anticipated, that the present yield on the 2008 Student Loans is indicative of the future yield on the 2008 Student Loans, that the reinvestment rates assumed on the balances of various funds and accounts will be realized, or that payments will be received in the amounts and times anticipated or that any of the other assumptions will be realized. Potential investors are encouraged to make their own determination as to the

reasonableness of the assumptions. Moreover, future events over which the Authority has no control may materially and adversely affect the Authority's actual receipt of revenue, including adverse economic conditions and competition from other federal or state student loan programs and private lenders.

The Authority expects that the pool of Fixed Rate NJCLASS Loans originated with 2008 Series A Bond proceeds will be comprised of approximately 20% of loans on which the Eligible Borrowers elect to pay principal and interest monthly, approximately 30% of loans on which the Eligible Borrowers elect to pay only interest quarterly while the student is in school and thereafter pay principal and interest monthly, and approximately 50% of loans on which the Eligible Borrowers elect to defer principal and interest payments while the student is in school and thereafter pay principal and interest monthly. The 2008 Indenture does not limit the percentage of loans on which the Eligible Borrowers elect to pay principal and interest monthly or on which the Eligible Borrowers elect to pay only interest quarterly while the student is in school; provided, however, the Authority is limited to no more than 50% of the Loans for Borrowers that elect to defer both principal and interest while the student is in school.

The foregoing estimates are based on the Authority's prior experience with the NJCLASS Loan Program. Various factors beyond the Authority's control could adversely affect the Authority's ability to finance Fixed Rate NJCLASS Loans with proceeds of the 2008 Series A Bonds including, but not limited to, reduced demand for Fixed Rate NJCLASS Loans resulting from declining enrollment, changes to Federal student loan programs or decreases in prevailing interest rates that could make the loan rate for 2008 Student Loans less competitive. Application of the proceeds of the 2008 Series A Bonds to finance Fixed Rate NJCLASS Loans on which the Eligible Borrowers elect to pay principal and interest monthly and various other factors may result in a redemption of the 2008 Series A Bonds prior to their respective stated maturities. See "THE 2008 SERIES A BONDS - Redemption Provisions - *Mandatory Redemption Resulting From Non-Origination*" and " - *Special Optional Redemption From Excess Revenues*" herein.

LEGALITY FOR INVESTMENT AND DEPOSIT

The 2008 Series A Bonds are securities in which the State and all political subdivisions of the State, their officers, boards, commissions, departments or other agencies, banks, savings banks, savings and loan associations, investment companies, all insurance companies, insurance associations and all administrators, guardians, executors, trustees, other fiduciaries, and all other persons who are authorized to invest in bonds, notes or other obligations of the State, may properly and legally invest any funds, including capital belonging to them or within their control.

The 2008 Series A Bonds are securities which may properly and legally be deposited with and received by any State or municipal officers or agency of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

TAX MATTERS

Federal Income Tax

The applicable provisions of the Internal Revenue Code of 1986, as amended ("Code") establish certain requirements which must be met subsequent to the issuance and delivery of the 2008 Series A Bonds in order that interest on the 2008 Series A Bonds be and remain excludable from the gross income of the owners thereof for federal income tax purposes. These requirements include, but are not limited to, requirements related to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the 2008 Series A Bonds be rebated to the Federal government. In the 2008 Indenture and the Arbitrage and Tax Certificate to be executed by the Authority simultaneously with the issuance and delivery of the 2008 Series A Bonds ("Tax Certificate"), the Authority will covenant to comply with the requirements of the Code applicable to the 2008 Series A Bonds. The failure to comply with such provisions may result in interest on the 2008 Series A Bonds becoming subject to federal income tax retroactive to the date of issuance and delivery of the 2008 Series A Bonds. In rendering the opinions described in this section, Bond Counsel has assumed compliance with such provisions of the 2008 Indenture and the Tax Certificate.

In the opinion of Bond Counsel to be delivered simultaneously with the issuance and delivery of the 2008 Series A Bonds, pursuant to the applicable provisions of the Code, interest on the 2008 Series A Bonds is not included in the gross income of the owners thereof for federal income tax purposes. Interest on the 2008 Series A Bonds is an item of tax preference for purposes of calculating the alternative minimum tax imposed by the Code with respect to individuals and corporations.

Certain Federal Tax Consequences Relating to 2008 Series A Bonds

Although interest on the 2008 Series A Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the 2008 Series A Bonds may otherwise affect the federal income tax liability of the recipient. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the 2008 Series A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions and certain recipients of Social Security benefits, are advised to consult their own tax advisors as to the tax consequences of purchasing or holding the 2008 Series A Bonds.

Interest paid on tax-exempt obligations, including the 2008 Series A Bonds, is generally required to be reported by payers to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to backup withholding if the bondholder fails to provide certain information required to be reported by the IRS, such as taxpayer identification number, or if the IRS has specifically identified the bondholder as being subject to backup withholding because of prior underreporting. Neither the reporting requirement nor the backup withholding affect or alter the excludability of interest on the 2008 Series A Bonds from gross income for federal income tax purposes.

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

New Jersey Gross Income Tax

In the opinion of Bond Counsel, interest on and any gain realized on the sale of the 2008 Series A Bonds is not includable in gross income under the existing New Jersey Gross Income Tax Act.

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the Federal or State level, may adversely affect the exclusion from gross income of interest on the 2008 Series A Bonds for federal income tax purposes, or the exclusion of interest on and any gain realized on the sale of the 2008 Series A Bonds under the existing New Jersey Gross Income Tax Act, and any such legislation, administrative action or court decisions could adversely affect the market price or marketability of the 2008 Series A Bonds.

EACH PURCHASER OF THE 2008 SERIES A BONDS SHOULD CONSULT HIS OR HER OWN ADVISOR REGARDING ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL OR NEW JERSEY STATE TAX LEGISLATION, ADMINISTRATIVE ACTION TAKEN BY TAX AUTHORITIES OR COURT DECISIONS.

ALL POTENTIAL PURCHASERS OF THE 2008 SERIES A BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE.

RECENT DEVELOPMENTS

In May 2007, the Office of the Attorney General of the State of New Jersey ("OAG"), by and through the Division of Consumer Affairs, Office of Consumer Protection ("Division") launched an investigation into potential conflicts of interest between schools and student loan providers. The State Attorney General issued subpoenas to sixty-five (65) universities, colleges, and technical schools in New Jersey seeking information related to preferred student lender programs as well the Authority and seventeen (17) other student loan providers. Without any finding of wrongdoing, the Authority, OAG and the Division entered into an Assurance of Voluntary Compliance, dated as of February 6, 2008 ("Assurance of Voluntary Compliance") pursuant to which the Authority voluntarily agreed, among other things, to effectuate changes to its business practices beyond those which it had previously instituted, including the adoption of a Code of Conduct ("Code of Conduct") to eliminate potential conflicts of interest that may arise from certain relationships with lending institutions marketing college student loans and to preserve a borrower's right to choose a student loan lender of his or her choice. This was consistent with the OAG's resolution with other parties in the investigation. Additional information about the Assurance of Voluntary Compliance and a complete copy thereof may be accessed at the OAG's web site: <http://www.nj.gov/oag/newsreleases08/pr20080214a.html>.

ABSENCE OF CERTAIN LITIGATION

There is no controversy or litigation of any nature pending or, to the Authority's knowledge, threatened, to restrain or enjoin the adoption of the 2008 Indenture, issuance, sale, execution or delivery of the 2008 Series A Bonds, or in any way contesting or affecting the validity of the 2008 Series A Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2008 Series A Bonds or existence or powers of the Authority.

LEGALITY

The legality of the authorization, issuance and sale of the 2008 Series A Bonds is subject to the approving opinion of McManimon & Scotland, L.L.C., Newark, New Jersey, Bond Counsel to the Authority, in substantially the form attached as APPENDIX B hereto. Certain legal matters will be passed upon for the Underwriters by Parker McCay P.A., Marlton, New Jersey.

UNDERWRITING

The 2008 Series A Bonds are being purchased by Morgan Stanley & Co. Incorporated, as representative of the underwriters listed on the cover page hereof (collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase all of the 2008 Series A Bonds at an aggregate purchase price equal to 100% of the principal amount thereof. The Underwriters shall receive an underwriting fee for the 2008 Series A Bonds in the amount of \$2,385,600.00 or 0.6816% of the aggregate principal amount thereof. The initial public offering prices of the 2008 Series A Bonds set forth on the inside cover page may be changed without notice by the Underwriters. The Underwriters may offer and sell the 2008 Series A Bonds to certain dealers (including dealers depositing 2008 Series A Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the offering prices set forth on the inside cover page hereof.

RATINGS

At the time of issuance, the 2008 Series A Bonds are expected to be rated "AAA" and "Aaa" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("Standard & Poor's"), and Moody's Investors Service, Inc. ("Moody's"), respectively, with the understanding that upon delivery of the 2008 Series A Bonds, a financial guaranty insurance policy ("Bond Insurance Policy") insuring the payment when due of the principal at stated maturity of and scheduled interest on the 2008 Series A Bonds pursuant to the terms of the Bond Insurance Policy will be issued by Assured Guaranty. The insured ratings do not address the sufficiency of the Trust Estate to make the Sinking Fund Payments at the times and in the respective amounts set forth in the Sinking Fund Payment Schedules described under the heading "THE 2008 SERIES A BONDS – Redemption Provisions – *Sinking Fund Redemption*" herein.

In addition, prior to the issuance and delivery of the 2008 Series A Bonds, Standard & Poor's and Moody's are expected to assign their underlying bond ratings of "A" and "A2", respectively, to the 2008 Series A Bonds, without regard to the Bond Insurance Policy. The underlying bond ratings do not address the sufficiency of the Trust Estate to make the Sinking Fund Payments at the times and in the respective amounts set forth in the Sinking Fund Payment Schedules described under the heading "THE 2008 SERIES A BONDS – Redemption Provisions – *Sinking Fund Redemption*" herein.

Such ratings reflect only the views of each rating agency at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings can only be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of Standard & Poor's or Moody's, as the case may be, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2008 Series A Bonds. The ratings are not a recommendation to buy or sell the 2008 Series A Bonds, and are not a comment as to the suitability of the 2008 Series A Bonds for any investor.

NO FINANCIAL STATEMENTS

The 2008 Series A Bonds are the initial Series of Senior Bonds being issued under the 2008 Indenture and, therefore, no financial statements are available for the funds and assets comprising the Trust Estate securing Bonds issued thereunder. It is anticipated that the first audited financial statements for NJCLASS Program Loans funded with proceeds of the 2008 Series A Bonds will be available upon completion of the Authority fiscal year ended June 30, 2009. The Authority's auditor is Mercadien P.C., Princeton, New Jersey.

FINANCIAL ADVISOR

Acacia Financial Group, Inc. is serving as independent financial advisor to the Authority with respect to the 2008 Series A Bonds and has no underwriting or other responsibility to the Authority with respect to the issuance of the 2008 Series A Bonds. Its duties, responsibilities and fees arise solely as financial advisor to the Authority.

CONTINUING DISCLOSURE

Upon the issuance and delivery of the 2008 Series A Bonds, the Authority will enter into an agreement ("Continuing Disclosure Agreement") with the Trustee, as dissemination agent, for the benefit of the holders of the 2008 Series A Bonds, to comply with the secondary market disclosure requirements of the United States Securities and Exchange Commission's Rule 15c2-12 ("SEC Rule 15c2-12"). Pursuant to the Continuing Disclosure Agreement, the Authority has covenanted to provide certain financial information and operating data relating to the Authority, and the NJCLASS Program to each Nationally Recognized Municipal Securities Information Repository and the State Information Repository in New Jersey, if any. Further, the Authority has covenanted to provide notices of occurrence of certain enumerated events, if material. The

Trustee shall file such notices on behalf of the Authority with each Nationally Recognized Municipal Securities Information Repository and the State Information Repository in New Jersey, if any. The form of Continuing Disclosure Agreement is set forth in APPENDIX E hereto.

The Authority has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

QUARTERLY REPORTING

In addition to its obligations under the Continuing Disclosure Agreement, the Authority will also agree in the First Supplemental Indenture that, not later than each Quarterly Report Date, it shall file with each Nationally Recognized Municipal Securities Information Repository a copy of the report which the Authority is required to file with the Trustee, the Credit Facility Provider and each Rating Agency pursuant to Section 4.3 of the First Supplemental Indenture. See APPENDIX A - "FORM OF 2008 INDENTURE" hereto.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the 2008 Series A Bonds.

The 2008 Indenture provides that all covenants, stipulations, promises, agreements and obligations of the Authority contained in the 2008 Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any officer, director or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the 2008 Series A Bonds or for any claim based thereon or on the 2008 Indenture against any officer or employee of the Authority or against any person executing the 2008 Series A Bonds. The Act further provides that neither the members of the Authority nor any person executing bonds or notes issued by the Authority nor any officer or employee of the Authority shall be liable personally on such bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: /s/ Eugene Hutchins
EUGENE HUTCHINS, Chief Financial Officer

APPENDIX A
FORM OF 2008 INDENTURE

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

INDENTURE OF TRUST

By and Between

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated as of August 1, 2008

INDENTURE OF TRUST

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

This Indenture of Trust, dated as of August 1, 2008 (hereinafter sometimes referred to as the "Indenture"), by and between the Higher Education Student Assistance Authority (successor to the Higher Education Student Assistance Authority pursuant to N.J.S.A. 18A:71A-1 et seq., effective April 26, 1999), a body corporate and politic constituting an instrumentality of the State, created and existing under the Act, or any board, body, commission, authority, department, or officer succeeding to the principal functions thereof or to whom the powers conferred upon the Authority by the Act shall be given by law (the "Authority"), and Wells Fargo Bank, National Association, a national banking association duly organized and existing under the laws of the United States (the "Trustee"),

WITNESSETH:

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

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

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

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

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

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

NOW, THEREFORE, THIS INDENTURE WITNESSETH THAT:

**ARTICLE I
SHORT TITLE, DEFINITIONS, INTERPRETATION**

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

board, body, commission, authority, department, or officer succeeding to the principal functions thereof or to whom the powers conferred upon the Authority by the Act shall be given by law.

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

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

"Bond" or "Bonds" means any of the bonds authorized under this Indenture and issued pursuant to a Supplemental Indenture.

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

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

"Bond Insurance Policy" means, with respect to any Series of Bonds, a bond insurance policy issued by a Credit Facility Provider insuring the payment when due of the principal and of interest on the Bonds of such Series in accordance with the terms of such policy.

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

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

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

"Calendar Quarter" means each three-month period ending on March 31, June 30, September 30 or December 31, as the case may require.

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

"Account" means any of the trust funds and accounts created and established by, or pursuant to, this Indenture or any Supplemental Indenture including, except where the context requires otherwise, the Rebate Fund, the Loan Reserve Fund and the Excess Yield Fund. Each Account must be maintained at an Eligible Institution.

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

"Accrued Assets" means, with respect to any date, the sum of (i) the principal amount of all Student Loans pledged under this Indenture, (ii) the aggregate Value of the amounts on deposit in all the Accounts (excluding the Rebate Fund, the Loan Reserve Fund, the Excess Yield Fund and the Debt Service Reserve Fund when funded solely with a Funding Instrument), (iii) the amount of all accrued and unpaid interest on Student Loans, and (iv) without duplication, all accrued but unpaid interest on Investment Securities. Accrued Assets shall not include Defaulted Loans.

"Accrued Liabilities" means, with respect to any date, the sum of (i) the principal and unpaid interest on all Outstanding Bonds, plus (ii) all accrued but unpaid Program Expenses, Reimbursement Amounts and Bond Fees.

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

"Additional Bonds" means any Bonds, including Refunding Bonds, issued subsequent to the issuance of the Series of Bonds authorized under the First Supplemental Indenture adopted pursuant to this Indenture, as authorized by Article II and Section 7.10(B) hereof.

"Administrative Fees" means any amounts other than Servicing Fees required to be paid or reimbursed to the Authority which are designated as administrative expenses in the Supplemental Indenture relating to any Series of Bonds and reflected as such in the Cash Flow Statement prepared in connection with the issuance of such Series of Bonds and may include all of the Authority's expenses in carrying out and administering the Loan Finance Program under this Indenture, including, without limiting the generality of the foregoing salaries, supplies, acquisition fees, loan collection costs, data processing costs, verification agent fees, utilities, mailing, labor, travel, payments for pension, retirement, health and hospitalization, and life and disability insurance benefits, materials, office rent or mortgage payment, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, audit, management, consulting, and banking service fees and expenses.

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

"Authority" means the Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State, created and existing under the Act, or any

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

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

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

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

(ii) showing that in each such Bond Year the aggregate of the amounts set forth in clause (i)(1) of this definition is sufficient to pay when due the aggregate of the amounts set forth in clause (i)(2) of this definition and any minimum amount required to maintain a Parity Percentage requirement established in any Supplemental Indenture; provided, that such definition as it relates to a Series of Bonds may be amended from time to time by the Authority with the consent of the Credit Facility Provider and delivery to the Trustee of a Rating Agency Condition.

The Cash Flow Statement shall be acceptable to the Credit Facility Provider and not inconsistent with any assumptions provided in the applicable Supplemental Indenture, or, if there is no Credit Facility then in effect, as provided in the applicable Supplemental Indenture.

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

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

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

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

"Credit Facility" means any standby or direct pay credit arrangement provided by a Credit Facility Provider in connection with the financing provided by a Series of Bonds and identified in the Supplemental Indenture for such Series of Bonds, including, without limitation, letters of credit, lines of credit, Bond Insurance Policies, and surety bonds (excluding any Funding Instrument), pursuant to an agreement between such Credit Facility Provider and the Authority.

"Credit Facility Provider" means, with respect to any Series of Bonds, the entity identified in the applicable Supplemental Indenture as a Credit Facility Provider with respect to such Series.

"Debt Service" means, with respect to any particular Bond Year and any particular Series of Bonds, an amount equal to the sum of (i) all interest payable on such Bonds during such Bond Year, plus (ii) any Principal Installments of such Bonds payable during such Bond Year, plus (iii) any Redemption Price of such Bonds payable during such Bond Year.

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

"Debt Service Reserve Fund Requirement" means, as of any date of calculation, an amount equal to the aggregate of the amounts specified in each and every Supplemental Indenture authorizing the issuance of a Series of Bonds as the amount required to be deposited in the applicable Debt Service Reserve Fund Subaccount with respect to such Series of Bonds.

"Defaulted Loan" means, except as otherwise provided in a Supplemental Indenture, a Student Loan payable in monthly installments which has reached 180 days of delinquency or a Student Loan payable in less frequent than monthly installments which has reached 240 days of delinquency.

"Defaulted Loan Purchase Price" means the amount of unpaid principal and accrued interest on a Defaulted Loan from the date of default to the purchase date as calculated by the Authority and evidenced to the Trustee in writing by the Authority.

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

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

"Eligible Institution" means a depository institution which at all times that it holds any Account (i) has short-term senior unsecured debt obligations that have the highest short-term debt rating by the Rating Agencies; (ii) whose accounts are insured to the maximum extent provided by the Federal Deposit Insurance Corporation; (iii) which has a minimum long-term senior unsecured debt rating of at least "A" by S&P and "A2" by Moody's, and (iv) which is any

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principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

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

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

"Investment Securities" means any of the following securities legal for the investment of Authority funds at the time of purchase thereof and subject to any additional rating limitations by any Rating Agency:

- i. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) U.S. Treasury Obligations, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
- ii. Federal Housing Administration debentures.
- iii. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);
 - b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;
 - c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; and
 - d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
- iv. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

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of (A) an institution duly organized, validly existing and in good standing under the applicable banking laws of any state, (B) a national banking association duly organized, validly existing and in good standing under the federal banking laws, or (C) another depository institution approved by the Credit Facility Provider.

"Eligible Student Loan" or "Eligible Loan" means any fixed interest rate student loan made to finance post-secondary education that is a student loan satisfying the administrative rules of the NJCLASS Loan Program as in effect from time to time and the credit criteria set forth in the Supplemental Indenture applicable to the disposition of the proceeds of Bonds issued pursuant to such Supplemental Indenture to finance such student loan and which may be made by the Authority to an eligible borrower, the proceeds of which student loan are used to finance education costs, including deferred interest, pursuant to the Act and which may be purchased or otherwise financed by the Authority pursuant to the NJCLASS Loan Program; provided however, that any Supplemental Indenture may restrict the "Eligible Loans" which may be purchased or acquired with the proceeds of Bonds issued pursuant to such Supplemental Indenture to certain specified types of Student Loans satisfying the administrative rules of the NJCLASS Loan Program as in effect from time to time.

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

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

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

"Federally Taxable Obligations" means Bonds which are not Tax-Exempt Obligations.

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

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

"Funding Instrument" means any surety bond, insurance policy, letter of credit or other similar obligation satisfying in whole or in part the Debt Service Reserve Fund Requirement for a Series of Bonds as described in a Supplemental Indenture and deposited in the applicable Debt Service Reserve Fund Subaccount in accordance with the provisions of Section 5.3(C) hereof and the applicable Supplemental Indenture. Unless otherwise provided in the applicable Supplemental Indenture, the obligation of the Authority to reimburse the provider of a Funding Instrument for drawings under such Funding Instrument shall constitute an Other Obligation.

"Governmental Obligations" means (a) U.S. Treasury Obligations, (b) non-callable obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) non-callable obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and

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

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

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

viii. "State Obligations," which means:

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

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

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

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

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

b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by a Verification Report;

d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or Trustee in trust for owners of the municipal obligations;

e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

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f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the Trustee or escrow agent.

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

- a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");
- b) the Trustee or a third party acting solely as agent therefore or for the Authority (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;
- c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send reports to the Trustee, the Authority and Credit Facility Provider setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of Credit Facility Provider and ten (10) days prior notice to each Rating Agency;
- e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must notify the Authority, the Trustee and Credit Facility Provider within five (5) days of receipt of such notice and within ten (10) Business Days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to Credit Facility Provider, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the

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the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

h) the investment agreement shall provide that if during its term:

- i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (A) provide a written guarantee acceptable to Credit Facility Provider, (B) post Eligible Collateral with the Authority, the Trustee or the Custodian free and clear of any third party liens or claims, (C) assign the agreement to an Eligible Provider, or (D) repay the principal of and accrued but unpaid interest on the investment;
- ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the Credit Facility Provider), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee.

i) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral") and in addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and Credit Facility Provider setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

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

k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's

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provider does not perform a remedy within ten (10) Business Days, the provider shall, at the direction of the Trustee (who shall give such direction if so directed by Credit Facility Provider) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.

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

- a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
- b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- c) the provider shall send monthly reports to the Trustee, the Authority and Credit Facility Provider setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
- d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of Credit Facility Provider and ten (10) days prior notice to each Rating Agency;
- f) the Authority, the Trustee and Credit Facility Provider shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
- g) the Authority, the Trustee and Credit Facility Provider shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in

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

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

xiii. The New Jersey Cash Management Fund.

Requirements of Moody's with respect to Investment Securities:

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

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

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

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

D. if the rating of a depository institution at which an account is held falls below the lowest rating set forth in A above, any accounts held with such institution should be moved within one month to an appropriately rated entity;

E. U.S. trust accounts for Aaa and Aa rated domestic transactions provided by authorized corporate providers;

F. investments should be made in the currency of the funds being invested; and

G. U.S. money market funds must be rated Aaa by Moody's.

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

"Late Payment Rate" with respect to a Credit Facility or Funding Instrument, shall have the meaning ascribed thereto in the related Reimbursement Agreement.

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

"Loan Reserve Fund" means the Loan Reserve Fund established pursuant to Section 5.8.

"Majority of Owners" or "majority of Owners" means Owners of 51% or more of the principal balance of Outstanding Bonds.

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

"1998 Indenture" means the Indenture of Trust, dated as of June 1, 1998, between the Authority and Wells Fargo Bank, National Association, as successor Trustee, as amended and supplemented.

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

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

"Other Obligation" shall mean an obligation, other than a Bond or a note, issued by the Authority pursuant to the Act, including any Reimbursement Amounts.

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

- (1) any Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;
- (2) Reserved;
- (3) any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Section 3.3, 3.7, 3.8, 6.6 or 9.6; and
- (4) any Bond deemed to have been paid as provided in Section 12.1(B) hereof; provided, however, that in the event that the principal and/or interest due on any Bonds shall be paid by a Credit Facility Provider pursuant to its Credit Facility for such Bonds, such Bonds so paid shall remain Outstanding for all purposes of this Indenture and the applicable

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"Quarterly Parity Percentage" means the Parity Percentage calculated as of the last day of the most recent Calendar Quarter, as reported on or before the related Quarterly Report Date.

"Quarterly Report Date" means, with respect to the Calendar Quarter ending on (i) March 31, on or before the following April 30, (ii) June 30, on or before the following July 31, (iii) September 30, on or before the following October 31 and (iv) December 31, on or before the following January 31, as applicable.

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

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

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

"Record Date" means, except as otherwise provided in a Supplemental Indenture, the 15th day of the month immediately preceding each Interest Payment Date or, if such date is not a Business Day, the next preceding Business Day.

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

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

"Refunded Obligations" means, with respect to any Series of Refunding Bonds, any Bonds, notes or other obligations previously issued pursuant to this Indenture or bonds, notes or other obligations previously issued pursuant to the 1998 Indenture or any other resolution, indenture, agreement or other similar authorizing document of the Authority, to be refunded from the proceeds of such Refunding Bonds.

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

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

"Reimbursement Agreement" means any reimbursement agreement between the Authority and a Credit Facility Provider or provider of a Funding Instrument as specified in a Supplemental Indenture.

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Supplemental Indenture, shall not be deemed defeased or otherwise satisfied and shall not be considered paid by the Authority, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority to the Owners of such Bonds shall continue to exist and shall run to the benefit of the Credit Facility Provider and the Credit Facility Provider shall be subrogated to the rights of such Owners.

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

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

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

"Payment Date" means a Principal Payment Date and/or an Interest Payment Date.

"Principal Installment" means, as of any Principal Payment Date, (i) the aggregate principal amount of Outstanding Bonds maturing on such date, plus (ii) except as may be otherwise provided in the applicable Supplemental Indenture, any Sinking Fund Payments due on such date.

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

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

"Program Expenses" means as specified in the Cash Flow Statement and Supplemental Indenture, (i) the fees and expenses of any Fiduciary, other than Bond Fees, payable with respect to its services performed hereunder (ii) Servicing Fees and (iii) for each Series, any Administrative Fees.

"Purchased Defaulted Loan" means a Defaulted Loan purchased by the Authority from the Trustee pursuant to Section 5.8.

"Purchased Loan Net Recoveries" means, with respect to a Purchased Defaulted Loan, the excess of (a) all amounts collected by the Authority with respect to such Purchased Defaulted Loan, including principal, interest and any other amounts collected, over (b) the Authority's costs and expenses incurred in collecting such Purchased Defaulted Loan, such costs not to exceed 30% of the principal amount of such loan.

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"Reimbursement Amounts" means all amounts due and payable to the Credit Facility Provider pursuant to the Reimbursement Agreement, this Indenture or any Supplemental Indenture, including interest thereon at the Late Payment Rate to the date of payment.

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

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

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

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

"Senior Bonds" means any Bonds payable on a senior basis to the Subordinate Bonds as provided by paragraphs (iv) and (vi) of Section 5.5(A)(1), and issued pursuant to, and designated as "Senior Bonds" under, a Supplemental Indenture as authorized by Sections 2.5 and 7.10(B), including the Series of Bonds issued pursuant to the First Supplemental Indenture and all Additional Bonds issued on a parity with such Series of Senior Bonds.

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

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

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

"Servicing Fees" means all those fees payable to a Servicer, including the Authority, when it is acting as the Servicer, as compensation for its services pursuant to a Servicing Agreement as set forth in a Cash Flow Statement.

"Sinking Fund Payment" means, as of any particular date of calculation, the amount to be paid by the Authority on a certain future Principal Payment Date for the retirement of Outstanding Bonds which mature after said future Principal Payment Date, subject to any

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applicable terms of the applicable Supplemental Indenture, but does not include any amount payable by the Authority by reason of the maturity of a Bond or by call for redemption at the election of the Authority.

"State" means the State of New Jersey.

"Student Loan" means any Eligible Loan made or acquired by the Authority by the expenditure of amounts in the Student Loan Fund or pursuant to Section 5.5(A)(1)(xi); provided, however, a Purchased Defaulted Loan shall cease to be a Student Loan from and after the date on which it becomes a Purchased Defaulted Loan until such later time, if any, that such Purchased Defaulted Loan is no longer in default and is thereafter acquired with moneys in the Revenue Fund in accordance with Section 5.8(F).

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

"Subaccount" means any subaccount within an Account created pursuant to Section 5.3(G) or Section 5.8(C).

"Subordinate Bonds" means any Bonds payable on a subordinate basis to the Senior Bonds as provided by paragraph (xii) of Section 5.5(A)(1), and issued pursuant to a Supplemental Indenture as authorized by Sections 2.5 and 7.10(B).

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

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

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

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

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

"Trustee" means Wells Fargo Bank, National Association, Jacksonville, Florida, and its successor or successors and any other person at any time substituted in its place pursuant to this Indenture.

"U.S. Treasury Obligations" means direct non-callable obligations (other than an obligation subject to variation in principal repayment) of the United States of America.

"Value" shall have the meaning set forth in Section 5.11 hereof.

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

(D) (i) In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Bondholders from time to time of the Bonds; and the security interest granted and the pledge and assignment made in this Indenture and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Bondholders of any and all of the Bonds, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, all except as expressly provided in Section 5.5(A)(1)(iv), Section 5.5(A)(1)(vi), Section 5.5(A)(1)(xii), Section 10.1 and Section 10.3 of this Indenture.

(ii) The security interest granted and the pledge and assignment made in this Indenture shall also secure the Authority's payment obligations to any issuer of a Funding Instrument, any Credit Facility Provider pursuant to the terms of the Credit Facility, any related Reimbursement Agreement and of this Indenture.

ARTICLE II

TERMS OF BONDS

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

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

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

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"Verification Report" means the report of independent certified public accountants or financial advisory firm verifying that the principal and interest on U.S. Treasury Obligations or other funds or Investment Securities deposited into an escrow account are sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on specified obligations.

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.5. Conditions Precedent to Delivery of Bonds. The Bonds of each Series shall be authenticated and delivered upon the order of the Authority, but only upon the receipt by the Trustee of the following and subject to the provisions of Section 7.10:

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

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

(b) the purposes for which such Bonds are issued, which shall be one or more of the following: (i) the making of deposits into the Student Loan Fund, (ii) the making of deposits to the extent necessary to increase the balance in the Debt Service Reserve Fund to the amount, if any, required by this Indenture or such Supplemental Indenture, (iii) the refunding of any Refunded Obligations, (iv) the payment of Costs of Issuance, or (v) any combination of the foregoing;

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

(d) the interest rates on such Bonds and the Interest Payment Dates, if any, and Principal Payment Dates therefor,

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

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

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

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

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

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

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

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

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

(n) whether the Bonds of such Series are Senior Bonds or Subordinate Bonds; and

(o) whether the Bonds of such Series are Federally Taxable Obligations.

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

(3) a written order as to the delivery of such Bonds, signed by an Authorized Officer;

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

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

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

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ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

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

(B) The Payment Dates with respect to a Series of Bonds shall be as set forth in the Supplemental Indenture authorizing such Bonds.

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

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

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

(F) [RESERVED].

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

Section 3.2. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the

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

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

(2) if Refunded Obligations to be refunded also are to be redeemed subsequent to the next succeeding forty-five (45) days, evidence of the receipt by the Trustee of irrevocable instructions to the Trustee to mail, or provide electronic dissemination if authorized by the Depository, as provided in Article VI, notice of the redemption of such Bonds on a specified date prior to their redemption date, which shall be conclusively established by the executed Certificate of the Trustee so stating; and

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

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provisions of this Indenture as may be necessary or desirable to comply with custom or otherwise.

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

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

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

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

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

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

Section 3.7. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Authority shall execute and the Authenticating Agent shall authenticate a new Bond of like Series, interest rate, maturity, principal amount and other terms of the Bond so mutilated, destroyed, stolen or lost. In the case of a mutilated Bond, such new Bond shall be delivered only upon surrender and cancellation of such mutilated Bond. In the case of a Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond shall be delivered only upon filing with the Trustee of evidence satisfactory to establish to the Authority and the Trustee that such Bond has been destroyed, stolen or lost and to prove the ownership thereof and upon furnishing the Authority and the Trustee with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond pursuant to this Section shall comply with such other reasonable regulations as the Authority and the Trustee may prescribe and pay such expenses as the Authority and the Trustee may incur in connection therewith. The Trustee shall cancel and destroy such Bonds in accordance with its retention policy then in effect and shall execute a certificate of cancellation and destruction by the signature of one of its authorized representatives describing the Bonds so cancelled and destroyed. An executed copy of such certificate shall be filed with the Authority and also retained by the Trustee.

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

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

Section 3.9. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bond, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. The Trustee shall cancel and destroy such Bonds in accordance with its

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ARTICLE IV

APPLICATION OF BOND PROCEEDS AND OTHER AMOUNTS

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

- (1) the amount, if any, necessary to cause the aggregate amount on deposit in the Debt Service Reserve Fund to at least equal the Debt Service Reserve Fund Requirement immediately following the time of such delivery shall be deposited in the Debt Service Reserve Fund, together with such additional amounts, if any, as may be specified in the Supplemental Indenture authorizing such Series;
- (2) upon the delivery of a Series of Bonds, the amount, if any, designated by the Supplemental Indenture, shall be deposited in the Capitalized Interest Fund;
- (3) upon the delivery of a Series of Bonds, the amount, if any, received at such time as a premium above the aggregate principal amount of such Bonds shall be applied by the Trustee as specified in the Supplemental Indenture authorizing such Series, and the amount, if any, received as accrued interest as designated by a Supplemental Indenture, shall be deposited in the Revenue Fund unless otherwise provided in a Supplemental Indenture; and
- (4) the balance remaining after such deposits have been made shall be deposited in the Student Loan Fund.

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

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

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retention policy then in effect and shall execute a certificate of cancellation and destruction by the signature of one of its authorized representatives describing the Bonds so cancelled and destroyed. An executed copy of such certificate shall be filed with the Authority and also retained by the Trustee.

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

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

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

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ARTICLE V

PLEDGE OF INDENTURE; ESTABLISHMENT OF FUNDS AND ACCOUNTS

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

Section 5.2. Establishment of Trust Estate; Pledge. In order to secure equally and ratably on a parity basis one with the other (except as hereinafter provided in Section 5.5(A)(1)(iv), Section 5.5(A)(1)(vi), Section 5.5(A)(1)(xii), Section 10.1 and Section 10.3): (a) the payment of the principal or Redemption Price of and the interest on the Bonds at any time issued and Outstanding under this Indenture in accordance with their terms and the terms of this Indenture, and the obligation of the Authority to reimburse the Credit Facility Provider or provider of any Funding Instrument for making any such payment; and (b) the performance and observance of all of the covenants and conditions in said Bonds, in any such Credit Facility and related Reimbursement Agreement, in any Supplemental Indenture and herein contained, all of the following property and assets and all rights and interests therein (including all proceeds thereof) (the "Trust Estate") are hereby assigned and pledged by the Authority and a security interest in the Trust Estate is hereby granted pursuant to the Act, to the Trustee and its successors and assigns in trust forever (subject to the terms and conditions hereof) for the benefit of the Bondholders and any Credit Facility Provider, as their interests may appear:

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

Section 5.3. Establishment or Authorization of Student Loan Fund, Revenue Fund, Debt Service Reserve Fund, Capitalized Interest Fund, Rebate Fund and Excess Yield Fund. In order to best effectuate the making and acquiring of Student Loans and to provide for the proper administration of all moneys received as proceeds of the Bonds, there are hereby created and established the following Accounts:

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

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

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

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

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

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

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

(ii) all Revenues,

(iii) after termination of any recycling period or other limitation as may be set forth in a Supplemental Indenture, all Recoveries of Principal,

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

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

(vi) any amounts transferred from the Debt Service Reserve Fund pursuant to Section 5.6,

(vii) any amounts transferred from the Loan Reserve Fund pursuant to Section 5.8(D), and

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

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

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

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

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

(i) to pay Costs of Issuance, including the initial fees of any Credit Facility Provider, the Trustee or other Fiduciary, if such fees are to be paid from the proceeds of any Series of Bonds as required by the Supplemental Indenture for such Series of Bonds;

(ii) subject to any limitations set forth in a Supplemental Indenture and subject to the provisions and requirements of this Indenture, to make or acquire Eligible Loans;

(iii) in the event of foreclosure of the lien of the Trustee on the Trust Estate, for transfer to the Revenue Fund;

(iv) to make deposits to the Revenue Fund (after the transfer of monies from the Capitalized Interest Fund as provided in Section 5.8 of this Indenture) for the purpose of paying Principal Installments or interest on Bonds, whether at maturity or earlier redemption, if there are insufficient funds on deposit in the Revenue Fund to pay Principal Installments of or interest on Bonds due on any Payment Date, to the extent of any such insufficiency and without regard to funds on deposit, and/or available to be drawn under any Funding Instrument, in the Debt Service Reserve Fund;

(v) to make deposits to the Revenue Fund, after the above payments and transfers have been made and upon receipt of a written direction from an Authorized Officer of the Authority (a) to pay Program Expenses, Servicing Fees, or Bond Fees, if any, to the extent such amounts are permitted to be paid in accordance with Section 5.5(A)(1) and (b) to make the transfers to the Debt Service Reserve Fund, to the extent of any deficiency therein, pursuant to Section 5.5(A)(1)(viii), not otherwise paid, retained or provided for by the Authority from moneys under this Indenture;

(vi) upon the written instruction of the Authority, to redeem Bonds of a Series at the end of the Origination Period for the Bonds of such Series, if provided in the applicable Supplemental Indenture;

(vii) subject to the provisions of the Tax Agreement, all income on Investment Securities in the Student Loan Fund shall be credited as received to the Revenue Fund;

(viii) to make deposits to the Revenue Fund required pursuant to Section 5.4(B) of this Indenture; and

(ix) subject to any further limitations set forth in a Supplemental Indenture, any amount remaining in the Student Loan Fund after the Bonds are no longer Outstanding and no Reimbursement Amounts are due and payable to any Credit Facility Provider shall be applied as an Authorized Officer may direct for any lawful Authority purpose under the Act.

The Trustee shall make disbursements from the Student Loan Fund as permitted by Section 5.4(A)(i), 5.4(A)(iii), 5.4(A)(iv) and 5.4(A)(v) without written direction from the Authority

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(ii) to the extent the amount available to be drawn under a Funding Instrument on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, funds shall be deposited therein to the extent required by Sections 5.5(A)(1)(vii) and 5.6 until the cash and Investment Securities on deposit in the Debt Service Reserve Fund, together with the amount available to be drawn under any Funding Instrument therein, is equal to the Debt Service Reserve Fund Requirement, and

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

In lieu of cash deposits to the Debt Service Reserve Fund, the Authority, with respect to any Series of Bonds, may cause to be deposited into the Debt Service Reserve Fund, a Funding Instrument in an amount equal to the difference between the Debt Service Reserve Fund Requirement for such Series of Bonds and the cash and Investment Securities, if any, then on deposit or being deposited in the applicable Subaccount in the Debt Service Reserve Fund. The Funding Instrument shall be payable (upon the giving of notice as required thereunder) on any due date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of Principal Installments of or interest on any Bonds as provided in Section 5.6. At the time that a Funding Instrument is entered into, the provider of such Funding Instrument shall be rated in one of the two highest rating categories (without regard to any numerical or other modifier) by each Rating Agency, or shall have such other qualifications as shall be set forth in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

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

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

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

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

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and as permitted by Section 5.4(A)(ii) only upon receipt of a written direction to do so from an Authorized Officer of the Authority, which written direction may be in the form of electronic loan disbursement lists delivered by the Authority to the Trustee and which shall include for any disbursement to finance the origination or acquisition of an Eligible Loan, the principal amount of such Eligible Loan and the type of Student Loan it constitutes. As to each such disbursement, the Authority hereby covenants that it will comply with the requirements of applicable federal and state law and that (i) the disbursement to be made is a proper charge against the Student Loan Fund, all requirements of this Indenture and any Supplemental Indenture in connection therewith have been met and, in connection with disbursements pursuant to Section 5.4(A)(ii), no Event of Default has occurred and is continuing, and (ii) if the disbursement is to finance the acquisition of Eligible Loans, the promissory note or notes with respect to each such Eligible Loan so purchased has been delivered to the Trustee.

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

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

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

(ii) on such date or dates as shall be specified in the applicable Supplemental Indenture, as directed in writing by an Authorized Officer of the Authority, to pay regularly scheduled Bond Fees in the following order of priority: (a) first, quarterly in advance to the Credit Facility Provider and (b) second, monthly to each Fiduciary on a pro rata basis;

(iii) monthly, as directed in writing by an Authorized Officer of the Authority, subject to any limitations set forth in a Supplemental Indenture, after the above payments have been made, the amount necessary to pay Program Expenses then unpaid and not otherwise paid or provided for from moneys under this Indenture; provided that, if any Quarterly Parity Percentage is 102% or less, or if specified in a Supplemental Indenture, any Administrative Fee to be paid during the following Calendar Quarter shall be paid pursuant to clause (ix) below, only after all requirements and payments set forth in Sections 5.5(A)(1)(i)-(viii) have been satisfied and provided further that, once such amounts are paid to the Authority, such amounts may be applied by the Authority for any lawful purpose of the Authority free and clear of the lien of this Indenture;

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(iv) into a payment Account to be used by the Trustee therefor, on or before each Interest Payment Date, the amount required to pay the interest payable on the Senior Bonds on such date;

(v) on the first date that funds are available therefor, to the Credit Facility Provider, the amount required to reimburse the Credit Facility Provider for any amounts paid under or pursuant to a Credit Facility to pay interest on the Bonds, together with any accrued interest thereon at the Late Payment Rate;

(vi) into a payment Account to be used by the Trustee therefor, on or before each Principal Payment Date, the amount of Principal Installments for the Senior Bonds coming due on such date;

(vii) on the first date that funds are available therefor, to the Credit Facility Provider, the amount required to reimburse the Credit Facility Provider for any amounts paid under or pursuant to a Credit Facility to pay principal of the Bonds, together with any accrued interest thereon at the Late Payment Rate;

(viii) on the first date that funds are available therefor, in the following order of priority (a) to the provider of any Funding Instrument to the extent necessary to reimburse the provider of such Funding Instrument for any accrued interest at the Late Payment Rate due and payable on amounts drawn and remaining unpaid with respect to a draw under such Funding Instrument, (b) after taking into account any funds appropriated for this purpose by the Legislature of the State pursuant to the Act and deposited into the Debt Service Reserve Fund, to the Debt Service Reserve Fund, to be applied to reimburse the provider of any Funding Instrument for the amount of any draw under such Funding Instrument, in accordance with the provisions of the applicable Reimbursement Agreement and (c) if set forth in a Supplemental Indenture, to the Debt Service Reserve Fund, until the amount of cash and Investment Securities on deposit and/or available to be drawn under a Funding Instrument therein is equal to the Debt Service Reserve Fund Requirement.

(ix) in the event the Quarterly Parity Percentage is 102% or lower, monthly, as directed in writing by an Authorized Officer of the Authority, subject to any limitations as set forth in a Supplemental Indenture, after the above payments and transfers have been made, the amount necessary to pay the Administrative Fees then unpaid and not otherwise paid or provided for from monies under this Indenture; provided that once paid to the Authority, such amounts can be applied by the Authority for any lawful purpose of the Authority free and clear of the lien of this Indenture;

(x) on or before any redemption date, including any date on which Sinking Fund Payments are due pursuant to the applicable Supplemental Indenture, the amount required to pay first any Sinking Fund Payments, and second, subject to any reservation of funds required to be reserved pursuant to such Supplemental Indenture, the amount required to pay the Redemption Price of and interest on the Senior Bonds to be redeemed on such date;

(xi) periodically, the amount required, if any, (a) to purchase Eligible Loans from other trust estates of the Authority; provided that any Eligible Loans purchased by the Authority shall meet any and all requirements for such Eligible Loans set forth in any Supplemental Indenture and shall be purchased for an amount equal to the outstanding principal balance thereof plus accrued but unpaid interest to the date of purchase or (b) to purchase Purchased Defaulted Loans in accordance with the requirements of Section 5.8(F);

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the Series and maturity for which such Sinking Fund Payment was established in an amount equal to the unsatisfied balance of such Sinking Fund Payment.

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

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

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

Section 5.6. Use and Disbursements of Debt Service Reserve Fund Moneys.

(A) Except as may be set forth in any Supplemental Indenture, in the event there shall be on any Payment Date a deficiency in the amounts in the Revenue Fund (after making any required deposit to the Revenue Fund from the Capitalized Interest Fund and Student Loan Fund pursuant to Sections 5.7 and 5.4) to be applied to the payment of Principal Installments of or interest on the Bonds, the Trustee shall make up such deficiency by transfer of moneys for that purpose from the Debt Service Reserve Fund. In the event that the Debt Service Reserve Fund has been funded in whole or in part with a Funding Instrument, the Trustee shall draw on such Funding Instrument on any Payment Date to the extent that the cash and Investment Securities then on deposit in the Debt Service Reserve Fund, if any, are insufficient to make any required transfer from the Debt Service Reserve Fund to the Revenue Fund to pay Principal Installments of or interest on any Bonds on such Payment Date. If a disbursement to pay Principal Installments of or interest on the Bonds is made from funds drawn under a Funding Instrument pursuant to this Section 5.6, the Authority shall reimburse the

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(xii) (a) on or before each Interest Payment Date, the amount required to pay the interest payable on the Subordinate Bonds on such date; (b) on or before each Principal Payment Date, the amount of Principal Installments for the Subordinate Bonds coming due on such date; (c) on or before any redemption date, the amount required to pay the Redemption Price of and interest on the Subordinate Bonds to be redeemed on such date; and (d) on any such date, the amount required to reimburse the Credit Facility Provider for making any such payment, if any;

(xiii) transfer into the Student Loan Fund the amount, if any, of any prior transfers made from the Student Loan Fund into the Revenue Fund to satisfy any deficiencies therein as required by Section 5.6, until the amount on deposit in the Student Loan Fund has been replenished by the amount of such transfers; provided, however, that with respect to any transfer pursuant to this clause (xiii), the Trustee shall have received a Certificate from an Authorized Officer of the Authority that such disbursement would not cause the Authority to be unable to provide for payment of any of the amounts to be disbursed pursuant to clauses (i) through (xii) above, including principal of and interest on the Bonds as the same become due;

(xiv) on each Principal Payment Date, until the Parity Percentage Requirement as required by a Supplemental Indenture for any Series of Bonds has been satisfied after making the transfers and payments required by clauses (i) through (xiii), any funds remaining in the Revenue Fund, shall be applied to the redemption or retirement of Bonds as provided pursuant to the related Supplemental Indenture;

(xv) on the first date the funds are available, to pay the Credit Facility Provider any remaining Reimbursement Amounts that are due and payable, together with any interest accrued thereon at the Late Payment Rate if, after such Reimbursement Amounts are paid, the Parity Percentage Requirement as required by a Supplemental Indenture for any Series of Bonds will be satisfied; and

(xvi) subject to any limitations or requirements set forth in a Supplemental Indenture, on each Principal Payment Date, if the Parity Percentage Requirement as required by a Supplemental Indenture for any Series of Bonds has been satisfied after the transfers and payments set forth in clauses (i) through (xv) have been made and after reservation of any funds as required by a Supplemental Indenture, any funds remaining in the Revenue Fund may be applied by an Authorized Officer of the Authority, at the written direction of the Authority, free and clear of the lien or the pledge of this Indenture to the purpose of the Loan Finance Program or any other lawful Authority purpose under the Act.

(2) [INTENTIONALLY OMITTED]

(3) [INTENTIONALLY OMITTED]

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

(B) As soon as practicable after the sixtieth (60th) day preceding any Principal Payment Date on which Sinking Fund Payments shall become due and payable, subject to the terms of the Supplemental Indenture, the Trustee shall proceed to call for redemption in accordance with Article VI and the related Supplemental Indenture, on such due date, Bonds of

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provider of such Funding Instrument from funds thereafter deposited to the Debt Service Reserve Fund in accordance with the applicable Reimbursement Agreement and Section 5.4(A)(1)(viii)(b), provided that amounts available from any funds appropriated by the State for this purpose shall only be applied to the principal amount of such drawing. After making any such reimbursement, the amount available to be drawn under the Funding Instrument shall be reinstated up to the amount of such reimbursement. Upon reinstatement of the Funding Instrument, the amount available to be drawn under the Funding Instrument, together with the amount of cash and Investment Securities then on deposit in the Debt Service Reserve Fund, and the amount available to be drawn under any other Funding Instrument then on deposit in the Debt Service Reserve Fund, shall be at least equal to the Debt Service Reserve Fund Requirement. The Authority may establish Accounts within the Debt Service Reserve Fund, including, without limitation, by any Supplemental Indenture providing for the deposit of moneys or a Funding Instrument into such Account within the Debt Service Reserve Fund, and the Authority may provide in such Supplemental Indenture or otherwise that such moneys and/or Funding Instrument deposited in the Account within the Debt Service Reserve Fund and income on Investment Securities therein shall be applied only to a particular Series of Bonds. Unless the Authority establishes by Supplemental Indenture or otherwise Accounts within the Debt Service Reserve Fund, all funds deposited into the Debt Service Reserve Fund pursuant to this Section 5.6 will be available for all Bonds.

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

In the event of the refunding of any Bonds, the Trustee shall, if the Authority so directs but subject to the terms of the related Supplemental Indenture, withdraw from the Debt Service Reserve Fund a pro rata portion of the amounts accumulated therein with respect to the Refunded Obligations and deposit such amounts in a special fund with itself as Trustee or escrow agent to be held for the payment of the Principal Installments or Redemption Price, if applicable, of and interest on the Refunded Obligations or for such other purpose as the Authority shall direct in writing; provided that such withdrawal shall not be made unless (a) immediately thereafter the Refunded Obligations shall be deemed to have been paid pursuant to subsection B of Section 12.1, and (b) the amount remaining in the Debt Service Reserve Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Fund Requirement with respect to all Outstanding Bonds which are not being refunded.

The Authority shall at all times maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement and do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund

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provided to be done or performed by or on behalf of the Authority or the Trustee under the terms and provisions of this Indenture.

Section 5.7. Use and Disbursements of Capitalized Interest Fund Moneys. Except as may be set forth in any Supplemental Indenture, on or before each Interest Payment Date, to the extent funds on deposit in the Revenue Fund are insufficient to pay interest due and payable on the Bonds on such Interest Payment Date, the Trustee shall transfer from the Capitalized Interest Fund, to the extent funds are available therefor, to the Revenue Fund, the amount required such that funds on deposit in the Revenue Fund are sufficient to pay interest due and payable on the Bonds on such Interest Payment Date, and such funds shall be applied to pay all or a portion of the interest on the Bonds coming due on such Interest Payment Date.

Section 5.8. Loan Reserve Fund. (A) The Authority hereby creates and establishes the Loan Reserve Fund for the purpose of assisting in the establishment and maintenance of the Loan Finance Program. The Loan Reserve Fund shall not constitute a part of the Trust Estate and except for the purpose of using moneys in the Loan Reserve Fund solely for the purchase of Defaulted Loans as described in this Section 5.8, shall not constitute part of the "Loan Reserve Fund" under the Act and shall not be subject to the provisions of the Act in respect thereof. The Authority shall not create or suffer to be created any charge, security interest, encumbrance, or lien on the Loan Reserve Fund or any amounts or Investment Securities held in or for the account of the Loan Reserve Fund. The Loan Reserve Fund shall be applied only in accordance with this Section 5.8 and any Supplemental Indenture and for no other purpose except as otherwise set forth in a Supplemental Indenture.

(B) There shall be deposited by the Authority into the Loan Reserve Fund maintained by the Authority the amount of Bond proceeds, if any, as set forth in any Supplemental Indenture. The Authority shall, from time to time, not less frequently than monthly, deposit moneys into the Loan Reserve Fund in an amount not less than one percent (1%) of the original principal amount of each Student Loan disbursed during the previous month, from amounts received by the Authority as application fees with respect to Student Loans; provided however the Authority may deposit a different amount, which amounts shall be set forth in any Supplemental Indenture, with the written consent of the Credit Facility Provider and ten (10) days prior notice to each Rating Agency. The Authority may establish Subaccounts or Accounts within the Loan Reserve Fund, including, without limitation, by any Supplemental Indenture providing for the deposit of moneys into the Loan Reserve Fund, and the Authority may provide in such Supplemental Indenture or otherwise that such moneys and other moneys deposited in the Loan Reserve Fund and income on Investment Securities therefrom shall be applied only to particular Student Loans. Unless the Authority establishes by Supplemental Indenture or otherwise Subaccounts or Accounts within the Loan Reserve Fund, all funds deposited into the Loan Reserve Fund pursuant to this Section 5.8 will be available for all Student Loans.

(C) In the event that any Student Loan shall become a Defaulted Loan, or if a Student Loan becomes uncollectible due to the death or total and permanent disability of the borrower, and there is no cosigner on the loan, the Authority shall, within thirty (30) days after the end of the month in which such loan becomes a Defaulted Loan, remove it from the portfolio of active Student Loans reported on the NJCLASS Loan Program accounting records and financial statements, and simultaneously record a receivable from the Loan Reserve Fund.

(D) With the exception of amounts as described in Section 5.8 (E) of this Indenture, to the extent that moneys are available in the Loan Reserve Fund, the Authority shall, within thirty (30) days after the end of the month in which a Student Loan becomes a Defaulted Loan,

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

Section 5.10. Investment of Certain Funds.

(A) The Authority shall direct the Trustee from time to time as to the investment of amounts in the Accounts. The Authority shall direct the Trustee to invest and reinvest the moneys in any Account in Investment Securities so that the maturity date or date of redemption at the option of the holder thereof shall coincide as nearly as practicable, but in any case shall not extend beyond, the times at which moneys are required to be so expended in accordance with this Indenture or any Supplemental Indenture. The Investment Securities purchased shall be held by the Trustee, or by such other Depository as permitted by this Indenture, and shall be accounted for at all times as part of such Account, and the Trustee shall keep the Authority advised as to the details of all such investments. The foregoing notwithstanding, to the extent permitted by applicable law, the Authority may direct the Trustee to commingle moneys in the various Accounts to invest in Investment Securities and the Trustee may transfer Investment Securities from Account to Account on the books kept for such purpose without selling such Investment Securities; provided, however, that moneys in the Loan Reserve Fund, Rebate Fund and the Excess Yield Fund shall not be so commingled. In the event of any such commingling or transfer, the Trustee shall keep accurate books and records that reflect the proper Account to which any commingled funds are credited.

(B) Except as otherwise provided herein or in a Supplemental Indenture, Investment Securities purchased as an investment of moneys in any Account held by the Trustee under the provisions of this Indenture shall be deemed at all times to be a part of such Account but the income or interest earned and gains realized in excess of losses suffered by an Account due to the investment thereof (other than the Rebate Fund, the Loan Reserve Fund and the Excess Yield Fund), subject to the provisions of the Tax Agreement, and subject in the case of the Debt Service Reserve Fund to Section 5.6, shall be deposited in the Revenue Fund and shall be credited as Revenues to the Revenue Fund from time to time and reinvested. Earnings and income derived from Investment Securities held in the Rebate Fund and the Excess Yield Fund shall be credited as provided in the Tax Agreement or as otherwise provided by a Supplemental Indenture. Earnings and income derived from Investment Securities held in the Loan Reserve Fund shall be credited to and deposited in the Loan Reserve Fund.

Section 5.11. Valuation and Sale of Investments.

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

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submit a written direction to the Trustee to transfer to the Revenue Fund the Defaulted Loan Purchase Price from amounts on deposit in the Loan Reserve Fund. If sufficient funds are not available in the Loan Reserve Fund to transfer the entire Defaulted Loan Purchase Price to the Revenue Fund within such thirty (30) days, the Authority shall defer submitting such request until sufficient funds are available in the Loan Reserve Fund for this purpose. If the amount transferred to the Revenue Fund from the Loan Reserve Fund for a Defaulted Loan shall equal the Defaulted Loan Purchase Price, the Defaulted Loan shall be deemed purchased by the Loan Reserve Fund on behalf of the Authority on the date of such deposit. Upon receipt of a direction to transfer any Defaulted Loan Purchase Price from the Loan Reserve Fund to the Revenue Fund, the Trustee shall withdraw such directed amount from the Loan Reserve Fund and deposit such funds in the Revenue Fund within seven (7) days of receipt of such direction.

(E) The Authority may, in its discretion, defer the purchase of a Defaulted Loan, and consequently may defer requesting the Trustee to transfer funds from the Loan Reserve Fund as described herein with respect to specific Defaulted Loans for a period, not in excess of sixty (60) days after the end of the month in which the Defaulted Loan becomes a Defaulted Loan, as the Authority may so direct; provided, however, that the aggregate amount of Defaulted Loan Purchase Price with respect to which a transfer from the Loan Reserve Fund has been so deferred shall at no time exceed \$200,000 per Series of Bonds, or such other amount as the Authority may establish by Supplemental Indenture. In addition, no transfer shall be made from the Loan Reserve Fund with respect to any such Defaulted Loan if the Authority shall give the Trustee written notice prior to the expiration of the applicable deferral period that the default has been fully cured.

(F) Any Purchased Defaulted Loan may be repledged to the Trust Estate and a security interest granted therein by the Authority with funds available therefor in the Revenue Fund pursuant to Section 5.5(A)(1)(x); provided that (i) such Purchased Defaulted Loan is no longer in default and all amounts due to be paid thereunder shall have been paid in full, with no forgiveness of principal or interest and (ii) all of the original terms of the loan documents, including the loan maturity date, shall be reinstated without amendment or extension.

(G) All Purchased Loan Net Recoveries shall be credited to the Loan Reserve Fund and applied in accordance with this Section 5.8.

(H) So long as any Bonds are still Outstanding or any Reimbursement Amounts are owed to any Credit Facility Provider, moneys in the Loan Reserve Fund may only be withdrawn from the Loan Reserve Fund (i) for the purchase of Defaulted Loans as described in this Section 5.8 or (ii) for any lawful purpose of the Authority under the Act as an Authorized Officer may direct, free and clear of the lien of this Indenture, with delivery to the Trustee of the written consent of the Credit Facility Provider to such withdrawal and ten (10) days prior notice to each Rating Agency of such withdrawal.

Section 5.9. Deposits.

(A) Until such time as deposited pursuant to this subsection (A), all moneys held by the Trustee will be held within the corporate trust department of the Trustee. In order to permit such amounts to be available in connection with the disbursement of Student Loans at the time when needed, any amounts held in Accounts under this Indenture by any Fiduciary as such, including amounts held by the Trustee, may, if and as directed by the Authority, be deposited in the commercial banking department of such Fiduciary which may honor checks and drafts on such deposit.

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

(ii) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times) or are available on a regular basis from Bloomberg Financial Markets or Telerate or other nationally recognized similar service; the average of the bid and asked prices for such investments so published or made available on or most recently prior to such time of determination;

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

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

(v) as to any investment not specified above: the value thereof established by agreement between the Authority and any Credit Facility Provider, or if no such agreement, then as established by agreement between the Authority and the Trustee, as provided by Supplemental Indenture or otherwise.

(B) Except as otherwise provided herein, the Trustee shall sell, or present for redemption, any Investment Security whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account held by it; provided that the Trustee shall receive the prior written consent of the Credit Facility Provider and shall give ten (10) days prior notice to each rating Agency prior to any sale or redemption of an Investment Security which sale or redemption would result in a loss suffered by an Account. As set forth hereunder and under Section 5.10, an Investment Security may be credited on a pro-rata basis to more than one Account and need not be sold in order to provide for the transfer of amounts from one Account to another.

Section 5.12. Final Balances. On the date on which no Bonds remain Outstanding and no Reimbursement Amounts are due and payable to any Credit Facility Provider and upon payment of all other sums properly due and payable hereunder (including all fees, charges and expenses of any Fiduciary which are properly due and payable hereunder as of such date), all moneys remaining in all Accounts, except moneys held by the Trustee pursuant to Section 5.13 hereof, shall be remitted to the Authority.

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

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restricted exclusively to such moneys, for any claim of whatever nature on such owner's part under this Indenture or on, or with respect to, said Bond.

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

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

Section 5.15. Rebate Fund, Loan Reserve Fund and Excess Yield Fund Not a Part of Trust Estate. Notwithstanding anything in this Indenture to the contrary, none of the Rebate Fund, the Loan Reserve Fund or the Excess Yield Fund is a part of the Trust Estate created by this Indenture for the benefit and security of the Bonds or otherwise.

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numbers as, at the minimum denomination for each number, shall equal the principal amount of such Bonds to be redeemed.

Section 6.5. Notice of Redemption. When the Trustee shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 6.2 and when redemption of Bonds is required by this Indenture pursuant to Section 6.3, the Trustee shall give notice of the redemption of such Bonds. Such notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all the Bonds of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. If at the time of mailing of notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all Bonds called for redemption, which moneys are or will be available for redemption of Bonds, such notice shall state that it is conditional upon the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited. Such notice shall be given by first class mail, or otherwise in accordance with the procedures of any applicable Depository, not less than ten (10) nor more than forty-five (45) days before the redemption date, unless otherwise specified in the applicable Supplemental Indenture, to the registered Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but failure so to mail any such notice to any one or more of the Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption of Bonds with respect to Owners to whom such notice was made; provided, however, that shorter periods before the redemption date during which notice pursuant to this Section must be given may be prescribed by a Supplemental Indenture as to Bonds issued pursuant to such Supplemental Indenture. The Authority may modify in a Supplemental Indenture the notice requirements for redemption of the Bonds authorized by such Supplemental Indenture in order to conform to the requirements of DTC or any other applicable securities depository for a Series of Bonds or to provide for other or additional forms of, times for, and methods of giving notice.

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

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ARTICLE VI

REDEMPTION OF BONDS

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

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

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

(B) Except as otherwise set forth in a Supplemental Indenture, any redemption of Bonds of a Series as provided in this Article VI or in any Supplemental Indenture shall be applied among the maturities of the Bonds of such Series then Outstanding as the Authority shall direct.

Section 6.3. Redemption Otherwise Than at Authority's Election or Direction.

Whenever by the terms of this Indenture, the Trustee is required to redeem Bonds otherwise than at the election or direction of the Authority, and subject to and in accordance with the terms of this Article and, to the extent applicable, Article VI, the Trustee shall select the redemption date of the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price to the appropriate Paying Agents.

Section 6.4. Selection of Bonds to be Redeemed. In the event of redemption of less than all the Outstanding Bonds of like Series, priority and maturity, except as otherwise specified in the applicable Supplemental Indenture, the Trustee shall select the Bonds or portions thereof to be redeemed by lot, using such method of selection as it shall deem proper in its sole discretion, subject to any applicable procedures of DTC or other applicable securities depository, from the numbers of all such Bonds then Outstanding of such maturity, as many

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

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

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ARTICLE VII

PARTICULAR COVENANTS

The Authority covenants and agrees with the Trustee, each Credit Facility Provider and the Owners of the Bonds as follows:

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

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

Section 7.3. Offices for Servicing Bonds. The Authority shall at all times maintain an office or agency where Bonds may be presented for registration, transfer or exchange and where notices, presentations and demands upon the Authority in respect of the Bonds or of this Indenture may be served. The Authority shall designate such Fiduciaries, in addition to or replacing the Trustee as to the agencies to which they are appointed, as Paying Agents or Registrar or Authenticating Agent as it may deem appropriate under the provisions of any Supplemental Indenture.

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

Section 7.5. Further Assurance. At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every

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Finance Program are separately identified and only to the extent that such basis of reporting shall be consistent with that required under paragraph (B) of this Section.

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

(B) [INTENTIONALLY OMITTED]

(C) The Authority may, with the prior written consent of each Credit Facility Provider, which consent may take into consideration, among other things, the anticipated use of such funds, and delivery to the Trustee of a Rating Agency Condition, at any time sell, assign, transfer or otherwise dispose of Student Loans, at a price (i) at least equal to the principal amount thereof (plus accrued and unpaid borrower interest), when the amounts on deposit in the Accounts, excluding the Rebate Fund, the Loan Reserve Fund and the Excess Yield Fund, are at least equal to the principal amount of the Outstanding Bonds plus accrued interest and accrued and unpaid Bond Fees and Program Expenses, to pay current Debt Service on the Bonds, Bond Fees and Program Expenses on a timely basis; or (ii) equal to or lower than the principal amount thereof (plus borrower accrued interest) when the Authority delivers to the Trustee a Certificate, approved by each Credit Facility Provider showing that either (a) the Revenues and Recoveries of Principal expected to be received assuming such sale, assignment, transfer or other disposition of such Student Loan would be at least equal to the Revenues and Recoveries of Principal expected to be received assuming no such sale, assignment, transfer or other disposition of such Student Loan or (b) assuming such sale, assignment, transfer or other disposition (1) the Authority shall remain able to pay Debt Service on the Bonds, Bond Fees and Program Expenses on a timely basis or (2) the amounts on deposit in the Revenue Fund and the Student Loan Fund (including the Student Loans therein) based on the principal amount of the Student Loans and the then current Value of the cash and securities in such Accounts, is at least equal to the principal amount of the Outstanding Bonds plus accrued interest on the Bonds and Bond Fees and Program Expenses, if any, not reasonably expected to be paid from the Revenue Fund. Accrued interest is to be taken into account as appropriate on both the asset and liability side of such statement. The Authority may also sell Student Loans if necessary to prevent the occurrence of an Event of Default; provided, however, if such sale is lower than the principal amount thereof (plus accrued and unpaid borrower interest), the Authority shall either comply with the foregoing or obtain the prior written consent of all Credit Facility Providers and deliver to the Trustee a Rating Agency Condition.

Section 7.9. Personnel and Servicing of Programs. (A) The Authority shall at all times appoint, retain and employ competent personnel for the purpose of carrying out the Loan Finance Program and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries,

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such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the Trust Estate hereby pledged or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

Section 7.6. Tax Covenants.

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

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

Section 7.7. Accounts and Reports.

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

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

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

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

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

The financial statements shall be accompanied by an Accountant's Certificate stating that the financial statements examined present fairly the financial position of the Authority with respect to the Loan Finance Program, at the end of the Fiscal Year, the results of its operations and changes in fund balance for the period examined, in conformity with generally accepted accounting principles.

(C) Any such financial statements may be presented on a consolidated or combined basis with other reports of the Authority, so long as such financial statements for the Loan

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fees and charges. All persons employed by the Authority shall be qualified for their respective positions.

(B) The Authority shall duly and properly service all Student Loans and enforce the payment and collection of all payments of principal and interest in accordance with the provisions of the Act or shall cause such servicing to be done by a Servicer evidencing, in the judgment of the Authority, the capability and experience necessary to adequately service Student Loans in accordance with the Act.

Section 7.10. Issuance of Additional Bonds. (A) The Authority shall not hereafter create or permit the creation of or issue any obligations (except for Other Obligations) or create any additional indebtedness which will be secured by a charge or lien on the Trust Estate, except that Additional Bonds may be issued from time to time, subject to the provisions of Section 7.10(B) and the Supplemental Indenture authorizing such Additional Bonds, subsequent to the issuance of all Series of Bonds authorized under the first Supplemental Indenture adopted pursuant to this Indenture, on a parity with the Bonds of such initial issuance of one or more Series of Bonds, and secured by an equal charge and lien on the Trust Estate and payable equally therefrom, in each case except as expressly provided in Section 5.5(A)(1)(iv), Section 5.5(A)(1)(vi), Section 5.5(A)(1)(xii), Section 10.1 and Section 10.3 of this Indenture.

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

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

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

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

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

(C) The Authority hereby expressly reserves the right to maintain in effect and issue other obligations under the 1998 Indenture and to adopt one or more additional general resolutions or indentures, for its purposes, including the same purposes as those of the Loan Finance Program, and reserves the right to issue other obligations not payable from the Trust Estate for such purposes.

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

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happened or been performed, and such Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by law.

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

Section 7.13. Loan Reserve Fund. The Authority shall at all times maintain the Loan Reserve Fund created and established by Section 5.8 of this Indenture and shall withdraw and apply moneys in the Loan Reserve Fund in accordance with Section 5.8 of this Indenture only for the purchase of Defaulted Loans or otherwise permitted by Section 5.8 of this Indenture.

Section 7.14. Debt Service Reserve Fund. The Authority at all times shall maintain the Debt Service Reserve Fund created and established by Section 5.3 of this Indenture, and the Authority and the Trustee shall at all times do and perform or cause to be done and performed each and every act and thing with respect to the Debt Service Reserve Fund provided to be done or performed by or on behalf of the Authority or the Trustee under the terms and provisions of this Indenture, any Supplemental Indenture or of the Act. The Authority hereby determines that all cash, Investment Securities and Funding Instruments on deposit in the Debt Service Reserve Fund shall constitute a part of the "New Jersey Higher Educational Assistance Capital Reserve Fund" under the Act and shall be applied in accordance with the terms of this Indenture, any Supplemental Indenture and Section 7.15 herein.

The Authority shall at all times maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement. The Authority will file all notices and requests with the Governor of the State of New Jersey as may be necessary or desirable to obtain payment of any amounts appropriated by the New Jersey State Legislature to restore the Debt Service Reserve Fund to the amount required pursuant to N.J.S.A. 18A:71A-25.

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

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

The Act provides that, in order to maintain the Debt Service Reserve Fund Requirement, the State will make an annual appropriation to the Authority for deposit in the Debt Service Reserve Fund, in the amount certified by the Chairman of the Authority as described above as the amount necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement. However, all moneys to be paid to the Authority pursuant to the provisions of the Act described in this Section 7.15 are subject to appropriation by the Legislature of the State (the "State Legislature") for such purpose from time to time. The State Legislature has no legal obligation to make such appropriations, and the provisions of the Act

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

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

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

(13) Reserved;

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

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

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

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

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

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

Section 8.4. Consent of the Credit Facility Provider in Lieu of Consent of Bondholders. Anything in this Indenture to the contrary notwithstanding, whenever consent of

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described herein do not constitute a legally enforceable obligation on the part of the State, nor does it create a debt or liability of the State.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.1. Supplemental Indentures Not Requiring the Consent of Bondholders.

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

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

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

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

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

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

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

(7) to authorize the issuance of one or more Series of Bonds and to prescribe the terms and conditions upon which such Bonds may be issued;

(8) to create additional special trust accounts for the further securing of all Bonds issued pursuant to this Indenture if along with such Supplemental Indenture there is filed a Bond Counsel's Opinion to the effect that the creation and operation of such account will in no way impair the existing security of the Owner of any Outstanding Bond;

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

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

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ARTICLE IX

AMENDMENTS

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

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

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

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

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

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

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

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

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ARTICLE X

DEFAULTS AND REMEDIES

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

- (1) payment of the principal or Redemption Price of any Bond when and as the same shall become due, whether at maturity, upon call for redemption or otherwise, shall not be made when and as the same becomes due without giving regard to any payment made under the Credit Facility; or
- (2) payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due without giving regard to any payment made under the Credit Facility; or
- (3) if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any applicable bankruptcy law or similar law for the relief of debtors are instituted by the Authority (other than such proceedings instituted by the Authority against other parties); or
- (4) any representation or warranty of the Authority made under this Indenture or any Supplemental Indenture shall be incorrect in any material respect or the Authority shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Indenture or the Bonds, and such representation or warranty remains incorrect or such failure, refusal or default shall continue for a period of ninety (90) days after written notice thereof by the Trustee, a Credit Facility Provider or the Majority of Owners; or
- (5) with respect to any Series of Bonds, the occurrence of any Event of Default pursuant to the Supplemental Indenture authorizing such Series.

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

Section 10.2. Remedies. (A) Upon the happening and continuance of any Event of Default specified in paragraph (1) or (2) of Section 10.1, the Trustee shall promptly notify the Authority, the Rating Agencies, each Credit Facility Provider, and each Fiduciary of the existence of such Event of Default and upon actual knowledge of or the receipt of notification of the happening and continuance of any Event of Default specified in paragraph (3), (4) or (5) of Section 10.1, the Trustee shall promptly notify the Authority, the Rating Agencies, each Credit Facility Provider, and each Fiduciary of the existence of such Event of Default and may proceed, and, upon the written request of the Majority of the Owners, shall proceed, in its own name, subject to the provisions of Article XI and subject to the Supplemental Indenture, to protect and enforce the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including the right to require the Authority to receive and

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collect Revenues and Recoveries of Principal adequate to carry out the covenants and agreements as to, and the assignment of, the Eligible Loans and to require the Authority to carry out any other covenants or agreements with Bondholders and to perform its duties as prescribed by law;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds;

(4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or

(5) upon the occurrence of an Event of Default specified in paragraph (1), (2) or (3) of Section 10.1 or as otherwise provided in a Supplemental Indenture in a manner that is not prejudicial to the interests of the holders of any Series of Bonds then Outstanding the Trustee shall, but (subject to the provisions in the Supplemental Indenture) only at the written direction of the Majority of the Owners, declare the principal of all of the Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. If all defaults shall be cured, then the Trustee may annul such declaration and its consequences. In the event that all Bonds are declared due and payable, the Trustee may at the direction of such Owners, sell Student Loans and Investment Securities in such amounts sufficient to pay the principal and interest due and payable of all of the Bonds then Outstanding.

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

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

(D) Except upon the occurrence and during the continuance of an Event of Default hereunder, the Authority hereby expressly reserves and retains the privilege to receive and,

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

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

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, then first to the payment of the principal and interest then due and unpaid upon the Senior Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Bond over any other Senior Bond, and to the reimbursement of the Credit Facility Provider for making any such payment, ratably, according to the amounts due respectively for principal and interest on the Senior Bonds then due and unpaid or reimbursed, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; second, first to the Credit Facility Provider any Reimbursement Amounts due and payable and then to the issuer of any Funding Instrument any amounts due and payable to such issuer for any draw under the Funding Instrument, including accrued interest thereon at the Late Payment Rate and any other Reimbursement Amounts (as defined in the related Reimbursement Agreement) due and payable to the issuer of the Funding Instrument; third, except as otherwise provided by the applicable Supplemental Indenture, to the payment of the principal and interest then due and unpaid upon the Subordinate Bonds without preference of priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Bond over any other Subordinate Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Bonds.

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

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

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subject to the terms and provisions of this Indenture, including, without limitation, Section 5.8(D), to keep or dispose of, claim, bring suit upon or otherwise exercise, enforce or realize upon its rights and interest in and to the Student Loans and the proceeds of any collections therefrom, and neither the Trustee nor any Bondholder shall in any manner be or be deemed to be an indispensable party to the exercise of any such privilege, claim or suit.

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

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

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

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

THIRD: First, to the reimbursement of the Credit Facility Provider first for making payment of interest due on the Senior Bonds, second for making payment of principal due on the Senior Bonds and third for any other Reimbursement Amounts, and then to pay any amounts due and payable to the issuer of a Funding Instrument for any draw under the Funding Instrument, including accrued interest thereon at the Late Payment Rate and any other Reimbursement Amounts (as defined in the related Reimbursement Agreement) due and payable to the issuer of the Funding Instrument.

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

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

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

Section 10.5. Right of Bondholders to Direct Proceedings. Subject to Section 8.4 of this Indenture and the Supplemental Indenture, a Majority of Owners shall have the right, at any time during the continuance of an Event of Default, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or if the Trustee shall not have been furnished with the security or indemnification described in Section 11.1(I).

Section 10.6. Limitation on Rights of Bondholders. (a) Except as otherwise specifically provided by Section 10.2(A) or by this Section 10.6, no Owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Indenture unless, subject to any Supplemental Indenture, such Owner is an Owner of one or more Bonds then Outstanding, and such Owner previously shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless a Majority of Owners shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the fees, costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or for any other remedy hereunder or required by law. It is understood and intended that, except as otherwise above provided no one or more Owners of the Bonds hereby secured shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder with respect to the Bonds, or this Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of Owners of the Outstanding Bonds. Nothing contained in this Article X shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on its

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Bonds, or the obligation of the Authority to pay the principal of and interest on each Bond issued hereunder to the Owner thereof at the time and place in said Bond expressed.

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

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

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

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

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

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

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

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

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

(i) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in an Account the manner and for the purposes for which they were received and will be segregated from other funds except to the extent permitted by Section 5.10 of this Indenture or required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

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

(k) Notwithstanding anything contained elsewhere in this Indenture, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof as a condition of such action by the Trustee, reasonably and in good faith deemed necessary by the Trustee, for the purpose of establishing the right of the Authority to the authentication of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

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ARTICLE XI

CONCERNING THE FIDUCIARIES

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

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

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

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

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

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

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(l) Before taking any action hereunder, whether permissive or mandatory, the Trustee may require that reasonable security and/or a reasonably satisfactory indemnification (subject to Section 11.5(b)), be furnished for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from negligence or misconduct by reason of any action so taken.

(m) If the Trustee receives different or conflicting instructions or directions from more than one group of Bondholders each of which is provided in accordance with this Indenture, the Trustee shall act in accordance with the instructions or directions provided by the Bondholders representing the larger aggregate principal amount of Bonds then Outstanding.

(n) Recitals, statements and representations contained in any document in the nature of an official statement or offering circular, preliminary or final, relating to any Series of Bonds shall not be taken or construed as made by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness or truth of the same. Except for information concerning the Trustee provided by the Trustee, if any, the Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted or delivered to any Bondholder in the nature of an official statement or offering circular, preliminary or final.

Section 11.2. Appointment and Acceptance of Duties of Paying Agents, Bond Registrar and Other Fiduciaries. (A) The Authority shall appoint one or more Paying Agents and a Registrar for the Bonds and may subject to consent of the Credit Facility Provider at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in Section 11.13 for a successor Paying Agent, along with such other Fiduciaries as may be required in connection with any Bonds in accordance with the provisions of and by designation in the Supplemental Indenture authorizing such Bonds. The Trustee is hereby appointed as Paying Agent and as Registrar.

(B) Each Paying Agent, Registrar and other Fiduciary (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by a written instrument of acceptance executed and delivered to the Authority and the Trustee which shall include the address to which notice may be delivered in accordance with Section 12.3 of this Indenture.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agents of the Authority for the payment of the Bonds.

(D) If at any time or times the Trustee shall have determined, or shall have been advised by Counsel satisfactory to it, that it is necessary or prudent to appoint a co-trustee under this Indenture (i) in order to comply with the legal requirements of any applicable jurisdiction; or (ii) in order to effectuate the exercise of any one or more of the powers, rights or remedies of the Trustee hereunder, then the Trustee shall be entitled, without the consent of the Authority and regardless of whether an Event of Default hereunder shall have occurred, to appoint an additional institution to serve as co-trustee hereunder (a "co-Trustee") (whose costs, fees and expenses in carrying out (i) and (ii) hereof shall be borne by the Authority), with such powers as may be provided in the instrument of appointment; and to vest in each such institution any property, title, right or power deemed necessary or desirable, subject to the provisions of this Section 11.2.

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(E) Each co-Trustee shall, to the extent permitted by applicable law, be appointed subject to the following terms:

(i) The rights, powers, duties and obligations conferred or imposed upon any such co-Trustee shall not be greater than those conferred or imposed upon the Trustee, and such rights and powers shall be exercisable only jointly with the Trustee, except to the extent that, under any law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights and powers shall be exercised by such co-Trustee subject to the provisions of subsection (E)(iv) of this Section 11.2.

(ii) The Trustee may at any time, by an instrument in writing executed by it, accept the resignation of or remove any co-Trustee appointed under this Section 11.2.

(iii) No co-Trustee under this Indenture shall be liable by reason of any act or omission of the Trustee or any other co-Trustee appointed under this Indenture.

(iv) No power given to such co-Trustee shall be separately exercised hereunder by such co-Trustee except with the consent in writing of the Trustee, anything herein contained to the contrary notwithstanding.

(v) The appointment of any co-Trustee shall not in any manner reduce the liability of the Trustee with respect to the performance of its obligations or duties hereunder.

(F) Should any instrument in writing from the Authority be required by the co-Trustee so appointed or removed by the Trustee in order to vest in and confirm to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any co-Trustee, or a successor shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such co-Trustee.

Section 11.3. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Bonds issued hereunder or in respect of the security afforded by this Indenture, and no Fiduciary shall incur any responsibility in respect thereof. Any Authenticating Agent appointed as herein provided shall, however, be responsible for its representations contained in its certificate on the Bonds. No Fiduciary shall be under any obligation or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or

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(c) Each Fiduciary, by accepting its appointment as such under this Indenture, agrees that such Fiduciary (i) shall give the Authority and each Credit Facility Provider prompt notice in writing of any actual or potential claim described above, and the institution of any suit or action; (ii) shall not adjust, settle or compromise any such claim, suit or action without the consent of the Authority; and (iii) shall permit the Authority, at the Authority's sole discretion, to assume full control of the adjustment, settlement, compromise or defense of each such claim, suit or action.

(d) While the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq., is not applicable by its terms to claims arising under contracts with the Authority, each Fiduciary, by accepting its appointment as such under this Indenture, agrees that such statute (except N.J.S.A. 59:13-9) shall be applicable to all claims against the Authority arising under this Section 11.5.

(e) The reimbursement obligation provided in this Section 11.5 does not apply to or extend to any indemnification which may be given by any Fiduciary to any other Person.

Section 11.6. Permitted Acts and Functions. Any Fiduciary may become the owner of any Bonds, with the same rights it would have if it were not a Fiduciary. Any Fiduciary may act as Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

Section 11.7. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than sixty (60) days written notice to the Authority, and mailing notice thereof specifying the date when such resignation shall take effect, to the registered owners of Bonds, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 11.9, in which event such resignation shall take effect immediately on the appointment of such successor. Notwithstanding any other provision of this Indenture, no removal, resignation, or termination of the Trustee shall take effect until a successor shall be appointed.

Section 11.8. Removal of Trustee. Subject to the provisions of a Supplemental Indenture, the Trustee shall be removed by the Authority if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Authority. The Authority may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Authority by filing with the Trustee an instrument signed by an Authorized Officer.

Section 11.9. Appointment of Successor Trustee. (A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority covenants and agrees that it will thereupon appoint a successor Trustee, subject to the provisions of a Supplemental Indenture. The Authority shall mail notice of any such appointment made by it within twenty (20) days after such appointment to all Owners of Bonds.

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default. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others.

Section 11.4. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, indenture, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Account, such matter (unless other evidence of respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer or by another Fiduciary if so specified herein or in the applicable Supplemental Indenture, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its sole discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Neither the Trustee nor any successor Trustee or other Fiduciary shall be liable to the Authority, the Owners of any of the Bonds, any provider of a Credit or any other person for any act or omission done or omitted to be done by such Fiduciary in reliance upon any instruction, direction or certification received by the Trustee pursuant to this Indenture or for any act or omission done or omitted in good faith and without negligence and misconduct. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Authority to any Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authorized Officer. Notwithstanding any other provisions of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Credit Facility.

Section 11.5. Compensation.

(a) Unless otherwise determined by contract between the Authority and a Fiduciary, the Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Indenture.

(b) The Authority hereby agrees, to the extent permitted by State law, to reimburse and hold harmless each Fiduciary from and against any and all claims, damages, losses, liabilities, costs or reasonable expenses whatsoever which such Fiduciary may incur in connection with the performance by such Fiduciary of its obligations under this Indenture; provided, however, that the Authority shall not be required to reimburse and hold harmless any Fiduciary for any claims, damages, losses, liabilities, costs or expenses caused in whole or in part by such Fiduciary's negligence, bad faith, breach of contract or misconduct arising out of or as a result of such Fiduciary's performing its obligations under this Indenture or undertaking any transaction contemplated by this Indenture; and further provided, that the foregoing is subject to the limitations of the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:2-1 et seq., and the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1 et seq.

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(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within sixty (60) days after the Trustee shall have given to the Authority written notice, as provided in Section 11.7, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or any Credit Facility Provider may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Every successor Trustee appointed pursuant to this Section shall be a trust company or commercial bank duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000, unless a higher amount is required in a Supplemental Indenture; and authorized by law to act as the Trustee.

Section 11.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee, but the Trustee ceasing to act shall nevertheless, on the request of the Authority, or of its successor Trustee, upon payment in full of all fees, costs and expenses, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify each Fiduciary of its appointment as Trustee. Upon the effectiveness of the resignation or removal of the Trustee, such Trustee's authority to act pursuant to this Indenture shall terminate and such Trustee shall have no further responsibility or liability whatsoever for performance of this Indenture as Trustee.

Section 11.11. Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 11.9 or Section 11.13 and shall be authorized by law to perform all the duties imposed upon it by this Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11.12. Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of

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the successor Trustee, and in all such cases such certificate shall have the full force provided anywhere in said Bonds or in this Indenture.

Section 11.13. Resignation or Removal of the Paying Agents, Registrar and Other Fiduciaries and Appointment of Successors. (A) Any Paying Agent may, the Registrar may and any Fiduciary (other than the Trustee) may, at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days written notice to the Authority, the Trustee, each Credit Facility Provider and the Bondholders. Any Paying Agent may, the Registrar may and any Fiduciary (other than the Trustee) may be removed at any time by an instrument signed by an Authorized Officer and filed with such Paying Agent, Registrar or other Fiduciary and with the Trustee. Any successor Paying Agent, Registrar or Fiduciary (other than the Trustee) shall be appointed by the Authority and (subject to the requirements of Section 7.3 or any Supplemental Indenture) shall be a trust company or commercial bank having the powers of a trust company, having a reported capital and surplus aggregating at least \$75,000,000, and willing and able to accept the office of Paying Agent, Registrar or Fiduciary (other than the Trustee), as the case may be, on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. Notwithstanding any other provision of this Indenture, no resignation or removal of any Paying Agent, Registrar or Fiduciary shall take effect until a successor shall be appointed.

(B) In the event of the resignation or removal of any Paying Agent, Registrar or Fiduciary (other than the Trustee), such Paying Agent, Registrar or Fiduciary (other than the Trustee) shall, after payment of its fees, costs and expenses, pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 11.14. Evidence of Signatures of Bondholders and Ownership of Bonds. (A) Any request, consent or other instrument which this Indenture may require (or permit) to be executed by Bondholders may be executed by such Bondholders or by their attorneys pursuant to powers of attorney or instruments of similar tenor and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its sole discretion require further or other proof in cases where it deems the same desirable.

The fact and date of the execution by any Bondholder or its attorney of such instrument may be proved by the Certificate, which need not be acknowledged or verified, of an officer of a bank or trust company, financial institution or other member of the National Association of Securities Dealers, Inc. satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which such notary public or other officer purports to act, that the person signing such request or other instrument acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

(B) The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

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ARTICLE XII

DEFEASANCE, MISCELLANEOUS PROVISIONS

Section 12.1. Defeasance. (A) If the Authority shall pay or cause to be paid to the Owners of the Bonds, the principal, Redemption Price and interest to become due thereon, at the times and in the manner stipulated therein and in this Indenture, and pay or cause to be paid (i) to each Fiduciary its fees, costs and expenses, and (ii) to each Credit Facility Provider all amounts owing under each Credit Facility or Reimbursement Agreement relating thereto, then the pledge of the Trust Estate, including any Revenues, Recoveries of Principal, and other moneys, securities, funds and property hereby pledged and all other rights granted hereby shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys or securities held by them pursuant to this Indenture which are not required for the payment of Bonds not theretofore surrendered for such payment. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Notwithstanding the foregoing and subsection (B) below, the provisions of this Indenture relating to payment, registration, transfer and redemption of Bonds shall remain in effect until final maturity or the redemption date of the Bonds.

(B) Bonds or interest installments (in each case, other than on Bonds held in custody for the benefit of a Credit Facility Provider under a Supplemental Indenture) for the payment of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Authority of funds for such payment or otherwise) shall, at the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. Except as otherwise provided in any Supplemental Indenture, all Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or noncallable Governmental Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds and (iv) in the event said Bonds are not payable within the next succeeding ninety (90) days, the Authority shall have delivered to the Trustee a Verification Report, verifying that the deposits made pursuant to this subsection (B) are sufficient to pay when due the principal or Redemption

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(C) Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in accordance therewith.

Section 11.15. Preservation and Inspection of Documents. All Fiduciaries under the provisions of this Indenture or any Supplemental Indenture shall maintain accurate records relating to the performance of their duties consistent with industry practices, which records, including, without limitation, the registration books of Bondholders, shall be subject at all reasonable times to the inspection of the Authority, any other Fiduciary, any Bondholder and any Credit Facility Provider and their agents and their representatives, any of whom may make copies thereof.

Section 11.16. Directions to Trustee. Except for the specific instances in which this Indenture expressly permits the Authority to give the Trustee directions orally which are promptly confirmed in writing, any directions given by the Authority to the Trustee must be in writing.

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Price of and interest due and to become due on said Bonds. Neither Governmental Obligations or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Governmental Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, of and interest on said Bonds unless at all times following such use or withdrawal there shall be deposited with the Trustee moneys and noncallable Governmental Obligations the principal of and the interest in which when due will provide moneys which shall be sufficient to pay when due the principal or Redemption Price, if applicable, of and interest due or to be due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and the Authority shall have delivered to the Trustee prior to such withdrawal or use a Verification Report as described in clause (ii) above verifying the deposit after taking into account such withdrawal or use; but any cash received from such principal or interest payments on such noncallable Governmental Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge.

(C) The deposit required by subsection (B) hereof may be made with respect to Bonds or portions of Bonds within any particular maturity, in which case such maturity, or portion thereof, of Bonds shall no longer be deemed to be Outstanding under the terms of this Indenture, and the Owners of such defeased Bonds shall be secured only by such trust funds and not by any other part of the Trust Estate, and this Indenture shall remain in full force and effect to protect the interests of the Owners of Bonds remaining Outstanding thereafter.

Section 12.2. No Recourse Under Indenture or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Authority contained in this Indenture shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any officer, employee or agent of the Authority in its individual capacity, and no recourse shall be had for the payment of the principal or of interest on the Bonds or for any claim based thereon or on this Indenture against any officer, employee or agent of the Authority or against any natural person executing the Bonds.

Section 12.3. Notices. Any notice, demand, direction, request or other instrument authorized or required by this Indenture or by any Supplemental Indenture to be given to or filed with the Authority, the Trustee, any other Fiduciary, any Credit Facility Provider or the Rating Agencies shall be deemed to have been sufficiently given or filed for all purposes if and when delivered or sent by registered or certified mail, return receipt requested, postage prepaid to the following addresses:

(a) To the Authority: New Jersey Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, P.O. Box 545, Trenton, New Jersey 08625, Attention: Executive Director, Office of Student Assistance.

If overnight delivery to the Authority: New Jersey Higher Education Student Assistance Authority, #4 Quakerbridge Plaza, Mercerville, New Jersey 08619, Attention: Executive Director.

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(b) To the Trustee, Paying Agent, Registrar or Authenticating Agent: Wells Fargo Bank, National Association, 7077 Bonneval Road, Suite 400, Jacksonville, Florida 32216, Attention: Corporate Trust Services

(c) To any other Fiduciary, to such address as such Fiduciary shall indicate in the acceptance of office filed by each such Fiduciary pursuant to Section 11.2(B) of this Indenture.

(d) To Moody's, to Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, 25th Floor, New York, New York 10007, Attention: ABS/RMBS Monitoring Department

(e) To S&P, to Standard & Poor's Corporation, 55 Water Street, 38th Floor, New York, New York 10041-0003, Attention: Asset-Backed Securities Structured Finance Group.

(f) To any Credit Facility Provider, to an address as may be specified in any Supplemental Indenture

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

Section 12.4. Governing Law. This Indenture shall be construed pursuant to the laws of the State.

Section 12.5. Notices to Rating Agencies. Except for with respect to clause (e) below, which notice shall be provided promptly upon knowledge thereof, the Authority shall provide ten (10) days prior written notice to any Rating Agency then rating the Outstanding Bonds of any Series, to the address specified by such Rating Agency for such purposes, upon the occurrence of any of the following:

- (a) substitution or replacement of the Trustee;
- (b) any amendment to this Indenture and any Supplemental Indenture pursuant to which Bonds are then Outstanding or any amendment to any Credit Facility pursuant to a Supplemental Indenture;
- (c) redemption or mandatory tender for purchase of any Outstanding Bonds of any Series;
- (d) any amendments to the Servicing Agreement; and
- (e) an Event of Default.

Section 12.6. References to the Credit Facility Provider(s). Under circumstances set forth in the applicable Supplemental Indenture, during such period or periods of time when (a) the Credit Facility of a Credit Facility Provider is not in effect, (b) a Credit Facility Provider shall be in default under or shall have wrongfully refused to make payment in accordance with the terms of its Credit Facility, (c) a Credit Facility Provider shall have instituted proceedings for relief under any applicable bankruptcy law or shall have a case or other proceedings commenced against the Credit Facility Provider under the United States Bankruptcy Code or

any similar law or (d) a final non-appealable order of a court having competent jurisdiction in the premises shall be entered declaring any provision of a Credit Facility (other than provisions of the Credit Facility relating to service of process or relating to matters that solely benefit the Credit Facility Provider) at any time, for any reason, invalid and not binding on the Credit Facility Provider, or declaring any provision of the Credit Facility (other than provisions of the Credit Facility relating to service of process or relating to matters that solely benefit the Credit Facility Provider) null and void, notwithstanding Section 8.4 of this Indenture, all consents, approvals, directions, appointments or requests, if any, of such Credit Facility Provider set forth in this Indenture or any Supplemental Indenture shall not be required.

Section 12.7. Effective Date. This Indenture shall take effect upon its execution and delivery.

Section 12.8. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.9. Form of Bonds; Trustee's Certificate of Authentication. Subject to the provisions of this Indenture, the form of Bonds of each Series and the Trustee's Certificate of Authentication shall be substantially the following tenor with such variations, omissions and insertions as are required or permitted by this Indenture or as required by a Supplemental Indenture:

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL PREMIUM OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL PREMIUM OR INTEREST ON THIS BOND.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
[SUBORDINATE] STUDENT LOAN REVENUE BOND, 20__ SERIES __

No R-

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>
	%		
REGISTERED OWNER:	CEDE & CO		
PRINCIPAL AMOUNT:	Dollars		

The Higher Education Student Assistance Authority a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority") for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each _____ and _____, commencing _____ (each an "Interest Payment Date"). Principal and premium, if any, of this Bond are payable upon the presentation and surrender hereof at the corporate trust office of Wells Fargo Bank, National Association, _____, (together with its successors as Paying Agent, the "Paying Agent"). Interest on this Bond is payable to the registered owner of record as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the "Registrar"), by check or draft mailed to the registered owner at the registered address; provided that, at the written request of the registered owner of at least \$1,000,000 principal amount of Bonds of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Bond shall be calculated on the basis of a 360-day year consisting of twelve 30 day months. Capitalized terms used in Bond and not referred herein shall have the meanings given thereto in this Indenture.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its Student Loan Revenue Bonds, 20__ Series __ (the "20__ Bonds") issued as fully registered bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$ _____ under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on May 28, 2008 (the "Bond Resolution") and equally and ratably secured under an Indenture of Trust dated as of _____, 2008 and a First Supplemental Indenture, dated as of _____, 20____, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by supplemental indentures (such Indenture and any and all such supplemental indentures, including, without limitation, the First Supplemental Indenture, being herein collectively called the "Indenture") for the purpose of, among other things, originating student loans under the NJCLASS Loan Program pursuant to the Act.

The Authority has issued its \$ _____ Student Loan Revenue Bonds, _____ Series __ under the Indenture (the "20__ Bonds") and, together with any additional bonds

hereafter issued under the Indenture, referred to as the "Bonds"). The Indenture pledges for the payment of the Bonds, subject to the terms and conditions of the Indenture, the Student Loans (defined in the Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and this Indenture for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Bonds, the manner of enforcement of such security, the custody and application of the proceeds of the Bonds, the terms and conditions upon which the Bonds are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the Bonds. Copies of the Bond Resolution and this Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and this Indenture.

Pursuant to the Indenture, additional bonds equally secured, all except as expressly provided in Section 5.5(A)(1)(iv), Section 5.5(A)(1)(v), Section 5.5(A)(1)(xii), Section 10.1 and Section 10.3 of the Indenture, by the pledge and covenants made in the Indenture with the 20__ Bonds may be issued from time to time in one or more series for the purposes set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences.

[The 20__ Bonds shall be subject to redemption as follows:

INSERT REDEMPTION PROVISIONS]

This Bond shall neither be entitled to any security, right, or benefit under the Bond Resolution and this Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman or other Authorized Officer and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer, all as of the Dated Date.

CERTIFICATE OF AUTHENTICATION

This bond is one of the 20__ Bonds described herein.

[SEAL]

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

WELLS FARGO BANK, NATIONAL ASSOCIATION, Authenticating Agent

By: _____
Eugene Hutchins
Chief Financial Officer

By: _____
Authorized Signatory

Attest:

By: _____
E. Michael Angullo
Secretary

Authentication Date: _____, 2008

ASSIGNMENT

FOR VALUE RECEIVED, _____ (the "Transferor"), the undersigned, hereby sells, assigns and transfers unto

	(the "Transferee")
Name	
Address	

Social Security or Federal Employer Identification No. _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

IN WITNESS WHEREOF, the undersigned Authorized Officer of the Authority and the undersigned officer of the Trustee have hereunto executed this Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: _____
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Nathan E. Turner
Vice President

Date:		NOTICE: No transfer will be made in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and the date of the trust and the name of the trustee should be applied
Signature Guaranteed:		
NOTICE: signature(s) must be guaranteed by a member of the New York Stock Exchange or a bank or a trust company		

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. (OR TO SUCH OTHER ENTITY AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS, AN INTEREST HEREIN.

Authentication Date: _____

[SIGNATURE PAGE TO INDENTURE OF TRUST]

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By and Between
HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
and
WELLS FARGO BANK, NATIONAL ASSOCIATION
Relating To
\$350,000,000 STUDENT LOAN REVENUE BONDS, 2008 SERIES A
Dated as of August 1, 2008

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FIRST SUPPLEMENTAL INDENTURE

This First Supplemental Indenture, dated as of August 1, 2008, (the "Supplemental Indenture") by and between the Higher Education Student Assistance Authority (successor to the Higher Education Assistance Authority pursuant to N.J.S.A. 18A:71A-1 et seq., effective April 26, 1999) (the "Authority") and Wells Fargo Bank, National Association, as trustee (the "Trustee").

WHEREAS, the Authority and the Trustee have entered into the Indenture of Trust dated as of August 1, 2008 (the "Indenture"); and

WHEREAS, the Authority is established and created under and pursuant to the Higher Education Student Assistance Authority Law, constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey, effective April 26, 1999, as amended and supplemented, and any successor legislation (the "Act"); and

WHEREAS, the execution and delivery of the Indenture and this Supplemental Indenture and the issuance of the 2008 Series A Bonds (as defined herein) hereunder have been in all respects duly and validly authorized by resolutions duly adopted by the Authority.

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH THAT:

ARTICLE I

SHORT TITLE, DEFINITIONS, AND AUTHORITY

Section 1.1. **Short Title.** This Supplemental Indenture shall be known as and may be designated by the short title "First Supplemental Indenture" (this "Supplemental Indenture" or this "First Supplemental Indenture").

Section 1.2. **Definitions.** All words and phrases defined in Article I of the Indenture shall have the same meanings in this Supplemental Indenture, except as otherwise appears in this Section. In addition, the following terms shall have the following meanings, unless the context otherwise requires:

Act of Bankruptcy means the filing of a petition in bankruptcy by (with respect to itself) or against the Authority under the United States Bankruptcy Code or commencement of similar proceedings by (with respect to itself) or against the Authority under applicable State bankruptcy or insolvency laws.

Aggregate Loan Balance means, as of the date of determination, the aggregate outstanding principal balance of a 2008 Student Loan, excluding any deferred interest which may be added to the principal of such 2008 Student Loan.

Aggregate Pool Loan Balance means, as of the date of determination, the aggregate of the Aggregate Loan Balances of all 2008 Student Loans.

Application Fee means any application fee, origination fee, default fee, insurance or other fee due to the Authority for a 2008 Student Loan.

Authorized Denominations means \$5,000 or any integral multiple in excess thereof.

Business Day means any day other than (i) a Saturday, Sunday, or legal holiday in the State (ii) any day on which the offices of the Trustee, the Paying Agent or the Credit Facility Provider are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the States of Maryland or New Jersey.

Credit Facility means the Financial Guaranty Insurance Policy.

Credit Facility Provider means Assured Guaranty Corp., a Maryland Corporation and any successor thereto.

Credit Facility Provider Default means, as of any date of determination, any failure by the Credit Facility Provider to make payment under the Credit Facility when due in accordance with the terms of the Credit Facility which has not been cured as of such date of determination.

Credit Facility Reimbursement Agreement means the Bond Policy Insurance and Reimbursement Agreement by and among the Authority and the Credit Facility Provider dated August 7, 2008, regarding the Credit Facility and is a Reimbursement Agreement for purposes of the Indenture and this Supplemental Indenture.

Deferred Interest Loan means a 2008 Student Loan, the payment of interest on and principal of which the borrower has requested, on or prior to the date the 2008 Student Loan is made or thereafter, to defer in accordance with the NJCLASS Loan Program, which request has been granted by the Authority; and such 2008 Student Loan shall constitute a Deferred Interest Loan only during the period in which such interest deferral is in effect.

Deferred Principal Loan means a 2008 Student Loan, the payment of principal of, but not interest on, which the borrower has requested, on or prior to the date the 2008 Student Loan is made or thereafter, to defer in accordance with the NJCLASS Loan Program, which request has been granted by the Authority; and such 2008 Student Loan shall constitute a Deferred Principal Loan only during the period in which such principal deferral is in effect.

Financial Guaranty Insurance Policy or **Policy** means the financial guaranty insurance policy no. D-2008-689 issued by the Credit Facility Provider insuring the payment when due of the regularly scheduled principal of and interest on the 2008 Series A Bonds, as provided therein, together with any endorsements thereto which are issued by the Credit Facility Provider.

Financing Documents means the Indenture, this Supplemental Indenture, the 2008 Series A Bonds, the Servicing Agreement, the Premium Letter, the Bond Purchase

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Purchase Agreement means the Bond Purchase Agreement dated August 1, 2008 between the Authority and Morgan Stanley & Co., Incorporated, as representative of the underwriters listed therein, with respect to the purchase and sale of the 2008 Series A Bonds.

Recycling Period means the period commencing on the Issue Date and ending on the earlier of (i) July 1, 2010, (ii) the date of receipt by the Trustee of a Certificate of an Authorized Officer of the Authority pursuant to Section 5.4(B) of the Indenture, (iii) the date of any draw under the Surety Bond and (iv) unless otherwise waived by the Credit Facility Provider, on such date on which an Event of Default occurs; provided that this period may be extended if there shall have been delivered (a) to the Trustee at least ten (10) days prior to such extension the written consent of the Credit Facility Provider to such extension and (b) to each Rating Agency at least ten (10) days prior to such extension, notice of such extension.

Sinking Fund Payment means, as of any particular date of calculation, the amount to be paid by the Authority on a certain future Principal Payment Date for the partial redemption of Outstanding 2008 Series A Bonds which mature after said future Principal Payment Date, to the extent Revenues and Recoveries of Principal are available therefor, in accordance with Section 5.5(A)(1)(x) of the Indenture and the schedule provided in Section 2.8(A)(e) hereof.

Surety Bond means a financial guaranty insurance policy issued by the Surety Provider for the 2008 Series A Bonds in the amount of the 2008 Reserve Requirement, which Surety Bond can be drawn upon by the Trustee to make a withdrawal from the Debt Service Reserve Fund. The Surety Bond constitutes a Funding Instrument under the Indenture.

Surety Bond Reimbursement Agreement means the Surety Bond Reimbursement Agreement by and between the Authority and the Surety Provider and acknowledged by the Trustee, dated August 7, 2008, regarding the Surety Bond and is, except for purposes of Section 5.5 of the Indenture, a Reimbursement Agreement for purposes of the Indenture and this Supplemental Indenture.

Surety Provider means Assured Guaranty Corp., a Maryland Corporation and any successor thereto.

2008 Capitalized Interest Account means the account of the Capitalized Interest Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2008 Debt Service Reserve Account means the account of the Debt Service Reserve Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2008 NJCLASS Revenue Account means the account of the Revenue Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2008 NJCLASS Student Loan Account means the account of the Student Loan Fund established pursuant to Section 3.1 of this Supplemental Indenture.

2008 Reserve Requirement means the Debt Service Reserve Fund Requirement applicable to the 2008 Series A Bonds as specified in Section 3.4 of this Supplemental Indenture.

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Agreement, the Continuing Disclosure Agreement, the Credit Facility, the Surety Bond, the Surety Bond Reimbursement Agreement and the Credit Facility Reimbursement Agreement.

Fixed Rate Standard NJCLASS Loan means an Eligible Student Loan made under the NJCLASS Loan Program with a fixed rate of interest for a loan term not to exceed twenty years and which satisfies the credit criteria set forth in Schedule C of this Supplemental Indenture.

Indenture means the Indenture of Trust by and between the Trustee and the Authority, dated as of August 1, 2008, as amended and supplemented by this Supplemental Indenture.

Issue Date means the date of delivery upon original issuance of the 2008 Series A Bonds.

Loan Rate means, for 2008 Student Loans, the nominal interest rate charged by the Authority for the Eligible Student Loan. The Loan Rate for Eligible Student Loans made with proceeds of the 2008 Series A Bonds is set forth in or determined in accordance with Section 4.1(B)(3) of this Supplemental Indenture, and such Eligible Loans shall not be made at other than such Loan Rate unless approved by an Authorized Officer and the Credit Facility Provider and delivery to the Trustee of a Rating Agency Condition and there shall have been delivered (i) to the Trustee and the Credit Facility Provider a Bond Counsel's Opinion to the effect that the revised Loan Rate is authorized or permitted by the Act, the Indenture, and this Supplemental Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the 2008 Series A Bonds, and (ii) to the Credit Facility Provider a Cash Flow Statement taking into account the revised Loan Rate.

Origination Period means the period commencing on the Issue Date and ending on the date that the Authority no longer reasonably expects to originate 2008 Student Loans from the 2008 NJCLASS Student Loan Account, but not later than July 1, 2009, provided that the Origination Period may be extended for such Account if there shall have been delivered: (i) to the Trustee at least ten (10) days prior to such extension the written consent of the Credit Facility Provider to such extension and (ii) to each Rating Agency at least ten (10) days prior to such extension, notice of such extension.

Parity Percentage shall have the meaning set forth in Section 3.5 hereof.

Parity Percentage Requirement shall have the meaning set forth in Section 3.5 hereof.

Principal Installment means, as of any Principal Payment Date, the aggregate principal amount of Outstanding Bonds maturing on such Principal Payment Date, excluding all Sinking Fund Payments.

Person or person means any natural person and any firm, partnership, joint venture, joint-stock company, trust, association, unincorporated organization or corporation, or other entity, or public body government or political subdivision, including any State or federal agency.

Premium Letter means the letter agreement, dated the Issue Date, among the Authority, the Credit Facility Provider and the Trustee.

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2008 Series A Bond Resolution means the resolution of the Authority adopted on May 28, 2008 authorizing the issuance and delivery of the 2008 Series A Bonds.

2008 Series A Bonds means the Series of Senior Bonds authorized by Section 2.1 of this Supplemental Indenture and entitled "Student Loan Revenue Bonds, 2008 Series A."

2008 Student Loan means an Eligible Student Loan which is a Fixed Rate Standard NJCLASS Loan, made with a disbursement from the 2008 NJCLASS Student Loan Account.

Trustee means Wells Fargo Bank, National Association, or its successors or assigns.

United States Bankruptcy Code means Title 11 U.S.C., Section 101 et seq., as amended or supplemented from time to time, or any successor federal act.

Any reference in this Supplemental Indenture to making, originating, purchasing or acquiring (or similar words) 2008 Student Loans shall mean and include all such terms and words.

Section 1.3. **Authority.** This Supplemental Indenture is executed pursuant to the provisions of the Act, the Indenture, and the 2008 Series A Bond Resolution. Nothing in this First Supplemental Indenture, expressed or implied, is intended to or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the Trustee, the Credit Facility Provider, the Paying Agent, the Registrar, any other Fiduciary and the owners of the 2008 Series A Bonds, any right, remedy or claim under or by reason of this First Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this First Supplemental Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Credit Facility Provider, the Paying Agent, the Registrar, any other Fiduciary and the owners of the 2008 Series A Bonds. To the extent that this First Supplemental Indenture or the Indenture confers upon or gives or grants to the Credit Facility Provider any right, remedy or claim under or by reason of this First Supplemental Indenture or the Indenture, it is hereby explicitly recognized as being a third-party beneficiary hereunder and thereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder or thereunder as if it is a party hereto or thereto.

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ARTICLE II

AUTHORIZATION, TERMS, AND
ISSUANCE OF 2008 SERIES A BONDS

Section 2.1. Principal Amount, Designation, and Series. Pursuant to the provisions of the Indenture and in particular Sections 2.5 and 8.1 thereof, the 2008 Series A Bonds are hereby authorized in the aggregate principal amount of \$350,000,000. The 2008 Series A Bonds shall be distinguished from the Bonds of all other Series by the title "Student Loan Revenue Bonds, 2008 Series A." The 2008 Series A Bonds shall constitute Senior Bonds as defined in the Indenture.

Section 2.2. Purposes. (a) The 2008 Series A Bonds are issued for the purpose of: (i) making a deposit into the Student Loan Fund established pursuant to the Indenture to be applied as set forth therein and herein, including, without limitation, to make or purchase 2008 Student Loans and (ii) making a deposit into the 2008 Capitalized Interest Account within the Capitalized Interest Fund established pursuant to the Indenture to pay a portion of the scheduled interest due on the 2008 Series A Bonds in such amounts and on such Interest Payment Dates as set forth in Section 3.2 hereof. The 2008 Series A Bonds shall be issued as fixed rate Tax-Exempt Bonds.

(b) The 2008 Student Loans shall satisfy the criteria set forth in Schedule C attached hereto unless the Authority delivers to the Trustee the written consent of the Credit Facility Provider and a Rating Agency Condition.

Section 2.3. Date, Maturities, and Interest Rate. (a) The 2008 Series A Bonds shall be payable at the places and in the manner set forth in the Indenture, this Supplemental Indenture and Schedule B attached hereto. The 2008 Series A Bonds shall consist of serial and/or term bonds which shall be dated the Issue Date on original issuance, shall bear interest, shall mature, shall be payable and shall be subject to redemption as described in Schedule A attached hereto and in Section 2.8 hereof.

Section 2.4. Form, Denomination, Numbers, and Letters. The 2008 Series A Bonds shall be issued in the form of fully registered bonds without coupons, and the 2008 Series A Bonds (and the Authenticating Agent's Certificate of Authentication) shall be issued in substantially the form set forth in Schedule B attached hereto. The 2008 Series A Bonds shall be issued in the Authorized Denominations and shall be numbered separately from 1 upward and may be preceded by a letter or letters so as to distinguish such Series of 2008 Series A Bonds.

Section 2.5. Appointment of Paving Agent. Wells Fargo Bank, National Association is hereby appointed the Paving Agent with respect to the 2008 Series A Bonds.

Section 2.6. Appointment of Registrar and Authenticating Agent. Wells Fargo Bank, National Association is hereby appointed Registrar with respect to the 2008 Series A Bonds.

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Section 2.8. Redemption of 2008 Series A Bonds. (A) The 2008 Series A Bonds shall be subject to redemption as follows:

(a) Optional Redemption. The 2008 Series A Bonds maturing on and after June 1, 2019 shall be subject to redemption, at the option of the Authority, in whole or in part, on any date on or after June 1, 2018 at a Redemption Price equal to the principal amount of such 2008 Series A Bonds to be redeemed (100%) plus unpaid accrued interest to the date fixed for redemption from available funds of the Authority, including the proceeds of Refunding Bonds, amounts on deposit in the Revenue Fund and available to be applied to the redemption of Bonds as provided in Section 5.5(A)(1)(x) of the Indenture or any other funds provided by the Authority, from sources other than the Trust Estate, for such purpose. If the 2008 Series A Bonds are redeemed in part pursuant to this Section 2.8(a) from the proceeds of Refunding Bonds or from other funds provided by the Authority from sources outside the Trust Estate, the particular 2008 Series A Bonds to be redeemed shall be selected from such maturities and in such amounts as the Authority shall determine. If the 2008 Series A Bonds are redeemed in part pursuant to this Section 2.8(a) from amounts on deposit in the Revenue Fund and available to be applied to the redemption of Bonds as provided in Section 5.5(A)(1)(x) of the Indenture, the particular 2008 Series A Bonds to be redeemed shall be selected in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct).

(b) Mandatory Redemption Resulting From Non-Origination. The 2008 Series A Bonds are subject to redemption prior to maturity, in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct), in whole or in part, on any date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the 2008 Series A Bonds remaining in the 2008 NJCLASS Student Loan Account at the expiration of the Origination Period which have not been committed to originate or acquire 2008 Student Loans from such Account as provided in Section 5.4(A)(1)(vi) of the Indenture.

(c) Special Optional Redemption From Excess Revenues. The 2008 Series A Bonds are subject to redemption prior to maturity, in whole or in part, in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct) on any date, pursuant to Section 5.5(A)(1)(x) of the Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Revenues and Recoveries of Principal (other than resulting from voluntary sales of 2008 Student Loans) which the Authority determines are not to be used to originate or acquire additional 2008 Student Loans, including upon the expiration of the Recycling Period, or (ii) any moneys available therefor upon a determination by the Authority with the consent of the Credit Facility Provider and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities; and provided further that in either case, (i) if the date of redemption is on or after any June 20 but before the next succeeding December 1, one hundred percent (100%) of the interest due on the next succeeding Payment Date and sixty percent (60%) of the Principal Installment due on the next succeeding Principal Payment Date shall be retained in the 2008 NJCLASS Revenue Account for the payment of such Debt Service and (ii) if the date of redemption is on or after any December 20 but before the next succeeding June 1, one hundred percent (100%) of the

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The Authority hereby determines that the appointment of an Authenticating Agent is necessary to the issuance of the 2008 Series A Bonds and hereby appoints Wells Fargo Bank, National Association, as Authenticating Agent with respect to the 2008 Series A Bonds.

Section 2.7. Book-Entry, Letter of Representation. The 2008 Series A Bonds shall be issued in book-entry-only form and shall be issued initially in the name of Cede & Co., as nominee for DTC, as registered owner of such 2008 Series A Bonds, and held in the custody of DTC. The actual purchasers of the 2008 Series A Bonds (the "Beneficial Owners") will not receive physical delivery of 2008 Series A Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase providing details of each 2008 Series A Bond acquired. For so long as DTC shall continue to serve as securities depository for such 2008 Series A 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 2008 Series A Bonds is to receive, hold or deliver any 2008 Series A Bond certificate.

For every transfer and exchange of 2008 Series A Bonds, the Beneficial Owner may be charged a sum sufficient to cover such Beneficial Owner's allocable share of any tax, fee or other governmental charge that may be imposed in relation thereto. Certificates for 2008 Series A Bonds are required to be delivered to and registered in the name of the Beneficial Owner, under the following circumstances:

(a) DTC determines to discontinue providing its service with respect to 2008 Series A Bonds, in which case such a determination may be made at any time by the giving of notice to the Authority and the Trustee discharging its responsibilities with respect thereto under applicable law; and

(b) The Authority determines, with the consent of the Credit Facility Provider, that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners, the Authority or the State.

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

Whenever, during the term of the 2008 Series A Bonds, the beneficial ownership thereof is determined by a book-entry at DTC, the requirements in the Indenture for holding, delivering or transferring 2008 Series A Bonds shall be deemed modified to require the appropriate person to meet the requirements of DTC as to registering or transferring the book-entry to produce the same effect.

The Authority hereby authorizes and directs the execution and delivery by an Authorized Officer of the Authority of a Letter of Representation or Letter of Representations, if required, with DTC and the Trustee in the standard form to effectuate a book-entry-only system with respect to the 2008 Series A Bonds.

If, at any time, DTC ceases to hold such 2008 Series A Bonds, all references to DTC with respect to such 2008 Series A Bonds shall be of no further force or effect except that, if the Authority shall appoint a successor securities depository company, such references shall be deemed to refer to such successor securities depository company.

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Principal Installment and interest due on the next succeeding Payment Date shall be retained in the 2008 NJCLASS Revenue Account for the payment of such Debt Service.

(d) Special Mandatory Redemption from Excess Revenues. The 2008 Series A Bonds are subject to redemption prior to maturity, in whole or in part, on any date, pursuant to the provisions of Section 5.5(A)(1)(x) of the Indenture, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from moneys to be applied to such redemption when the Outstanding principal amount of 2008 Series A Bonds is less than ten percent (10%) of the original principal amount of 2008 Series A Bonds, from (i) Revenues and Recoveries of Principal or (ii) any moneys available therefor upon a determination by the Authority with the consent of the Credit Facility Provider and at least ten (10) days prior notice to each Rating Agency that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities.

(e) Sinking Fund Redemption. The 2008 Series A Bonds maturing on June 1, 2021 and June 1, 2030 are subject to sinking fund redemption, in whole or in part, pursuant to the provisions of Section 5.5(A)(1)(x) of the Indenture, from Recoveries of Principal available therefor (if any) in the amounts and on June 1 in each of the years set forth below, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date. To the extent Recoveries of Principal are not on deposit in the Revenue Fund after making the necessary disbursements as provided in Section 5.5(A)(1)(i)-(ix) of the Indenture and available to make a particular Sinking Fund Payment, the unsatisfied portion of each Sinking Fund Payment shall be added to the next following Sinking Fund Payment. Payment of Sinking Fund Redemptions are not covered by either the Credit Facility or the Surety Bond.

2008 Series A Bonds Due June 1, 2021

Date (June 1)	Sinking Fund Payment
2014	\$ 5,415,000
2015	12,405,000
2016	12,935,000
2017	13,135,000
2018	13,790,000
2019	15,120,000
2020	16,455,000
2021*	15,930,000

* Final maturity.

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2008 Series A Bonds Due June 1, 2030

Date (June 1)	Sinking Fund Payment
2022	\$23,515,000
2023	23,160,000
2024	28,565,000
2025	31,115,000
2026	33,800,000
2027	39,200,000
2028	31,820,000
2029	16,450,000
2030	17,190,000

Final maturity.

(f) Partial Redemption. Any partial redemption of the 2008 Series A Bonds shall be in the largest integral multiples of the minimum Authorized Denomination derived from the amounts to be applied to such redemption; provided, however, the remaining 2008 Series A Bonds left outstanding must be in Authorized Denominations.

(g) Adjustment of Sinking Fund Installments Upon Redemption of 2008 Series A Bonds in Part.

(i) Upon a redemption of 2008 Series A Bonds in part pursuant to paragraph (a) of this 2.8 from proceeds of Refunding Bonds or other available funds of the Authority from sources outside the Trust Estate, an amount equal to the principal amount of 2008 Series A Bonds so redeemed shall be credited toward the Sinking Fund Installments thereafter to become due in such years and amounts as the Authority shall determine.

(ii) Upon a redemption of 2008 Series A Bonds in part pursuant to paragraph (a) of this 2.8 from proceeds of the sale of Student Loans, an amount equal to the principal amount of 2008 Series A Bonds so redeemed shall be credited toward the Sinking Fund Installments thereafter to become due in such years and amounts as the Authority, with the prior written consent of the Credit Facility Provider, shall determine.

(iii) Upon a redemption of 2008 Series A Bonds in part pursuant to paragraph (b), (c) or (d) of this 2.8, an amount equal to the principal amount of 2008 Series A Bonds so redeemed shall be credited toward the Sinking Fund Installments thereafter to become due in sequential order of the due dates thereof.

(B) (a) The Authority may elect to apply moneys available in the Revenue Fund for the redemption of the 2008 Series A Bonds pursuant to Section 2.8 (A)(a), (b) or (c).

(b) If the Parity Percentage Requirement as of the last day of the Calendar Quarter immediately prior to a Principal Payment Date as set forth in Section 3.5 of this Supplemental Indenture has not been met for such Principal Payment Date, the Authority shall apply monies available in the 2008 NJCLASS Revenue Account to the redemption or

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ARTICLE III

ESTABLISHMENT OF ADDITIONAL ACCOUNTS, APPLICATION OF PROCEEDS OF THE SALE OF 2008 SERIES A BONDS; AND USE AND DISBURSEMENTS OF ACCOUNTS

Section 3.1. Establishment of Accounts. In addition to the Accounts previously established under the Indenture, the Trustee is directed to establish the following additional Accounts: the 2008 NJCLASS Student Loan Account and, within such Account, the Authority Contribution Subaccount and the 2008 Series A Bond Proceeds Subaccount; the 2008 Capitalized Interest Account; the 2008 NJCLASS Revenue Account; and the 2008 Debt Service Reserve Account (the "2008 Bond Accounts"). For purposes of the Indenture and this Supplement, references in the Indenture to transfers and deposits of funds to and from (A) the Revenue Fund shall mean to and from the 2008 NJCLASS Revenue Account, (B) the Student Loan Fund shall mean to and from the 2008 NJCLASS Student Loan Account, (C) the Capitalized Interest Fund shall mean to and from the 2008 Capitalized Interest Account, and (D) the Debt Service Reserve Fund shall mean to and from the 2008 Debt Service Reserve Account. The Authority may, from time to time, direct the Trustee in writing to establish additional Accounts or Subaccounts in accordance with the Indenture or to close any Account during any period that no money is deposited in such Account. Except as otherwise provided in this Supplemental Indenture, all moneys and securities relating to the 2008 Series A Bonds (including Revenues and Recoveries of Principal arising from the 2008 Student Loans) deposited in the 2008 Bond Accounts created hereby shall not be commingled with any moneys or securities relating to any other Series of Bonds hereafter issued under the Indenture, if any, and deposited in the respective Accounts to which they relate, and moneys and securities required to be transferred between Accounts pursuant to Article V of the Indenture in respect of the 2008 Series A Bonds shall only be transferred between the respective Accounts to which they relate, except to the extent that: (i) if the amounts deposited in the 2008 Bond Accounts (excluding amounts deposited in the 2008 Bond Accounts for the 2008 Series A Bonds) are insufficient for required transfers or payments with respect to then Outstanding Bonds other than the 2008 Series A Bonds or other amounts transferable or payable therefrom; or (ii) if the amounts deposited in the Accounts for the 2008 Series A Bonds are insufficient for required transfers or payments with respect to the 2008 Series A Bonds or other amounts transferable or payable therefrom, amounts on deposit in the Accounts shall be deemed commingled for purposes of making required transfers and payments in accordance with Article V of the Indenture; provided, however, amounts deposited in the 2008 Bond Accounts created hereby may not be used to pay Bond Fees or Program Expenses not related to the 2008 Series A Bonds or for the payment of principal or Redemption Price of or interest on Bonds or Costs of Issuance of Bonds, other than the 2008 Series A Bonds, without the consent of the Credit Facility Provider and delivery to the Trustee of a Rating Agency Condition.

Section 3.2. Application of 2008 Series A Bond Proceeds and Use of 2008 Accounts. (A) The proceeds from the sale and delivery of the 2008 Series A Bonds shall be deposited in the following Accounts:

(a) To the 2008 Series A Bonds Subaccount within the 2008 NJCLASS Student Loan Account, the amount of \$319,100,000; and

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retirement of 2008 Series A Bonds as provided in Section 2.8(A)(c) above and Section 5.5(A)(1)(xiv) of the Indenture.

(c) The Authority may, with the prior consent of the Credit Facility Provider and delivery to the Trustee of a Rating Agency Condition, elect to apply moneys available in the Revenue Fund to the payment or redemption of other Bonds or to some other purpose if:

(i) notice of redemption of the Bonds from such moneys shall not have been given; and

(ii) the Authority shall deliver to the Credit Facility Provider at least twenty (20) Business Days prior to such election, a Cash Flow Statement taking into account the application of such moneys to the payment or redemption of other Bonds or to some other purpose, and the Authority shall deliver to the Trustee and the Credit Facility Provider at least ten (10) days prior to such election, a Bond Counsel's Opinion to the effect that the application of such moneys in accordance with the Authority's election will not adversely effect the exclusion from gross income for federal income tax purposes of interest on such Bonds.

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(b) To the 2008 Capitalized Interest Account, the amount of \$30,900,000, which shall be applied to the payment of interest on the 2008 Series A Bonds as provided in Section 3.2(C) below.

(B) 2008 NJCLASS Student Loan Account. \$14,000,000 from other available funds of the Authority shall be deposited in the Authority Contribution Subaccount within the 2008 NJCLASS Student Loan Account to be used for the purposes and disbursed as provided in Section 5.4 of the Indenture subject to the terms of this Supplemental Indenture. Subject to the provisions and requirements of Sections 5.4 and 7.8 of the Indenture and the provisions of this Supplemental Indenture, any amounts remaining in the 2008 NJCLASS Student Loan Account on the earlier of (a) the first Business Day following the termination of the Recycling Period and (b) the date on which no 2008 Series A Bonds are Outstanding, shall be transferred to the 2008 NJCLASS Revenue Account and the 2008 NJCLASS Student Loan Account shall be closed.

(C) 2008 Capitalized Interest Account. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall transfer from the 2008 Capitalized Interest Account, to the extent funds are on deposit in such Account, to the 2008 NJCLASS Revenue Account an amount necessary so that the amount in the 2008 NJCLASS Revenue Account is sufficient to pay the interest due on the 2008 Series A Bonds on such Interest Payment Date. On June 1 and Dec 1 of each year, the Trustee may, at the written direction of the Authority, reduce the amount on deposit in the 2008 Capitalized Interest Account in accordance with Schedule 1 set forth below. Such amounts shall be transferred from the 2008 Capitalized Interest Account to the 2008 NJCLASS Student Loan Account during the Origination Period and Recycling Period and to the 2008 NJCLASS Revenue Account thereafter.

Schedule 1:

Initial deposit:	\$30,900,000
12/1/08:	\$26,600,000
6/1/09:	\$19,200,000
12/1/09:	\$13,100,000
6/1/10:	\$7,400,000
12/1/10:	\$2,300,000
6/1/11:	\$600,000
12/1/11:	\$100,000
6/1/12:	\$100,000
12/1/12:	\$100,000
6/1/13:	\$0

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Notwithstanding the schedule provided above, in the event the Authority utilizes 70% of the initial proceeds of the 2008 Series A Bonds deposited in the 2008 NJCLASS Student Loan Account to originate 2008 Student Loans by November 30, 2008, and at least 50% of such 2008 Student Loans are non-deferral loans or Deferred Principal Loans (the "Step Down Pool Loans") and 88% of such Step Down Pool Loans are not more than 31 days delinquent, the amount on deposit in the 2008 Capitalized Interest Account will be reduced in accordance with Schedule 2 set forth below.

Schedule 2:

Initial deposit:	\$30,900,000
12/1/08:	\$23,200,000
6/1/09:	\$16,900,000
12/1/09:	\$11,700,000
6/1/10:	\$6,200,000
12/1/10:	\$1,800,000
6/1/11:	\$100,000
12/1/11:	\$100,000
6/1/12:	\$100,000
12/1/12:	\$100,000
6/1/13:	\$0

(D) **2008 NJCLASS Revenue Account.** On or before each Principal Payment Date, the Authority shall transfer into a payment Account within the 2008 NJCLASS Revenue Account to be used by the Trustee therefor, the amount of Principal Installments for the 2008 Series A Bonds coming due on such date. On each Payment Date prior to the termination of the Recycling Period, any funds remaining in the 2008 NJCLASS Revenue Fund, after payment of the Principal Installment or interest due and payable on the 2008 Series A Bonds on such Payment Date and provided all transfers required by Section 5.5(A)(1)(i)-(xv) of the Indenture have been made, shall be transferred to the 2008 NJCLASS Student Loan Account. Payment of Bond Fees due to the Credit Facility Provider pursuant to Section 5.5(A)(1)(ii) of the Indenture shall be paid on the first day of each January, April, July and October in accordance with the terms of the Premium Letter.

(E) **Recoveries of Principal.** All Recoveries of Principal with respect to 2008 Student Loans shall be deposited by the Trustee upon the written direction of the Authority (i) during the Recycling Period, to the 2008 NJCLASS Student Loan Account for the origination of 2008 Student Loans and (ii) following the Recycling Period, to the 2008 NJCLASS Revenue Account. All Recoveries from 2008 Student Loans shall be deposited in the 2008 NJCLASS Revenue Account. The Authority shall identify in writing to the Trustee Recoveries of Principal and Recoveries as they are received by the Authority and into which Account the Recoveries of Principal and Recoveries should be deposited.

(F) **2008 Debt Service Reserve Account.** (a) On the third Business Day (the "Determination Date") preceding each Payment Date, the Trustee shall determine if sufficient funds will be on deposit in the 2008 NJCLASS Revenue Account on such Payment Date to pay the Principal Installments of and interest accrued on the 2008 Series A Bonds due and payable on such Payment Date (any such insufficiency, a "Debt Service Shortfall"). For purposes of such determination, the Trustee shall count among the funds expected to be on deposit in the 2008 NJCLASS Revenue Account on the Payment Date (i) funds on deposit in the 2008

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interest is delinquent by at least thirty-one (31) days.

"Delinquent Loans Percentage" means, as of any date of determination, the ratio, expressed as a percentage, of (a) the aggregate principal amount of Delinquent Loans, divided by (b) the aggregate principal amount of Loans in Repayment.

"Loans in Repayment" means, as of any date of determination, the aggregate principal amount of all Eligible Loans pledged under the Indenture which are in repayment status as to interest or as to principal and interest.

"Parity Percentage" means, as of any date of determination, the ratio, expressed as a percentage, of (a) Accrued Assets, divided by (b) Accrued Liabilities.

"Repayment Ratio" means, as of any date of determination, the ratio, expressed as a percentage, of (a) Loans in Repayment, divided by (b) the aggregate principal amount of Student Loans.

For purposes of Section 2.8 (B)(b) and Sections 5.5(A)(1)(xiv)-(xvi) of the Indenture, the "Parity Percentage Requirement" shall be the percentages set forth in (A)(1)-(3) and (B) below, as applicable. If on a Principal Payment Date, after all payments and transfers required by Section 5.5(A)(1)(i) through (xiii) of the Indenture have been made and after taking into account the Principal Installment due on such date (collectively, the "Priority Payments"), and

(A) no event of default under the Surety Bond Reimbursement Agreement has occurred; and

(1) the Repayment Ratio is 80% or more but less than 90%, and (b) the average Delinquent Loans Percentage during the two immediately preceding Calendar Quarters is less than 12%, then, if the Parity Percentage is at least 104%, or

(2) the Repayment Ratio is 90% or more, and (b) the average Delinquent Loans Percentage during the two immediately preceding Calendar Quarters is less than 12%, then, if the Parity Percentage is at least 103%, or

(3) the Repayment Ratio is 80% or more, and (b) the average Delinquent Loans Percentage during the two immediately preceding Calendar Quarters is 12% or more, then, if the Parity Percentage is at least 1.0 plus the Delinquent Loans Percentage (or such lower Parity Percentage as may be approved by the Credit Facility Provider, such approval not to be unreasonably withheld or delayed), or

(B) from and after the occurrence of an event of default under the Surety Bond Reimbursement Agreement, Section 3.5(A) shall not apply and the Parity Percentage Requirement shall be deemed not to have been satisfied, and the Administrative Fees shall be paid as provided in Section 5.5(A)(1)(x) of the Indenture, provided, however, that (i) if all amounts due and payable to the Surety Provider under the Surety Bond Reimbursement Agreement have been paid in full, and (ii) the 2008 Debt Service Account shall have been funded with cash provided from outside the Trust Estate and the Surety Bond will have been surrendered to the Surety Provider for cancellation. Section 3.5(A) shall apply but the Parity Percentage required pursuant to (A)(1) and (A)(2) above shall be 107%.

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NJCLASS Revenue Account on the Determination Date after reserving funds for any payments due on such Payment Date pursuant to Sections 5.5 (i) - (iii) of the Indenture, and (ii) funds to be transferred to the 2008 NJCLASS Revenue Account, first, from the 2008 Capitalized Interest Account as described in Section 5.7 of the Indenture and second, from the 2008 NJCLASS Student Loan Account as described in Section 5.4 of the Indenture. For purposes of such determination, the Trustee shall not count among the funds expected to be available on the Payment Date any payments on the Student Loans which have not yet been received by the Trustee.

(b) If the Trustee determines that there will be a Debt Service Shortfall on a Payment Date, the Trustee shall immediately submit to the Surety Provider or its designee on the Determination Date, by telephone or electronic mail, confirmed in writing by registered or certified mail, a Notice of Nonpayment (as defined in the Surety Bond) under the Surety Bond in an amount equal to the lesser of (i) the anticipated Debt Service Shortfall and (ii) the Policy Limit (as defined in the Surety Bond) then available under the Surety Bond.

The Trustee shall notify the Surety Provider immediately by telephone, teletype, facsimile transmission or other instantaneous means of communication, promptly confirmed in writing, upon receipt by the Trustee of any immediately available funds following submission to the Surety Provider of a Notice of Nonpayment pursuant to this Section 3.2(F) and prior to receipt by the Trustee of the related Surety Bond payment. Such notice shall reduce the amount requested under the Notice of Nonpayment to which it relates by an amount equal to the amount of funds received by the Trustee.

(c) After any draw under the Surety Bond pursuant to the provisions of Section 5.6 of the Indenture and this Section 3.2, the Authority shall reimburse the Surety Provider in accordance with the terms of the Surety Bond Reimbursement Agreement.

(G) The Authority shall pay Costs of Issuance of the 2008 Series A Bonds (including the premium payable to the Surety Provider for the Surety Bond) from the unencumbered funds of the Authority and shall be reimbursed for such costs from Servicing Fees.

Section 3.3. Instructions to Trustee Concerning Certain Program Expenses and Bond Fees. The Trustee is hereby instructed to pay, from the moneys deposited to the 2008 NJCLASS Revenue Account, the Program Expenses and Bond Fees, if any, as may be indicated in the Cash Flow Statement delivered to the Trustee on the Issue Date, and from time to time thereafter in conformance with Sections 5.4 and 5.5 of the Indenture and this Supplemental Indenture.

Section 3.4. 2008 Reserve Requirement. Upon issuance of the 2008 Series A Bonds, the 2008 Reserve Requirement shall be an initial amount equal to three percent (3%) of the original principal amount of 2008 Series A Bonds and shall be funded with the Surety Bond issued by the Surety Provider. Thereafter, as of any date of calculation, the 2008 Reserve Requirement shall equal the greater of (i) three percent (3%) of the principal amount of Outstanding 2008 Series A Bonds on such date and (ii) \$500,000.

Section 3.5. Parity Percentage Requirement. For purposes of this Supplemental Indenture and Section 5.5 of the Indenture, the following definitions shall apply:

"Delinquent Loan" means any 2008 Student Loan for which any scheduled payment of

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any amounts in the Revenue Fund above the amounts required to make the Priority Payments and satisfy the aforementioned Parity Percentage Requirements shall, pursuant to Section 5.5(A)(1)(xvi) of the Indenture be applied by the Trustee at the written direction of an Authorized Officer of the Authority, free and clear of the lien or the pledge of the Indenture to the purpose of the Loan Finance Program or any other lawful Authority purpose under the Act.

Section 3.6. Intentionally Omitted.

Section 3.7. Deposit to Loan Reserve Fund. No proceeds from the 2008 Series A Bonds shall be deposited into the Loan Reserve Fund and no separate Account or Subaccount shall be established within the Loan Reserve Fund for Student Loans originated with the proceeds of the 2008 Series A Bonds.

Section 3.8. Intentionally Omitted.

Section 3.9. Amount of Program Expenses. The Authority hereby agrees and covenants that the payment of Program Expenses for the NJCLASS Loan Program pursuant to the Indenture as of any date shall not exceed the amount of Program Expenses for the NJCLASS Loan Program set forth in the most recent Cash Flow Statement delivered prior to such date without the prior written consent of the Credit Facility Provider and delivery to the Trustee of a Rating Agency Condition. The amount of Program Expenses associated with the 2008 Series A Bonds shall not exceed the amounts set forth in the Cash Flow Statement delivered in connection and simultaneously with the issuance of the 2008 Series A Bond and in Schedule D attached hereto.

Section 3.10. Cash Flow Statements and Rating Agency Conditions. The assumptions in the Cash Flow Statement delivered in connection and simultaneously with the issuance of the 2008 Series A Bonds are set forth in such Cash Flow Statement, a copy of which shall be simultaneously delivered to the Trustee and Credit Facility Provider, any Cash Flow Statement delivered to the Credit Facility Provider after the issuance of the 2008 Series A Bonds while the 2008 Series A Bonds are Outstanding must be acceptable to the Credit Facility Provider. The Credit Facility Provider may waive the requirement for the delivery of a Cash Flow Statement to it pursuant to any provision of the Indenture or this Supplemental Indenture and may waive any component required to be in any such Cash Flow Statement. Rating Agency Conditions delivered to the Credit Facility Provider or the Trustee in connection with the 2008 Series A Bonds or under this Supplemental Indenture shall confirm both the public rating of the 2008 Series A Bonds taking into account the Financial Guaranty Insurance Policy and the underlying rating assigned to the 2008 Series A Bonds not taking into account the Financial Guaranty Insurance Policy.

Section 3.11. Rating Agency Permitted Investments. As long as the 2008 Series A Bonds are rated by S&P, all requirements for a rating by S&P or Moody's in the definition of Investment Securities shall not be deemed satisfied unless S&P has provided the required rating in accordance with their guidelines. In addition, as long as the 2008 Series A Bonds are rated by Moody's, all requirements for a rating by S&P or Moody's in the definition of Investment Securities shall not be deemed satisfied unless Moody's has provided the required rating in accordance with their guidelines.

Section 3.12. Surrender of Financial Guaranty Insurance Policy. The Trustee agrees not to surrender, release or otherwise redeliver the Financial Guaranty Insurance Policy to the Credit Facility Provider until 91 days have elapsed following final payment of the 2008

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Series A Bonds insured by the Financial Guaranty Insurance Policy during which no Act of Bankruptcy has occurred.

Section 3.13. Events of Default. As long as any 2008 Series A Bonds are Outstanding, the Events of Default under the Indenture shall include the occurrence of an Act of Bankruptcy. Events of Default shall not include the non-payment when due of a Sinking Fund Payment of a 2008 Series A Bond due to insufficiency of Revenues or Recoveries of Principal.

Section 3.14. No Indemnification. Anything in the Indenture or herein to the contrary notwithstanding, the Trustee agrees that it may not require indemnification as a condition precedent to (i) drawing on the Credit Facility or the Surety Bond as required herein, (ii) making payments of the principal, Redemption Price of and interest on the 2008 Series A Bonds as required herein, (iii) causing the acceleration of the 2008 Series A Bonds, or (iv) mailing any notices of redemption or purchase as required hereby, it being understood and agreed, however, that while the Trustee may not require indemnification prior to or as a condition of performing the acts referred to in clauses (i), (ii), (iii) or (iv) above, the Trustee shall continue to be entitled to indemnification, as otherwise provided herein or in the Indenture, for such acts.

Section 3.15. Trustee Actions under Credit Facility. The Trustee shall, without further direction from the Authority, take all such action as may be required of it pursuant to the Credit Facility, to assure the availability of funds for the timely payment of principal, including principal payable upon mandatory redemption, of and interest upon 2008 Series A Bonds, to the extent sufficient funds are not otherwise available therefor under the Indenture in accordance with the provisions thereof.

Section 3.16. Loan Servicer and Servicing Agreement.

(A) The Authority agrees that, without the prior written consent of the Credit Facility Provider to another Servicer, the only permitted Servicer of NJCLASS Loans is the Authority.

(B) The Credit Facility Provider shall have the right to replace the Servicer upon the occurrence of the Event of Default set forth in 10.1(3) or an Act of Bankruptcy if the Authority fails to take action resulting in the withdrawal or dismissal of such Act of Bankruptcy within 60 days.

(C) The Authority shall cause an annual due diligence audit to be made of the servicing procedures of each Servicer by a third party auditor, and the Authority shall promptly give the Credit Facility Provider a copy of each such audit.

(D) The Authority shall not materially amend a Servicing Agreement without the prior written consent of the Credit Facility Provider and delivery of a Rating Agency Condition. The Authority shall give the Credit Facility Provider notice of any amendment to the Servicing Agreement at least fifteen (15) Business Days prior to execution of such amendment, together with a draft of such amendment, and shall provide an executed copy of such amendment promptly after execution of such amendment.

(E) In the event the Surety Provider is not reimbursed within sixty (60) days after any draw under the Surety Bond, the Surety Provider shall have the right to direct the Authority to, in accordance with the Act, procure a qualified third-party sub-Servicer for all NJCLASS Loans, with the Authority acting as master Servicer. The sub-Servicers may engage the Authority and

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ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE AUTHORITY

Section 4.1. 2008 Student Loan Requirements.

The Authority hereby represents, warrants and covenants, that, unless the Credit Facility Provider expressly consents in writing and the Authority delivers to the Trustee a Rating Agency Condition:

(A) With respect to each disbursement from the 2008 NJCLASS Student Loan Account to originate 2008 Student Loans, as of the related disbursement date:

(1) the Authority and such disbursement will comply with the requirements of applicable federal and State law,

(2) the disbursement will be a proper charge against the 2008 NJCLASS Student Loan Account,

(3) all requirements of the Indenture and this Supplemental Indenture in connection with origination of 2008 Student Loans will have been met,

(4) the Authority will be in compliance with the covenants set forth in the Indenture and in this Supplemental Indenture,

(5) no Event of Default will have occurred and be continuing,

(6) the Recycling Period, including any extensions approved by the Credit Facility Provider, will not have terminated, and

(7) the promissory note or notes with respect to each such 2008 Student Loan originated will be delivered to the Trustee prior to the related disbursement.

(B) Each 2008 Student Loan will:

(1) be a Fixed Rate Standard NJCLASS Loan and no more than twenty percent (20%) of the Aggregate Loan Balance of 2008 Student Loans will be made to graduate students;

(2) comply with the covenants set forth in this Article IV and in Schedule C hereto;

(3) be originated at the principal amount of such 2008 Student Loan plus unpaid accrued interest

(C) No 2008 Student Loan will have a maturity date that (a) is more than 20 years after the date of the first disbursement under the 2008 Student Loan or (b) is later than one year prior to the latest scheduled maturity date of any 2008 Series A Bonds.

(D) The Application Fee for each 2008 Student Loan shall equal 2% of the original principal amount of such 2008 Student Loan. Once a 2008 Student Loan has been

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the Authority shall cooperate with such sub-Servicers, if any, to enable the sub-Servicers to benefit from the collection powers available to the Authority under applicable New Jersey law.

A Rating Agency Condition shall be required prior to any replacement of the Servicer or procurement of a third-party sub-Servicer.

Section 3.17 UCC Filings. The security interest of the Trustee in the Trust Estate shall be perfected in part by the filing of financing statements in the office of the Department of Treasury of the State and in such offices in such other locations as the Trustee may be advised by counsel to perfect or continue the perfection of said security interest. The Trustee agrees that all necessary continuation statements shall be filed by the Trustee within the time prescribed by the New Jersey Uniform Commercial Code-Secured Transactions in order to continue the perfection of such security interest.

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made, the Authority may not grant any waivers or alterations to the payment structure for such 2008 Student Loan, except the deferral and forbearance options described under the Program Documentation, unless permitted with the prior written consent from Credit Facility Provider;

(E) The Authority shall not provide borrower benefit programs for the 2008 Student Loans;

(F) No adverse selection process will be used in selecting the 2008 Student Loans;

(G) The Aggregate Loan Balance of 2008 Student Loans, calculated as of the last day of the Origination Period and as of the last day of the Recycling Period:

(a) made to students attending vocational and proprietary schools shall not exceed 5.0% of the Aggregate Pool Loan Balance ;

(b) made to students attending schools outside the United States of America shall not exceed 0.5% of the Aggregate Pool Loan Balance;

(c) that are Deferred Interest Loans and Deferred Principal Loans shall not exceed 50% of the Aggregate Pool Loan Balance

(H) No 2008 Student Loans will be made to students attending a school with a Federal cohort default rate greater than 20% shall be acquired into the Trust Estate without the consent of the Credit Facility Provider if, and to the extent, such acquisition would cause the Aggregate Loan Balances of 2008 Student Loans made to students attending any school with a Federal cohort default rate greater than 20% to exceed 8% of the Aggregate Pool Loan Balance.

Section 4.2. Additional Bonds and Supplemental Indentures.

(A) So long as any 2008 Series A Bonds are Outstanding, or any Reimbursement Amounts are due and payable to the Credit Facility Provider, the Authority shall not issue any Additional Bonds without the prior written consent of the Credit Facility Provider, except that the Authority may issue Refunding Bonds without the consent of the Credit Facility Provider in the event that subsequent to such issuance, no 2008 Series A Bonds remain Outstanding, no Reimbursement Amounts remain due and payable after the issuance of such Refunding Bonds and upon such issuance each of the Credit Facility and the Surety Bond will be canceled and returned to the Credit Facility Provider and Surety Provider, as applicable, on the Issue Date of such Refunding Bonds; and

(a) satisfaction of the requirements of Section 2.5 and 7.10(B) of the Indenture;

(b) delivery of a Cash Flow Statement to the Credit Facility Provider and each Rating Agency prior to the issuance of such Additional Bonds, taking into account the issuance of all such Additional Bonds, and the Cash Flow Statement shall be acceptable to the Rating Agency and the Credit Facility Provider;

(c) no Event of Default has occurred and is continuing; and

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(d) delivery to the Trustee and the Credit Facility Provider of a Rating Agency Condition from each Rating Agency for the 2008 Series A Bonds.

The Authority shall deliver written notice of such proposed issuance to the Credit Facility Provider at least 30 days prior to the proposed issuance.

(B) So long as any 2008 Series A Bonds are Outstanding, the Authority shall not issue any Additional Bonds or execute and deliver any Supplemental Indenture for any purpose if such issuance or execution and delivery would, in and of itself, result in a decrease or withdrawal of any public or underlying rating on the 2008 Series A Bonds.

(C) At least ten days prior to the execution and delivery of any amendment or supplement to the Indenture or any Supplemental Indenture, the Authority shall provide notice of such amendment or supplement to each Rating Agency.

Section 4.3. Reports.

(A) So long as any 2008 Series A Bonds are Outstanding the Authority will deliver to the Trustee, the Credit Facility Provider and each Rating Agency, and shall deliver or cause the Trustee to deliver to each Nationally Recognized Municipal Securities Information Repository, a quarterly report, not later than each Quarterly Report Date, in each case calculated as of the last day of the related Calendar Quarter, which shall state the following:

(a) The number and Aggregate Pool Loan Balance of 2008 Student Loans outstanding as of the end of such quarter, and a breakdown of the 2008 Student Loans by type of school (including 2 year and 4 year schools and proprietary schools);

(b) The number and dollar amount of 2008 Student Loans which are Deferred Principal Loans or which are Deferred Interest Loans (including the amount of deferred interest accrued during the Calendar Quarter) and 2008 Student Loans in forbearance and repayment status;

(c) The number and dollar amount of 2008 Student Loans which are delinquent 0-30, 31-60, 61-90, 91-120, 121-180 and 181 or more days;

(d) The number and dollar amount of 2008 Student Loans charged off during such Calendar Quarter and the cumulative amounts charged off since the Issue Date of the 2008 Series A Bonds;

(e) The dollar amount recovered on 2008 Student Loans during such Calendar Quarter (broken out by principal, interest and fees recovered) and the net amount of losses on 2008 Student Loans during such Calendar Quarter in dollars and as a percentage of the outstanding 2008 Student Loans and a breakdown of defaults by type of school (including 2 year and 4 year schools and proprietary schools);

(f) The dollar amount of 2008 Series A Bonds Outstanding and the dollar amount of principal and interest payments on the 2008 Series A Bonds during such Calendar Quarter;

(g) The beginning and ending balance of the 2008 Debt Service Reserve Account and the Loan Reserve Fund for such Calendar Quarter and the amount of any

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(C) So long as any 2008 Series A Bonds are Outstanding, the Authority will furnish or cause to be furnished to each Rating Agency, annual audited financial statements of the Authority prepared by an independent certified public accountant, within one hundred eighty (180) days of the completion of the Authority's Fiscal Year.

Section 4.4. Sale of 2008 Student Loans. So long as any 2008 Series A Bonds are Outstanding, the Authority shall not, without the consent of the Credit Facility Provider and delivery of a Rating Agency Condition, sell or transfer any 2008 Student Loan except as authorized under Section 7.8 of the Indenture.

Section 4.5. Administrator. The Authority agrees and covenants that it shall perform the duties and obligations of and have all of the rights and powers of the administrator of the NJCLASS Loan program established under the Act or secure the services of a third party, approved in writing by the Credit Facility Provider, which agrees to assume such role and which agrees to accept the Administrative Fees in amount not exceeding the amount set forth in Schedule D to this Supplement or such other amount as may be approved by the Credit Provider. The Authority will not be liable to pay a replacement administrator from any moneys other than from funds available under the Indenture.

Section 4.6. Mandatory Tender for Purchase in Lieu of Optional Redemption. The Authority may elect to call any 2008 Series A Bonds for mandatory tender for purchase in lieu of optional redemption in accordance with the applicable provisions of Article V of this supplement, as provided in Section 6.7 of the Indenture, with ten (10) days prior written notice to each Rating Agency; provided that (i) subsequent to such tender no 2008 Series A Bonds remain Outstanding, (ii) the purchased bonds, if held by the Authority, shall not be entitled to the benefits of the Credit Facility or the Surety Bond or (iii) delivery to the Trustee of the prior written consent of the Credit Facility Provider.

Section 4.7. Representations, Warranties and Covenants in Purchase Agreement. The Authority agrees and covenants that the representations and warranties set forth in the Purchase Agreement will be true and correct and the covenants set forth therein will be in full force and effect as of the date of such Purchase Agreement and as of the Issue Date of the 2008 Series A Bonds.

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withdrawals or deposits to the 2008 Debt Service Reserve Account or the Loan Reserve Fund during such Calendar Quarter;

(h) The beginning and ending balance of the amounts on deposit in each Account, including changes in net assets, the principal amount of any 2008 Series A Bonds redeemed and amounts reserved to pay principal and interest on the next Principal Payment Date;

(i) Program Expenses, Bond Fees and Administrative Fees paid during the Calendar Quarter;

(j) Any funds released from the Trust Estate to the Authority;

(k) The dollar amount of any rebate payment to the Federal government;

(l) So long as the 2008 Series A Bonds are rated by Moody's and/or S&P, the Authority shall give Moody's and/or S&P, respectively, prompt written notice of any withdrawal from the 2008 Debt Service Reserve Account to pay principal or interest on the 2008 Series A Bonds, and of any deficiency amount certified by the Authority pursuant to Section 7.15 of the Indenture, and of any amount received from the State of New Jersey following such deficiency certification;

(m) Accrued Assets, Accrued Liabilities, Delinquent Loan Percentage, Loans in Repayment, Parity Percentage, Parity Percentage Requirement and Repayment Ratio;

(n) Amount of funds requested from the State to restore the Debt Service Reserve Fund and the amounts of funds so paid; and

(o) Aggregate Loan Balance of all Student Loans purchased pursuant to Section 5.5(A)(1)(xi) of the Indenture.

(B) So long as any 2008 Series A Bonds are Outstanding the Authority will deliver to the Trustee, the Credit Facility Provider and each Rating Agency a report within thirty (30) days after the end of the Origination Period and within thirty days after the end of the Recycling Period which report shall include the number and balance of 2008 Student Loans originated during the Origination Period detailing the following characteristics for such 2008 Student Loans:

-Name of School, location of school (i.e., within or outside the United States), and School Type

-Percentage of 2008 Student Loans co-signed

-FICO Score (in increments of 10)

-Grade Level

-The number and dollar amount of 2008 Student Loans which are made to graduate students and the number and dollar amount of 2008 Student Loans which are Deferred Principal Loans or which are Deferred Interest Loans (including the amount of deferred interest accrued during the Calendar Quarter) and 2008 Student Loans in forbearance and repayment status

-Repayment Type (Option 1, 2 & 3)

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ARTICLE V

CERTAIN RIGHTS OF THE CREDIT FACILITY PROVIDER

Section 5.1 As long as the Financial Guaranty Insurance Policy shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions. Notwithstanding the foregoing, the Credit Facility Provider may, in writing to the Authority with a copy to the Trustee, waive any of the following provisions with respect to the 2008 Series A Bonds or all or any Series of Bonds:

A. Notice Requirements

- Any notice that is required to be given to holders of the 2008 Series A Bonds, any Rating Agency, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b) (5) adopted by the Securities and Exchange Commission or to the Trustee pursuant to the Financing Documents shall also be provided to the Credit Facility Provider, simultaneously with the sending of such notices. In addition, to the extent that the Authority has entered into a continuing disclosure agreement with respect to the 2008 Series A Bonds, all information furnished pursuant to such agreement shall also be provided to the Credit Facility Provider, simultaneously with the furnishing of such information.
- The Credit Facility Provider shall have the right to receive such additional information as it may reasonably request with respect to the financing and/or the Trust Estate, including, without limitation, information related to Student Loan performance and origination.
- The Authority will permit the Credit Facility Provider to discuss the affairs, finances and accounts of the Authority or any information the Credit Facility Provider may reasonably request regarding the security for the 2008 Series A Bonds with appropriate officers of the Authority, and will use best efforts to enable the Credit Facility Provider to have access to the facilities, books and records of the Authority on any Business Day upon reasonable prior notice.
- The Trustee will permit the Credit Facility Provider to have access to the books and records of the Trustee with respect to the Trust Estate on any Business Day upon reasonable prior notice.
- The Trustee shall promptly notify the Credit Facility Provider of any failure of the Authority to provide notices, certificates and other information under the Financing Documents.
- Each Bond Counsel's Opinion delivered under the Indenture or this Supplemental Indenture shall be addressed to, and in form and substance acceptable to, the Credit Facility Provider.
- The Authority will give the Credit Facility Provider 30 days prior written notice of any change in the fiscal year of the Authority.

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8. The Authority will give notice to the Credit Facility Provider and each Rating Agency upon termination of the investment agreement entered into in connection with the 2008 Series A Bonds.

B. Defeasance. In the event that the principal and/or interest due on the 2008 Series A Bonds shall be paid by the Credit Facility Provider pursuant to the Policy, the 2008 Series A 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 Trust Estate and all covenants, and agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the Credit Facility Provider, and the Credit Facility Provider shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the 2008 Series A Bonds.

In addition, prior to any defeasance of 2008 Series A Bonds pursuant to Article XII of the Indenture, the following items shall be delivered to the Credit Facility Provider:

1. A Bond Counsel's Opinion that the defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest on the 2008 Series A Bonds or the refunded bonds.
2. An escrow agreement and Bond Counsel's Opinion regarding the validity and enforceability of the escrow agreement.
3. The escrow agreement shall provide that:
 - a. Any substitution of cash or substitution or sale of Governmental Obligations held under the escrow agreement shall require a Verification Report by an independent certified public accountant or financial advisory firm and the prior written consent of the Credit Facility Provider.
 - b. The Authority will not exercise any optional redemption of 2008 Series A Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the Refunding Bonds, and (ii) as a condition of any such redemption there shall be provided to the Credit Facility Provider a Verification Report of an independent certified public accountant or financial advisory firm as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption.
 - c. The Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Credit Facility Provider.
4. A Verification Report as described in Section 12.1(B)(iv) of the Indenture, approved by and addressed to the Credit Facility Provider.

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institution of any action and the written direction of all remedies, and the Trustee shall act in accordance with the written directions of the Credit Facility Provider so long as it is indemnified therefor to its reasonable satisfaction.

D. Amendments and Supplements. The Credit Facility Provider's prior written consent shall be required (a) with respect to any amendments or supplements to the Financing Documents which do not require the consent of the Bondholders, if the Credit Facility Provider's interests will be materially and adversely affected by such amendment or supplement; and (b) with respect to amendments or supplements to Financing Documents which do require the consent of Bondholders. The Authority shall give the Credit Facility Provider notice of any amendment to the Financing Documents at least fifteen (15) Business Days prior to execution of such amendment, together with a draft of such amendment, and shall provide an executed copy of each such amendment promptly after execution of such amendment. All Financing Documents must contain a provision that requires that prior written notices and copies of any amendments or supplements to such documents, which are consented to by the Credit Facility Provider shall be sent to each Rating Agency that has assigned a rating to the 2008 Series A Bonds. Notwithstanding any other provision of such Financing Document, in determining whether the rights of Bondholders will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Trustee shall consider the effect on the Bondholders as if there were no Credit Facility.

E. The Credit Facility Provider as Third Party Beneficiary. To the extent that the Indenture or this Supplemental Indenture confer upon or give or grant to the Credit Facility Provider any right, remedy or claim under or by reason of the Indenture or Supplemental Indenture, the Credit Facility Provider is explicitly recognized as being a third party beneficiary thereunder and hereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder or hereunder.

F. Control Rights. So long as no Credit Facility Provider Default exists, the Credit Facility Provider shall at all times be deemed to be the holder of all of the 2008 Series A Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (b) granting any consent, direction or approval or taking any action permitted by or required under the Indenture or this Supplemental Indenture, as the case may be, to be granted or taken by the holders of such 2008 Series A Bonds.

Anything in the Indenture to the contrary notwithstanding, so long as no Credit Facility Provider Default exists, upon the occurrence and continuance of an Event of Default, the Credit Facility Provider shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Indenture and this Supplemental Indenture, including, without limitation, (i) the right to accelerate the principal of the 2008 Series A Bonds as described in the Financing Documents, and (ii) the right to annul any declaration of acceleration. The Credit Facility Provider also shall be entitled to approve all waivers of Events of Default.

So long as no Credit Facility Provider Default exists, the Trustee shall not declare an Event of Default without the prior written consent of the Credit Facility Provider and shall declare an Event of Default at the direction of the Credit Facility Provider. The Trustee will not pursue any remedies without the prior written consent of the Credit Facility

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C. Trustee.

1. the Credit Facility Provider shall receive 30 days prior written notice of any name change of the Trustee or the removal, resignation or termination of the Trustee.
2. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Credit Facility Provider, shall be appointed.
3. The Trustee may be removed at any time by the Authority, with the prior written consent of the Credit Facility Provider, and shall be removed at the request of the Credit Facility Provider, for any breach of its obligations under the Financing Documents.
4. The Trustee and each Bondholder, as applicable, shall, so long as it is indemnified to its satisfaction, cooperate in all respects with any reasonable written request by the Credit Facility Provider for action to preserve or enforce the Credit Facility Provider's rights, remedies and interest under the 2008 Series A Bonds, Financing Documents or any related servicing arrangements or otherwise, including, without limitation, a request to take any one or more of the following actions:
 - (i) institute or participate in any suit, action or other proceedings, including for the collection of all amounts then payable on the 2008 Series A Bonds (in such case, so long as no Credit Facility Provider Default exists), and all amounts payable under the Financing Documents, enforce any judgment obtained and collect from the Trustee (if applicable), the Trust Estate monies adjudged due;
 - (ii) transfer to the Credit Facility Provider, via absolute legal assignments (a) the 2008 Series A Bonds and (b) the Trustee's or such Bondholder's rights with respect to any Insured Amount (as defined in the Credit Facility or the Surety Bond) which may form the basis of a claim hereunder;
 - (iii) institute proceedings from time to time to enforce the Credit Facility Provider's rights and remedies under the Financing Documents; and
 - (iv) exercise any remedies of a secured party under the applicable UCC and take any other appropriate action to protect and enforce the rights and remedies of the Credit Facility Provider hereunder;

provided, however, action shall be taken pursuant to the Indenture and the First Supplemental Indenture by the Trustee to preserve the Credit Facility Provider's rights or interest under the Financing Documents only to the extent such action is available to the Holders of the 2008 Series A Bonds or the Credit Facility Provider under the Indenture, this Supplemental Indenture, the Credit Facility Reimbursement Agreement, the Surety Bond, the Surety Bond Reimbursement Agreement, and the Premium Letter.

5. Notwithstanding any provision of the Financing Documents to the contrary, so long as no Credit Facility Provider Default exists, the Credit Facility Provider shall at all times be treated as if it were the exclusive owner of all 2008 Series A Bonds Outstanding for the purposes of all approvals, consents, waivers and the

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Provider and will pursue remedies as directed by the Credit Facility Provider. Any amounts provided by the Trustee pursuant to the first paragraph of Section 10.3(A) of the Indenture for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Bonds shall be subject to the prior written consent of the Credit Facility Provider.

G. Consent Rights of the Credit Facility Provider.

1. **Consent of the Credit Facility Provider.** Any provision of the Financing Documents expressly recognizing or granting rights in or to the Credit Facility Provider may not be amended in any manner that materially and adversely affects the rights of the Credit Facility Provider hereunder without the prior written consent of the Credit Facility Provider. Furthermore, the Credit Facility Provider shall receive prior written notice of each proposed amendment of a Financing Document together with a copy of such proposed amendment at least fifteen (15) Business Days prior to the date any such amendment will be entered into.
2. **Consent of the Credit Facility Provider in Addition to Bondholder Consent.** Wherever the Financing Documents require the consent of Bondholders, the Credit Facility Provider's consent shall also be required so long as no Credit Facility Provider Default exists.
3. **Consent of the Credit Facility Provider in the Event of Insolvency.** So long as no Credit Facility Provider Default exists and no Reimbursement Amounts are owed to the Credit Facility Provider, any reorganization or liquidation plan with respect to the Authority and affecting in any respect the Trust Estate must be acceptable to the Credit Facility Provider. In the event of any reorganization or liquidation, so long as no Credit Facility Provider Default exists, the Credit Facility Provider shall have the right to vote on behalf of all Bondholders who hold 2008 Series A Bonds guaranteed by the Credit Facility Provider.
4. **Ratings.** So long as no Credit Facility Provider Default exists, the Authority will not request a rating on the 2008 Series A Bonds from any rating agency other than S&P and Moody's without the prior written consent of the Credit Facility Provider.
5. **No Purchase in Lieu of Redemption.** So long as no Credit Facility Provider Default exists and no Reimbursement Amounts are owed to the Credit Facility Provider, no 2008 Series A Bonds insured by the Credit Facility Provider shall be purchased by the Authority in lieu of redemption without the prior written consent of the Credit Facility Provider, unless such 2008 Series A Bonds are redeemed, defeased or cancelled and except as may be permitted under the Indenture. The Authority and the Trustee hereby covenant and agree that any Bonds called for mandatory tender for purchase in lieu of optional redemption pursuant to Section 6.7 of the Indenture shall, unless the Credit Facility Provider gives its prior written consent, be immediately defeased pursuant to Section 12.1 of the Indenture and this Supplemental Indenture, or, if not so defeased, shall not have the benefit of either the Credit Facility or the Surety Bond.
6. **Paying Agent.** Any Paying Agent or successor Paying Agent appointed under the Indenture shall be subject to the prior written approval of the Credit Facility

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Provider, so long as no Credit Facility Provider Default exists and no Reimbursement Amounts are owed to the Credit Facility Provider.

7. **Acknowledging Party.** The Credit Facility Provider and its successors and assigns shall be an acknowledging party to the applicable provisions of the Indenture and this Supplemental Indenture, together with any amendments which otherwise require the Credit Facility Provider's consent, solely for the purposes of benefiting from the right to enforce any right, remedy or claim conferred, given or granted to the Credit Facility Provider under such documents and not for the purpose of assuming any obligations under such documents. To the extent that the Indenture or this Supplemental Indenture confers upon or gives or grants to the Credit Facility Provider any right, remedy or claim under or by reason of the Indenture or the Supplemental Indenture, the Credit Facility Provider may (but shall not be obligated to) enforce any such right, remedy or claim conferred, given or granted to it thereunder or hereunder. Nothing in the Indenture or the Supplemental Indenture, express or implied, shall give to any person, other than the parties thereto, and the Bondholders, the Credit Facility Provider and their respective successors and permitted assigns, any benefit or any legal or equitable right, remedy or claim under the Indenture or this Supplemental Indenture.
8. **Consent of the Credit Facility Provider Upon Default.** So long as no Credit Facility Provider Default exists, upon the occurrence of an Event of Default, the Trustee may, with the prior written consent of the Credit Facility Provider, and shall at the direction of the Credit Facility Provider or the Bondholders with the consent of the Credit Facility Provider, by written notice to the Authority and the Credit Facility Provider, declare the principal of the 2008 Series A Bonds to be immediately due and payable, whereupon that portion of the principal of the 2008 Series A 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 Financing Documents or the 2008 Series A Bonds to the contrary notwithstanding.
- H. **Payment Procedure Under the Credit Facility.**
1. At least two (2) Business Days prior to each Payment Date on the 2008 Series A Bonds, the Trustee will determine whether there will be sufficient funds to pay all principal of and interest on the 2008 Series A Bonds due on the related Payment Date and shall immediately notify the Credit Facility Provider or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the 2008 Series A Bonds to which such deficiency is applicable and whether such 2008 Series A Bonds will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the Payment Date, the Trustee shall so notify the Credit Facility Provider or its designee.
2. The Trustee, shall after giving notice to the Credit Facility Provider as provided above, make available to the Credit Facility Provider and, at the Credit Facility Provider's direction, to any Fiscal Agent, the registration books of the Authority

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- a. If and to the extent there is a deficiency in amounts required to pay interest on the 2008 Series A Bonds, the Trustee shall (a) execute and deliver to the Credit Facility Provider, in form satisfactory to the Credit Facility Provider, an instrument appointing the Credit Facility Provider as agent for such holders in any legal proceeding related to the payment of such interest and an assignment to the Credit Facility Provider of the claims for interest to which such deficiency relates and which are paid by the Credit Facility Provider, (b) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Credit Facility payment from the Credit Facility Provider with respect to the claims for interest so assigned, and (c) disburse the same to such respective holders; and
- b. If and to the extent of a deficiency in amounts required to pay principal of the 2008 Series A Bonds, the Trustee shall (a) execute and deliver to the Credit Facility Provider, in form satisfactory to the Credit Facility Provider, an instrument appointing the Credit Facility Provider as agent for such holder in any legal proceeding related to the payment of such principal and an assignment to the Credit Facility Provider of the 2008 Series A Bond surrendered to the Credit Facility Provider in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Credit Facility Provider is received), (b) receive as designee of the respective holders (and not as Trustee) in accordance with the tenor of the Credit Facility payment therefore from the Credit Facility Provider, and (c) disburse the same to such holders.
7. Payments with respect to claims for interest on and principal of 2008 Series A Bonds disbursed by the Trustee from proceeds of the Credit Facility shall not be considered to discharge the obligation of the Authority with respect to such 2008 Series A Bonds, and such 2008 Series A Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority, and the Credit Facility Provider shall become the owner of such unpaid 2008 Series A Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise; and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the Credit Facility Provider, and the Credit Facility Provider shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the 2008 Series A Bonds.
8. Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee hereby agree for the benefit of the Credit Facility Provider that:
- a. they acknowledge that to the extent the Credit Facility Provider makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the 2008 Series A Bonds, the Credit Facility Provider shall become the holder of such 2008 Series A Bonds (and with respect thereto the 2008 Series A Bonds shall remain Outstanding and shall not be (and shall not be

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maintained by the Trustee and all records relating to the funds maintained under the Indenture and this Supplemental Indenture.

3. The Trustee shall provide the Credit Facility Provider and any Fiscal Agent with a list of registered owners of 2008 Series A Bonds entitled to receive principal or interest payments from the Credit Facility Provider under the terms of the Credit Facility, and shall make arrangements with the Credit Facility Provider, the Fiscal Agent or another designee of the Credit Facility Provider to (i) mail checks or drafts to the registered owners of 2008 Series A Bonds entitled to receive full or partial interest payments from the Credit Facility Provider and (ii) pay principal upon 2008 Series A Bonds surrendered to the Credit Facility Provider, the Fiscal Agent or another designee of the Credit Facility Provider by the registered owners of 2008 Series A Bonds entitled to receive full or partial principal payments from the Credit Facility Provider.
4. The Trustee, shall, at the time it provides notice to the Credit Facility Provider of any deficiency pursuant to clause 1. above, notify registered owners of 2008 Series A Bonds entitled to receive the payment of principal or interest thereon from the Credit Facility Provider (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the Credit Facility Provider will remit to them all or a part of the interest payments due on the related Payment Date upon proof of its entitlement thereto and delivery to the Credit Facility Provider or any Fiscal Agent, in form satisfactory to the Credit Facility Provider, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from the Credit Facility Provider, they must surrender the related 2008 Series A Bonds for payment first to the Trustee, which will note on such 2008 Series A Bonds the portion of the principal paid by the Trustee and second to the Credit Facility Provider or its designee, together with the an appropriate assignment, in form satisfactory to the Credit Facility Provider, to permit ownership of such 2008 Series A Bonds to be registered in the name of the Credit Facility Provider, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from the Credit Facility Provider, they must surrender the related 2008 Series A Bonds for payment to the Credit Facility Provider or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory to the Credit Facility Provider, to permit ownership of such 2008 Series A Bonds to be registered in the name of the Credit Facility Provider.
5. In addition, if the Trustee has notice that any holder of the 2008 Series A Bonds has been required to disgorge payments of principal or interest on the 2008 Series A Bonds previously Due for Payment (as defined in the Credit Facility) pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Credit Facility Provider or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.
6. The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for holders of the 2008 Series A Bonds as follows:

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- deemed to have been) redeemed, retired or otherwise terminated) and any appurtenant coupon thereto and right to payment of principal thereto or interest thereon, and shall be fully subrogated to the rights of such Bondholders to receive the amount of such principal and interest from the Authority, with interest thereon as provided and solely from the sources stated in the Financing Documents and the 2008 Series A Bonds; and
- b. they will accordingly pay to the Credit Facility Provider the amount of such principal and interest, with interest thereon as provided in the Financing Documents and the 2008 Series A Bonds, but only from the sources and in the manner provided in the Financing Documents for the payment of principal of and interest on the 2008 Series A Bonds to holders, and will otherwise treat the Credit Facility Provider as the owner of such rights to the amount of such principal and interest.
9. The Credit Facility Provider shall be entitled to pay principal of or interest on the 2008 Series A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Credit Facility) and any amounts due on the 2008 Series A Bonds as a result of acceleration of the maturity thereof in accordance with the Financing Documents, whether or not the Credit Facility Provider has received a Notice of Non-payment (as defined in the Credit Facility) or a claim upon the Credit Facility.
10. In addition, the Credit Facility Provider shall to the extent it makes any payment of principal or interest on the 2008 Series A Bonds become subrogated to the rights of the recipients of such payments in accordance with the terms of the Credit Facility, and to evidence such subrogation (i) in the case of claims for interest, the Trustee shall note the Credit Facility Provider's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon receipt of proof of payment of interest thereon to the registered holders of the 2008 Series A Bonds, and (ii) in the case of claims for principal, the Trustee, if any, shall note the Credit Facility Provider's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon surrender of the 2008 Series A Bonds together with receipt of proof of payment of principal thereof.
11. The Authority hereby agrees to pay or reimburse the Credit Facility Provider (A) for all amounts paid by the Credit Facility Provider under the terms of the Credit Facility, and (B) and, to the extent permitted by law, including without limitation the provisions of the New Jersey Tort Claims Act, N.J.S.A. 59:1-1 et seq., any and all charges, fees, costs and expenses which the Credit Facility Provider may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Credit Facility, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any other Financing Document including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Authority) relating to the Indenture or any other Financing Document or the transactions contemplated by the Financing Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or any other Financing Document, or the pursuit of any remedies under the

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Indenture or any other Financing Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, (iv) any amendment, waiver or other action with respect to, or related to, this Supplemental Indenture or any other Financing Document whether or not executed or completed, (v) the pursuit of any remedies under the Indenture and any other Financing Document or otherwise afforded by law or equity, (vi) the violation by the Authority of any law, rule or regulation, or any judgment, order or decree applicable to it, (vii) any litigation or other dispute in connection with the Indenture or any other Financing Document and the transactions contemplated thereby, other than amounts resulting from the failure of the Credit Facility Provider to make its payment obligations under the Credit Facility; or (viii) any action taken by the Credit Facility Provider to cure a default, termination or similar event (or to mitigate the effect thereof); furthermore, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Credit Facility Provider spent in connection with the actions described in clauses (ii) - (viii) above. In addition, the Credit Facility Provider reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Financing Document. The Authority will pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the per annum rate of interest publicly announced from time to time by JP Morgan Chase Bank, National Association at its principal office in New York, New York as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, National Association) plus three percent (3%) per annum (the "Late Payment Rate"). The Late Payment Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JPMorgan Chase Bank ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank, as the Credit Facility Provider shall specify.

- I. **Incorporation by Reference.** Section 10.15 of the Credit Facility Reimbursement Agreement is hereby incorporated by reference with the same effect as if set forth herein.
- J. **Reporting Requirements.** The Authority will furnish or cause to be furnished to Credit Facility Provider:
- annual audited financial statements of the Authority prepared by an independent certified public accountant, within one hundred eighty (180) days of the completion of the Authority's Fiscal Year;
 - prior to issuing Additional Bonds or additional debt of any kind under the Indenture, any disclosure document or financing agreement pertaining to such additional debt, which disclosure document or financing agreement shall include, without limitation, the applicable maturity schedule, interest rate or rates, redemption and security provisions pertaining to any such additional debt;
 - notice of any material adverse change in the financial condition or operation of the Authority, including notice of any litigation or investigation that may have a material adverse effect on the financial position of the Authority within thirty (30) days following notice of such litigation or investigation;

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ARTICLE VI MISCELLANEOUS

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

Section 6.2. **Indenture as Supplemented to Remain in Effect.** Save and except as herein supplemented by this Supplemental Indenture, the Indenture shall remain in full force and effect.

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

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

Section 6.5. **Confirmation of Actions.** All action (not inconsistent with the provisions of this Supplemental Indenture) heretofore taken by the Authority directed toward the issuance and sale of the 2008 Series A Bonds is hereby ratified, approved, and confirmed.

Section 6.6. **Governing Law.** This Supplemental Indenture shall be construed in accordance with the laws of the State of New Jersey.

Section 6.7. **Notices.** Any notice, demand, direction, request, or other instrument authorized or required by this Supplemental Indenture to be given to or filed with the Authority, the Trustee, the Paying Agent, the Registrar, the Credit Facility Provider or the Authenticating Agent, shall be deemed to have been sufficiently given or filed for all purposes, if any, when delivered or sent by registered or certified mail, return receipt requested, postage prepaid, and, if given by telex, telegraphic or electronic means, shall be deemed given when transmitted (receipt confirmed) to the following addresses; provided that facsimile or electronic transmissions of notices shall only be deemed to have been sufficiently given or filed for all purposes if the Authority, the Fiduciaries and the Credit Facility Provider have agreed to accept notices by facsimile or electronic communication, such notice has been sent by a person authorized to give such notice and receipt of such notice has been confirmed.

If to the Authority: New Jersey Higher Education Student Assistance Authority, 4 Quakerbridge Plaza, P.O. Box 545, Trenton, New Jersey 08625, Attention: Executive Director (facsimile no. (609) 584-4831) (email: gene_hutchins@hesaa.org).

If overnight delivery to the Authority: New Jersey Higher Education Student Assistance Authority, #4 Quakerbridge Plaza, Mercerville, NJ 08619, Attention: Executive Director.

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- immediate notice of any draw on the 2008 Debt Service Reserve Account;
- immediate notice if the Governor's Budget Message or the annual Appropriations Act adopted by the New Jersey State Legislature and signed into law by the Governor does not include a language provision appropriating funds to the Authority in an amount sufficient for the reimbursement of draws under a Funding Instrument in connection with the 2008 Series A Bonds;
- copies of all continuing disclosure filings with national recognized municipal securities repositories with respect to the Authority;
- The Authority will permit the Credit Facility Provider to discuss the affairs, finances and accounts of the Authority or any information Credit Facility Provider may reasonably request regarding the security for the 2008 Series A Bonds with appropriate officers of the Authority, and will use best efforts to enable Credit Facility Provider to have access to the facilities, books and records of the Authority on any business day upon reasonable prior notice. The Authority shall provide to the Credit Facility Provider any financial report, record or notice to be provided to the Trustee pursuant to the terms of the Indenture and this Supplemental Indenture relating to the 2008 Series A Bonds.

K. **Audit Rights.** The Credit Facility Provider and its third party representatives shall have the right to perform a file examination and a review of the servicing and reporting on 2008 Student Loans during the fall of 2008 at its own expense. Thereafter, the Credit Facility Provider shall have the right to perform an annual audit, at its own expense, if the Delinquent Loans Percentage as shown on the most recent quarterly report prepared with respect to the most recent Calendar Quarter is greater than twelve percent (12%). The annual audit right of the Credit Facility Provider will be suspended in the event the Delinquent Loans Percentage falls below twelve percent (12%) for two consecutive Calendar Quarters. Such audit shall be conducted during normal business hours and shall not unreasonably disrupt the business of the Authority. The books and records of the Authority shall be maintained at the address of the Authority designated for receipt of notices, unless the Authority shall otherwise advise the Credit Facility Provider in writing.

L. **Value.** The prior written consent of the Credit Facility Provider shall be required for any determination of Value of any investment pursuant to Section 5.11(A)(v) of the Indenture.

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If to the Trustee, Paying Agent, Registrar or Authenticating Agent: Wells Fargo Bank, National Association, 7077 Bonneval Road, Suite 400, Jacksonville, Florida 32216, Attention: Corporate Trust Services (facsimile no. (904) 281-2759) (email:nathan.e.turner@wellsfargo.com).

If to the Credit Facility Provider/Surety Provider: Assured Guaranty Corp., 1325 Avenue of the Americas, New York, New York 10019, Attention: Risk Management Department (NJ Higher Education Student Assistance Authority Student Loan Revenue Bonds, 2008 Series A, Policy Nos. D-2008-689, D-2008-690)

Teletype No.: (212) 581-3268
Confirmation: (212) 974-0100
Email: riskmanagementdept@assuredguaranty.com

With a copy to the General Counsel at:

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: General Counsel
(NJ Higher Education Student Assistance Authority Student Loan Revenue Bonds, 2008 Series A, Policy Nos. D-2008-689, D-2008-690)

Teletype No.: (212) 581-3268
Confirmation: (212) 974-0100
Email: generalcounsel@assuredguaranty.com

(in each case in which notice or other communication to the Insurer refers to a Default, an Event of Default, a claim on the Policy or any event with respect to which failure on the part of the Insurer to respond shall be deemed to constitute consent or acceptance, then such demand, notice or other communication shall be marked to indicate "URGENT MATERIAL ENCLOSED.")

The Authority, the Fiduciaries and the other Persons above may, by like notice to each other, designate any further or different addresses to which subsequent notices shall be sent.

Section 6.8. **Instrument of Acceptance by Fiduciaries.** Wells Fargo Bank, National Association hereby accepts its appointment as Paying Agent, Registrar and Authenticating Agent and the duties and obligations thereof and agrees that this constitutes the written instrument of acceptance required by Section 11.2(B) of the Indenture.

Section 6.9. **Rating Agency Conditions.** References to Rating Agency Conditions with respect to the 2008 Series A Bonds means only with respect to the underlying long term rating of the 2008 Series A Bonds without regard to the Credit Facility.

Section 6.10. **Credit Facility Provider Limitations.** So long as no Credit Facility Provider Default exists, the Credit Facility Provider shall at all times be deemed to be the holder of all of the 2008 Series A Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (b) granting any consent, direction or approval or taking any action permitted by or required under the

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Indenture or hereunder, as the case may be, to be granted or taken by the holders of such 2008 Series A Bonds.

Anything in the Indenture to the contrary notwithstanding, so long as no Credit Facility Provider Default exists, upon the occurrence and continuance of an Event of Default, the Credit Facility Provider shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under the Indenture or hereunder, including, without limitation, (i) the right to accelerate the principal of the 2008 Series A Bonds as described in the Indenture and this Supplemental Indenture, and (ii) the right to annul any declaration of acceleration. The Credit Facility Provider also shall be entitled to approve all waivers of Events of Default. Section 12.6 of the Indenture will not apply to the Credit Facility Provider; and, if a conflict exists between the provisions of the Indenture and this Section 6.10, the provisions of this Section 6.10 will control.

Section 6.11. Section References. References contained in this Supplemental Indenture to Sections are, unless otherwise indicated, to Sections in this Supplemental Indenture.

IN WITNESS WHEREOF, the Authorized Officer of the Authority and the undersigned officer of the Trustee have hereunto executed this Supplemental Indenture as of the date first written above.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

By: _____
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
Nathan E. Turner
Vice President

Acknowledged:

Assured Guaranty Corp.

By: _____

[SIGNATURE PAGE TO FIRST SUPPLEMENTAL INDENTURE]

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**SCHEDULE A
TERMS OF 2008 SERIES A BONDS**

The 2008 Series A Bonds will initially be dated and will bear interest from the date of delivery. Interest will be payable on June 1 and December 1 of each year, commencing December 1, 2008. The 2008 Series A Bonds will bear interest at the interest rates per annum, and will mature on June 1 in of the years and in the principal amounts shown below:

Year	Principal Amount	Interest Rate Per Annum
2021	\$105,185,000	5.875%
2030	\$244,815,000	6.125%

The 2008 Series A Bonds will be issued in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof.

SCHEDULE B

FORM OF BOND

Unless this Certificate is presented by the authorized representative of The Depository Trust Company to the Authority or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of CEDE & CO., or any other name as requested by an authorized representative of The Depository Trust Company (and any payment is made to CEDE & CO., or to such other entity as is requested by an authorized representative of The Depository Trust Company), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, CEDE & CO., has an interest herein.

NEITHER THE STATE OF NEW JERSEY NOR THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND EXCEPT FROM THE MONEYS AND FUNDS PLEDGED UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NEW JERSEY OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THIS BOND.

**HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY
STUDENT LOAN REVENUE BOND, 2008 SERIES A**

\$ _____ R-

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

REGISTERED OWNER: CEDE & CO

PRINCIPAL AMOUNT: Dollars

The Higher Education Student Assistance Authority, a body corporate and politic constituting an instrumentality of the State of New Jersey (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above, or its registered assigns, the Principal Amount specified above on the Maturity Date specified above, unless redeemed prior thereto as hereinafter provided, with interest thereon from the Dated Date specified above at the Interest Rate per annum specified above on each June 1 and December 1, commencing December 1, 2008 (each an "Interest Payment Date"). Principal or Redemption Price of, if any, of this Bond are payable upon the presentation and surrender hereof at the corporate trust office of Wells Fargo Bank, National Association, Jacksonville, Florida (together with its successors as Paying Agent, the "Paying Agent"). Interest on this Bond is payable to the registered owner of record as of the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (the "Record Date") as shown on the registration books of the Authority maintained by Wells Fargo Bank, National Association in its capacity as bond registrar (together with its successors as Registrar, the "Registrar"), by check or draft mailed to the registered owner at the registered address; provided that, at the written request of the registered owner of at least \$1,000,000 in principal amount of Bonds of this Series (which request will remain in effect with respect to each subsequent Interest Payment Date unless and until changed or revoked at any time prior to an Interest Payment Date by subsequent written notice to the Paying Agent) interest shall be paid by wire transfer or other method of transfer of immediately available funds acceptable to the Paying Agent and the Authority. Interest on this Bond shall be calculated on the basis of a 360-day year consisting of twelve 30 day months. Capitalized terms used in Bond and not referred herein shall have the meanings given thereto in the Indenture.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its Student Loan Revenue Bonds, 2008 Series A (the "2008 Bonds") issued as fully registered bonds without coupons in the denominations of \$5,000 or integral multiples thereof ("Authorized Denominations") in the aggregate principal amount of \$350,000,000 under and by virtue of the Higher Education Student Assistance Authority Law constituting Chapter 46 of the Pamphlet Laws of 1999 of the State of New Jersey and the acts amendatory thereof and supplemental thereto (the "Act") and by virtue of a resolution duly adopted by the Authority on May 28, 2008 (the "Bond Resolution") and equally and ratably secured under an Indenture of Trust dated as of August 1, 2008 and a First Supplemental Indenture, dated as of August 1, 2008, each by and between the Authority and Wells Fargo Bank, National Association, as Trustee (together with its successors in trust, the "Trustee") as the same from time to time has been or may be amended, modified or supplemented by supplemental indentures (such Indenture and any and all such supplemental indentures, including, without limitation, the First Supplemental Indenture, being herein collectively called the "Indenture") for the purpose of, among other things, originating student loans under the NJCLASS Loan Program pursuant to the Act.

The Authority has issued the 2008 Bonds under the Indenture (the 2008 Bonds, together with any additional bonds hereafter issued under the Indenture, are herein referred to as the "Bonds"). The Indenture pledges for the payment of the Bonds, subject to the terms and conditions of the Indenture, the Student Loans (defined in the Indenture) and the payments of interest and the repayments of principal with respect thereto, as well as certain other rights, funds, and accounts of the Authority set forth in the Indenture (collectively, the "Trust Estate").

Reference is hereby made to the Bond Resolution and the Indenture for the provisions, among other things, with respect to the nature and extent of the Trust Estate securing payment of the Bonds, the manner of enforcement of such security, the custody and application of the

(b) Mandatory Redemption Resulting From Non-Origination. The 2008 Series A Bonds are subject to redemption prior to maturity, in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct), in whole or in part, on any date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from moneys to be applied to such redemption at the direction of the Authority consisting of or corresponding to proceeds of the 2008 Series A Bonds remaining in the 2008 NJCLASS Student Loan Account at the expiration of the Origination Period which have not been committed to originate or acquire 2008 Student Loans from such Account as provided in Section 5.4(A)(1)(vi) of the Indenture.

(c) Special Optional Redemption From Excess Revenues. The 2008 Series A Bonds are subject to redemption prior to maturity, in whole or in part, in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct) on any date, pursuant to Section 5.5(A)(1)(x) of the Indenture, provided that such date shall be no earlier than twenty (20) days after each Payment Date, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from (i) Revenues and Recoveries of Principal (other than resulting from voluntary sales of 2008 Student Loans) which the Authority determines are not to be used to originate or acquire additional 2008 Student Loans, including upon the expiration of the Recycling Period, or (ii) any moneys available therefor upon a determination by the Authority with the consent of the Credit Facility Provider and at least ten (10) days prior notice to each Rating Agency, that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities; and provided further that in either case, (i) if the date of redemption is on or after any June 20 but before the next succeeding December 1, one hundred percent (100%) of the interest due on the next succeeding Payment Date and sixty percent (60%) of the Principal Installment due on the next succeeding Principal Payment Date shall be retained in the 2008 NJCLASS Revenue Account for the payment of such Debt Service and (ii) if the date of redemption is on or after any December 20 but before the next succeeding June 1, one hundred percent (100%) of the Principal Installment and interest due on the next succeeding Payment Date shall be retained in the 2008 NJCLASS Revenue Account for the payment of such Debt Service.

(d) Special Mandatory Redemption from Excess Revenues. The 2008 Series A Bonds are subject to redemption prior to maturity, in whole or in part, on any date, pursuant to the provisions of Section 5.5(A)(1)(x) of the Indenture, at a Redemption Price equal to the principal amount thereof to be redeemed, plus accrued interest to the date of redemption, from moneys to be applied to such redemption when the Outstanding principal amount of 2008 Series A Bonds is less than ten percent (10%) of the original principal amount of 2008 Series A Bonds, from (i) Revenues and Recoveries of Principal or (ii) any moneys available therefor upon a determination by the Authority with the consent of the Credit Facility Provider and at least ten (10) days prior notice to each Rating Agency that a continuation of the Authority's program of financing Student Loans would cause the Authority to suffer unreasonable burdens or excessive liabilities.

(e) Sinking Fund Redemption. The 2008 Series A Bonds maturing on June 1, 2021 and June 1, 2030 are subject to sinking fund redemption, in whole or in part, pursuant to the provisions of Section 5.5(A)(1)(x) of the Indenture, from Recoveries of Principal available therefor (if any) in the amounts and on June 1 in each of the years set forth below, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date. To the extent Recoveries of Principal are not on deposit in the Revenue Fund after making the necessary disbursements as provided in

proceeds of the Bonds, the terms and conditions upon which the Bonds are issued, the rights, duties, and obligations of the Authority and the Trustee, the Paying Agent, the Registrar and the Trustee in its capacity as authenticating agent, or its successors in such capacity (the "Authenticating Agent"), and the rights of the holders of the Bonds. Copies of the Bond Resolution and the Indenture are on file in the office of the Authority and at the corporate trust office of the Trustee. The obligations of the Authority under the Indenture may be discharged at or prior to the maturity or redemption of the Bonds upon the making of provision for the payment thereof on the terms and conditions set forth in the Bond Resolution and the Indenture.

Pursuant to the Indenture, additional bonds equally secured by the pledge and covenants made in the Indenture with the 2008 Bonds may be issued from time to time in one or more series for the purposes set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and modifications of the rights and obligations of the Authority and the rights of the holders of the Bonds at any time by the Authority with the consent of the Owners (i) of at least 51% in principal amount of the Bonds Outstanding at the time such consent is given or (ii) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least 51% in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given. Any such consent shall be conclusive and binding upon each such holder and upon all future holders of each Bond and of any such Bond issued upon the transfer or exchange thereof whether or not notation of such consent is made thereon. The Indenture also contains provisions permitting the Trustee to waive certain past defaults and their consequences and further provides that, so long as no Credit Facility Provider Default exists, the Credit Facility Provider shall at all times be deemed to be the holder of all of the 2008 Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (b) granting any consent, direction or approval or taking any action permitted by or required under the Indenture or hereunder, as the case may be, to be granted or taken by the holders of such 2008 Bonds.

The 2008 Bonds shall be subject to redemption as follows:

(a) Optional Redemption. The 2008 Series A Bonds shall be subject to redemption, at the option of the Authority, in whole or in part, on any date on or after June 1, 2018 at a Redemption Price equal to the principal amount of such 2008 Series A Bonds to be redeemed (100%) plus unpaid accrued interest to the date fixed for redemption from available funds of the Authority, including the proceeds of Refunding Bonds, amounts on deposit in the Revenue Fund and available to be applied to the redemption of Bonds as provided in Section 5.5(A)(1)(x) of the Indenture or any other funds provided by the Authority, from sources other than the Trust Estate, for such purpose. If the 2008 Series A Bonds are redeemed in part pursuant to this paragraph (a) from the proceeds of Refunding Bonds or from other funds provided by the Authority from sources outside the Trust Estate, the particular 2008 Series A Bonds to be redeemed shall be selected from such maturities and in such amounts as the Authority shall determine. If the 2008 Series A Bonds are redeemed in part pursuant to this paragraph (a) from amounts on deposit in the Revenue Fund and available to be applied to the redemption of Bonds as provided in Section 5.5(A)(1)(x) of the Indenture, the particular 2008 Series A Bonds to be redeemed shall be selected in sequential order of maturity (or as the Authority, with the written consent of the Credit Facility Provider, may otherwise direct).

Section 5.5(A)(1)(i)-(ix) of the Indenture and available to make a particular Sinking Fund Payment, the unsatisfied portion of each Sinking Fund Payment shall be added to the next following Sinking Fund Payment.

2008 Series A Bonds Due June 1, 2021

Date (June 1)	Sinking Fund Payment
2014	\$ 5,415,000
2015	12,405,000
2016	12,935,000
2017	13,135,000
2018	13,790,000
2019	15,120,000
2020	16,455,000
2021	15,930,000

Final maturity.

2008 Series A Bonds Due June 1, 2030

Date (June 1)	Sinking Fund Payment
2022	\$23,515,000
2023	23,160,000
2024	28,565,000
2025	31,115,000
2026	33,800,000
2027	39,200,000
2028	31,820,000
2029	16,450,000
2030	17,190,000

Final maturity.

This Bond shall neither be entitled to any security, right, or benefit under the Bond Resolution and the Indenture nor be valid or obligatory for any purpose unless the Certificate of Authentication hereon has been duly executed by the Authenticating Agent.

IN WITNESS WHEREOF, THE HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chairman or other Authorized Officer and its corporate seal (or a facsimile thereof) to be affixed, impressed, imprinted, or otherwise reproduced hereon and attested to by its Secretary or other Authorized Officer, all as of the Dated Date.

CERTIFICATE OF AUTHENTICATION

This bond is one of the 2008 Bonds described herein.

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

WELLS FARGO BANK, NATIONAL ASSOCIATION, Authenticating Agent

(SEAL)

By: _____
Nathan E. Turner

By: _____
Eugene Hutchins
Chief Financial Officer

Authentication Date: August 7, 2008

Attest:

By: _____
E. Michael Angullo
Secretary

Statement of Insurance

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy No. D-2008-689 (the "Policy") with respect to the payment of principal at stated maturity of and scheduled interest when due on this Bond to Wells Fargo Bank, National Association, as paying agent on behalf of the holders of the Bonds (the "Paying Agent"). Such Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy and the Indenture.

ASSIGNMENT

FOR VALUE RECEIVED, _____ (the "Transferor"), the undersigned, hereby sells, assigns and transfers unto

	(the "Transferee")
Name	
Address	

Social Security or Federal Employer Identification No. _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date:	
Signature Guaranteed:	NOTICE: No transfer will be made in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Employer Identification Number and the date of the trust and the name of the trustee should be applied
NOTICE: signature(s) must be guaranteed by a member of the New York Stock Exchange or a bank or a trust company	

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO. (OR TO SUCH OTHER ENTITY AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS, AN INTEREST HEREIN.

SCHEDULE C

STUDENT ELIGIBILITY AND CREDIT CRITERIA

I. ELIGIBILITY REQUIREMENTS FOR NJCLASS LOANS

The student, borrower and cosigner (if necessary) must meet the NJCLASS Loan Program eligibility criteria and one of the borrower(s) and/or cosigner(s) must demonstrate creditworthiness as defined below. The minimum income restriction is the Federal Poverty guideline for a family of four, as adjusted annually by the United States Department of Health and Human Services. The current minimum income requirement based on 2008 guidelines is \$21,200.

STUDENT

- 1) The Student must be a citizen or permanent resident of the United States.
- 2) New Jersey residents must be enrolled or accepted for enrollment at a college or university or non-traditional/proprietary institution eligible for Title IV, Higher Education Act of 1965 assistance, approved or licensed by the New Jersey Commission on Higher Education or its equivalent in another state and accredited by a nationally recognized accrediting association and having a federal cohort default rate of 20 percent or less. Out-of-state students, who attend an approved New Jersey school, are eligible as well. Approved schools also include certain proprietary institutions.
- 3) The student must be making satisfactory academic progress towards their degree or certificate.
- 4) The student must file all financial aid information required by the school to determine the student's eligibility for a Federal Stafford Loan before applying for an NJCLASS Loan.
- 5) The student, if the student is the borrower, must not owe a grant refund and must not be in default or have any student loan discharged in default.

BORROWER/CO-BORROWER

- 1) The borrower/co-borrower must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.
- 2) The borrower/co-borrower must not owe a grant refund and must not be in default or have had any student loan discharged in default.

COSIGNER/JOINT COSIGNER

- 1) The cosigner/joint cosigner must be a United States citizen or permanent resident of the United States or intending to become a permanent resident as evidenced by Immigration and Naturalization Service documentation.

- 2) The cosigner/joint cosigner must not owe a grant refund and must not be in default or have had any student loan discharged in default.

The student can be a borrower. If the borrower(s) do not meet the minimum income requirement, they will need a cosigner. Cosigner(s) must meet the income requirement.

II. CREDIT TEST FOR BORROWERS/CO-BORROWERS AND COSIGNERS/JOINT COSIGNERS FOR NJCLASS LOANS

A. The Authority will retrieve a credit score and detailed consumer report only on those borrowers/cosigners who meet the minimum income requirement.

B. Borrower(s) or cosigner(s) must have a minimum FICO credit score of 670 or greater from Experian. Borrower(s) or cosigner(s) meeting that minimum requirement will be approved.

Cash Flow Statement Limits

Unless otherwise approved by the Credit Facility Provider and delivery to the Trustee of a Rating Agency Condition, the following table shows the limits of certain amounts in the Cash Flow Statement:

Item	Amount
Program Expenses:	
Bond Insurer Premium	12 bps
Trustee Fee	0.7 bps
Administrative Fee	9.3 bps
Servicing Fee	27 bps while student is attending school and 38 bps while in repayment, which fee may be increased annually by 2.5% to a maximum fee of 90 bps

APPENDIX B
FORM OF BOND COUNSEL OPINION

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[SIMULTANEOUSLY WITH THE ISSUANCE AND DELIVERY OF THE BONDS, McMANIMON & SCOTLAND, L.L.C., BOND COUNSEL TO THE AUTHORITY, IS EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[Closing Date]

Higher Education Student Assistance Authority
4 Quakerbridge Plaza
Trenton, New Jersey

Re: Higher Education Student Assistance Authority
\$350,000,000 Student Loan Revenue Bonds, 2008 Series A

Ladies and Gentlemen:

We have served as bond counsel to the Higher Education Student Assistance Authority (the "Authority") in connection with the issuance by the Authority of its \$350,000,000 Student Loan Revenue Bonds, 2008 Series A (the "2008 Bonds"). The Authority is a body politic and corporate and an instrumentality exercising public and essential governmental functions of the State of New Jersey (the "State"), pursuant to the New Jersey Higher Education Student Assistance Authority Law, N.J.S.A. 18A:71A-1 et seq., as amended and supplemented (the "Act").

The 2008 Bonds are issued under and pursuant to the Act and an Indenture of Trust dated as of August 1, 2008 (the "Indenture of Trust"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture dated as of August 1, 2008, by and between the Authority and Trustee (the "First Supplemental Indenture"; the Indenture of Trust, as supplemented by the First Supplemental Indenture is hereinafter referred to as the "Indenture"), and a resolution of the Authority adopted May 28, 2008, authorizing the issuance of the 2008 Bonds (the "Bond Resolution"). Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

The 2008 Bonds are issued for the purposes of providing the Authority with funds which will be used to (i) make a deposit into the Student Loan Fund established pursuant to the Indenture to be applied as set forth therein, including, without limitation, to make or purchase 2008 Student Loans; and (ii) make a deposit into the Capitalized Interest Fund established pursuant to the Indenture.

Higher Education Student Assistance Authority
[Closing Date]
Page 2

The 2008 Bonds are direct and special obligations of the Authority payable solely from and secured by a pledge of the Trust Estate as defined in the Indenture, including (i) Student Loans; (ii) all Revenues and Recoveries of Principal (including, without limitation, payments of principal of and interest on Student Loans); (iii) the Debt Service Reserve Fund; and (iv) the monies and securities in the various other funds established under the Indenture (except the Rebate Fund, the Excess Yield Fund and the Loan Reserve Fund).

The 2008 Bonds have been sold pursuant to a Purchase Agreement ("Purchase Contract"), dated August 1, 2008 by and between Morgan Stanley & Co., Incorporated, as representative of the managers ("Underwriters") and the Authority.

As the basis for this opinion, we have examined such matters of law as we have deemed necessary including, inter alia, the Internal Revenue Code of 1986, as amended, and court decisions interpreting the same and existing regulations, rulings, and other publications promulgated or released thereunder (collectively, the "Code"). We have also examined such documents, opinions, certifications and instruments as we have deemed necessary including, but not limited to, the Indenture of Trust, the First Supplemental Indenture, the Bond Resolution and the Certificate of Non-Arbitrage of even date herewith of the Authority executed and delivered to us and intended to satisfy certain provisions of the Code ("Tax Certificate") and such opinions of counsel as we have deemed necessary. We have also examined the authenticated 2008 Bonds.

In rendering the following opinion, we have relied upon the authenticity, truthfulness and completeness of all documents, instruments and certifications examined including, without limiting the generality of the foregoing, the Tax Certificate.

Based upon and subject to the foregoing, and the limitations set forth below, we are of the opinion that:

1. The Authority is a public body corporate and politic, duly and legally organized and validly existing under the Act, and was and is authorized to adopt the Bond Resolution and to execute and deliver the Indenture.

2. The 2008 Bonds have been duly authorized, issued and sold by the Authority, all conditions precedent to the delivery of the 2008 Bonds set forth in the Indenture have been complied with and the 2008 Bonds are valid and binding special limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and payable as to principal, interest and all other obligations thereunder solely from the assets pledged under the Indenture, and are enforceable in accordance with their terms and the terms of the Indenture, secured in the manner and to the extent set forth in the Indenture, and are entitled to the benefits, protection and security of the Act and the Indenture.

3. The Authority has the power to enter into and perform its obligations under the Indenture. The Bond Resolution has been duly adopted by the Authority, and the Indenture has

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been duly authorized and executed by the Authority. The Bond Resolution and the Indenture are each valid, binding and enforceable in accordance with their terms. The Indenture creates the valid pledge and lien which it purports to create of the Trust Estate and all of the Authority's right, title and interest in and to the foregoing, and all other moneys, securities or funds pledged for the payment of principal or redemption price of and interest on the 2008 Bonds in accordance with the terms and provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. The applicable provisions of the Code establish certain requirements which must be met subsequent to the issuance and delivery of the 2008 Bonds in order that interest on the 2008 Bonds be and remain excludable from the gross income of the owners thereof for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of proceeds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on investments of gross proceeds of the 2008 Bonds and the 2008 Bonds be rebated to the Federal government. In the Indenture and the Tax Certificate, the Authority has covenanted to comply with the requirements of the Code applicable to the 2008 Bonds. The failure to comply with such provisions may cause interest on the 2008 Bonds to be or become includable in gross income for federal income tax purposes retroactive to the date of issuance and delivery of the 2008 Bonds. In rendering the opinions described in this paragraph 4, we have assumed compliance by the Authority with such provisions of the Indenture and the Tax Certificate.

Pursuant to the applicable provisions of the Code, interest on the 2008 Bonds is not included in the gross income of the owners thereof for federal income tax purposes. Interest on the 2008 Bonds is an item of tax preference for purposes of calculating the alternative minimum tax imposed by the Code with respect to individuals and corporations.

No opinion is expressed, however, as to the extent the accrual or receipt of interest on the 2008 Bonds may otherwise affect the federal income tax liability of or other consequences to the recipients thereof, which will depend on each recipient's particular tax status and other items of income or deduction.

5. Interest on and any gain realized on the sale of the 2008 Bonds is not includable in gross income under the existing New Jersey Gross Income Tax Act.

Our opinions set forth above are subject, as to the enforceability of the 2008 Bonds, the Bond Resolution and the Indenture, to applicable bankruptcy, reorganization, moratorium, insolvency and other laws affecting creditors' rights or remedies generally (including, without limitation, laws relating to fraudulent conveyances or transfers) and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and to the valid exercise of the sovereign police powers of the State of New Jersey and of the constitutional power of the United States of America.

From and after the date hereof, certain requirements and procedures contained or

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referred to in the Indenture or the Tax Certificate and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of other counsel. We express no opinion as to any 2008 Bond if any such change occurs or action is taken upon the advice or approval of such other counsel.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion, or any changes in law or interpretations thereof that may occur after the date of this opinion, or for any reason whatsoever.

Attention is called to the fact that the Authority has no taxing power. Neither the State of New Jersey nor any political subdivision thereof is obligated to pay the principal or redemption price, if any, of or interest on the 2008 Bonds. The 2008 Bonds are special limited obligations of the Authority, and the principal or redemption price, if any, of and interest on the 2008 Bonds is payable solely from the assets pledged under the Indenture, and neither the faith and credit of the Authority nor the taxing power of the State of New Jersey or any political subdivision thereof is pledged to the payment of the principal or redemption price, if any, of or interest on the 2008 Bonds.

Very truly yours,

APPENDIX C

**SPECIMEN FINANCIAL GUARANTY INSURANCE
POLICY (BOND INSURANCE POLICY)**

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Financial Guaranty Insurance Policy

Issuer:

Policy No.:

Obligations:

Premium:

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment, including the failure of the Trustee to remit amounts received to the Holders of Obligations and any shortfalls attributable to withholding or other taxes, including interest and penalties in respect of such liability.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, and does not refer to any earlier date on which payment is due by reason of a call for redemption (including a sinking fund redemption, a mandatory redemption resulting from non-origination or special optional or mandatory redemptions resulting from excess revenues), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i)

the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

Counsel

APPENDIX D

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND)

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Financial Guaranty Insurance Policy (Reserve Fund)

Issuer:

Policy No.:

Obligations:

Premium:

Policy Limit: The lesser of (i) \$ _____ or (ii) the reserve requirement as set forth in the Transaction Documentation. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the reserve fund requirement, as provided in the Transaction Documentation.

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the Transaction Documentation), for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments only upon receipt by Assured Guaranty, in form reasonably satisfactory to it of (i) evidence of the Trustee or Paying Agent's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Trustee or Paying Agent's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such payment, Assured Guaranty shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Reimbursement Agreement. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against any risk other than Nonpayment.

The amount available under this Policy shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or the Paying Agent under the terms of this Policy shall automatically be reduced by any payment under the Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Assured Guaranty pursuant to the Reimbursement Agreement. Within three (3) Business Days of such reimbursement, Assured Guaranty shall provide the Trustee or the Paying Agent with a Notice of Reinstatement and such reinstatement shall be effective as of the date Assured Guaranty gives such notice.

If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Obligations, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Assured Guaranty incur duplicate liability for the same amounts owing with respect to the Obligations that are covered under this Policy and any other insurance policy or surety bond that Assured Guaranty has issued.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, and does not refer to any earlier date on which payment is due by reason of any call for redemption (including a sinking fund redemption, a mandatory redemption resulting from non-origination or special optional or mandatory redemptions resulting from excess revenues), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and means (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct

or indirect obligation constitutes the underlying security for the Obligations. "Insured Payments" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. "Nonpayment" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "Notice of Reinstatement" means the notice from Assured Guaranty to the Trustee or the Paying Agent reinstating the Policy coverage in an amount not greater than the Policy Limit. "Receipt" or "Received" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "Reimbursement Agreement" shall mean the Reimbursement Agreement between the Issuer or the obligor on the Obligations, as applicable, and Assured Guaranty, effective as of the date hereof. "Term" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations. "Transaction Documentation" means the documentation providing for the issuance of and securing the Obligations.

At any time during the Term of the Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. **THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.** This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By: _____
Authorized Officer

Signature attested to by:

Counsel

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (“Agreement”), dated as of August 7, 2008, between the HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY, a public body corporate and politic and a public instrumentality of the State of New Jersey (“Authority”), and Wells Fargo Bank, National Association, as Trustee, acting in its capacity as Dissemination Agent (as hereinafter defined) hereunder (“Trustee”), is executed and delivered in connection with the issuance of the Authority’s \$350,000,000 aggregate principal amount of Student Loan Revenue Bonds, 2008 Series A (“Bonds”). The Bonds are being issued pursuant to an Indenture of Trust dated as of August 1, 2008 between the Authority and the Trustee (“2008 Indenture”), and as supplemented by the First Supplemental Indenture dated as of August 1, 2008 between the Authority and the Trustee (“First Supplemental Indenture,” together with the 2008 Indenture, the “Indenture”) and the resolution of the Authority adopted May 28, 2008 (“Resolution”). The Authority and the Trustee covenant and agree as follows for the benefit of the Bondholders (as defined below):

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Bondholders and in order to assist the Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the meanings indicated below.

“Annual Report” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Agreement

“Bondholder” or “Holder” of the Bonds shall mean any registered owner of the Bonds or any person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding through any nominee, securities depository or other intermediary) or (ii) is treated as the holder of any of the Bonds for federal income tax purposes.

“Central Post Office” shall mean, in accordance with the SEC Interpretative Letter dated September 7, 2004 (“Interpretative Letter”) regarding www.DisclosureUSA.org - Texas MAC’s Central Post Office, DisclosureUSA, an internet based filing system where issuers of tax-exempt bonds and other filers on behalf of such issuers can upload for immediate transmission to the Repositories information and notices required to be filed with Repositories pursuant to continuing disclosure undertakings designed to assist underwriters in complying with the Rule.

“Credit Facility Provider” shall mean Assured Guaranty Corp., a Maryland Corporation and any successor thereto.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities

Information Repository recognized by the Securities and Exchange Commission pursuant to the Rule. The name and address of each National Repository on the date of this Agreement are as follows:

Bloomberg Municipal Repository 100 Business Park Drive Skillman, New Jersey 08558 Phone: 609.279.3225 Fax: 609.279.5962 www.bloomberg.com/markets/rates/municontacts.html	DPC Data, Inc. One Executive Drive Fort Lee, New Jersey 07024 Phone: 201.346.0701 Fax: 201.947.0107 www.dpcdata.com
Interactive Data Pricing and Reference Data, Inc. Attn: NRMSIR 100 William Street, 15th Floor New York, NY 10038 Phone: 212-771-6999; 800-689-8466 Fax: 212-771-7390 www.interactivedata-prd.com	Standard & Poor's Securities Evaluations, Inc. 55 Water Street 45th Floor New York, NY 10041 Phone: (212) 438-4595 Fax: (212) 438-3975 www.disclosuredirectory.standardandpoors.com

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of New Jersey as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

“Underwriter” shall mean Morgan Stanley & Co. Incorporated, for itself and as representative of the underwriters listed in Schedule 1 to the Purchase Agreement (collectively, the “Underwriters”).

SECTION 3. CONTENT OF ANNUAL REPORTS. The Authority’s Annual Report shall contain:

(a) a copy of its annual financial statements for the NJCLASS Program prepared in accordance with generally accepted accounting principles and audited by a certified public accountant; and

(b) information with respect to the Authority, the NJCLASS Program of the type contained in the Preliminary Official Statement of the Authority dated July 18, 2008, as supplemented on July 22, 2008 and July 29, 2008, and the final Official Statement of the Authority dated August 1, 2008 under the following captions;

“THE AUTHORITY” - the information under the headings “Authority’s Experience With the NJCLASS Loan Program” and “Outstanding Indebtedness of the Authority.”

“THE NJCLASS LOAN PROGRAM” - the information under the headings “2008 Student Loan Terms” (but only to the extent of any changes therein), “Loan Servicing,” and “Cash Flow and Other Assumptions.”

SECTION 4. PROVISION OF ANNUAL REPORTS.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2009, provide to each Repository an Annual Report. Not later than 15 business days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). In the event that the Authority has obtained the Annual Report in an electronic format, it shall provide the Annual Report to the Dissemination Agent and the Trustee in such electronic format. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package. The Annual Report may cross-reference other documents, including official statements of debt issues of the Authority, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document cross-referenced is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Authority shall clearly identify each such other document so cross-referenced. Any financial information contained in the Authority’s Annual Report shall be prepared in accordance with generally accepted accounting principles. Notwithstanding the foregoing, the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report when such audited financial statements are available. In the event that the audited financial statements are not included with the Annual Report and will be submitted at a later date, the Authority shall include unaudited financial information in the Annual Report and shall disclose the date on which the audited financial statements will be submitted.

(b) If by 15 business days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Authority and the Dissemination Agent (if the Trustee is not the Dissemination Agent) to determine if the Authority is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as EXHIBIT A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report from the Securities and Exchange Commission (which information is currently provided at www.sec.gov/info/municipal/nrmsir.htm), the name and address of each National Repository and each State Repository, if any; and

(ii) file a report with the Authority and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) In a timely manner, the Authority shall direct the Dissemination Agent to deliver to

each Repository, notice of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
 - (7) Modification to rights of Bondholders;
 - (8) Bond calls, other than scheduled sinking fund redemptions of the Term Bonds, not otherwise contingent upon the occurrence of an event, the terms of which are set forth in the final Official Statement of the Authority circulated in connection with the issuance of the Bonds and notice of which is provided to the Owners of the Bonds pursuant to the Indenture;
 - (9) Defeasances;
 - (10) Release, substitution, or sale of property securing repayment of the Bonds;
- and
- (11) Rating changes.

(b) The Trustee shall, within one business day after the principal corporate trust officer responsible for the Authority's corporate trust business obtains actual knowledge of the occurrence of any of the Listed Events (except events listed in subsections (a)(1), (4) or (5)), contact the Authority, inform the Authority of the event, and request that the Authority promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) below.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b), or otherwise, the Authority shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(6) will always be deemed to be material.

(d) If the Authority has determined that the occurrence of a Listed Event would be material, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) below.

(e) If in response to a request under subsection (b), the Authority determines that the Listed Event would not be material, the Authority shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f) below.

(f) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repositories. Notwithstanding the foregoing:

- (i) notice of the occurrence of a Listed Event described in subsections (a) (1), (4) or (5) shall be given by the Dissemination Agent unless the Authority gives the

Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. TERMINATION OF AGREEMENT. The Authority's obligations under this Agreement shall terminate upon the defeasance, prior redemption, or payment in full of all of the Bonds.

SECTION 7. RESIGNATION OF DISSEMINATION AGENT. In the event that the Trustee resigns or is removed as Trustee under the Indenture, the Trustee may resign and be discharged of its duties and obligations created hereunder in the same manner as is required for resignation of the Trustee under Section 11.7 of the 2008 Indenture.

SECTION 8. DISSEMINATION AGENT. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 9. AMENDMENT. The Authority's obligations under this Agreement may be amended to the extent required or permitted by the Rule, or in connection with a change in the identity, nature or status of the Authority, or the type of business conducted by it; provided that any such amendment either (i) does not materially impair the interests of Bondholders, in the determination of the Trustee (which may be based on an opinion of counsel); or (ii) is approved by the Holders of a majority in aggregate principal amount of the Bonds.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Agreement, the Underwriters or any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Authority or the Dissemination Agent, as the case may be, to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of any party to comply with this Agreement shall be an action to compel performance.

SECTION 12. BENEFICIARIES.

(a) This Agreement shall inure solely to the benefit of the Trustee, the Dissemination Agent, the Underwriters, and the Bondholders, and shall create no rights in any other person or entity.

(b) The Dissemination Agent shall simultaneously provide to the Credit Facility Provider a copy of each Annual Report or notice of occurrence of a Listed Event, by delivering the same to Assured Guaranty Corp., 1325 Avenue of the Americas, New York, New York 10019, Attention: Risk Management, Policy No.: _____.

SECTION 13. CENTRAL POST OFFICE. Notwithstanding anything herein contained to the contrary, the Authority may file, or cause the Dissemination Agent to file, with the Central Post Office, the Annual Report and any Disclosure Event Notice in lieu of making such filings with the Repositories for so long as the filing of the Annual Report and any Disclosure Event Notice with the Central Post Office is an undertaking described in paragraph (b)(5)(i) of Rule 15c2-12, as determined by the SEC in the Interpretative Letter. The Dissemination Agent may assume that the Interpretative Letter is in full force and effect, unless (i) advised by the Authority to the contrary or (ii) the Dissemination Agent has actual knowledge that the Interpretative Letter has been withdrawn or revoked.

SECTION 14. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New Jersey.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

SECTION 15. SEVERABILITY. In case any one or more of the provisions of this Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement, but this Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

HIGHER EDUCATION STUDENT
ASSISTANCE AUTHORITY

By: _____
Eugene Hutchins
Chief Financial Officer

WELLS FARGO BANK,
NATIONAL ASSOCIATION

By _____
Corporate Trust Officer

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Authority: Higher Education Student Assistance Authority (State of New Jersey)

Name of Bond Issue: Student Loan Revenue Bonds, 2008 Series A

Date of Issuance: August 7, 2008

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

cc: Credit Facility Provider

