DESCRIPTION OF LOANS UNDER AUTHORITY 6TH GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 6th General Student Loan Program Bond Resolution, as amended to date (collectively, the "6th Resolution"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2006, there was on deposit under the 6th Resolution approximately $5 million in cash, accrued receivables and investments and approximately $66 million in student loans insured, guaranteed or otherwise permitted pursuant to the 6th Resolution ("Eligible Loans") having characteristics substantially similar to those described below. Subsequent to September 30, 2006, the Authority sought and received approval from AMBAC Assurance Corporation, the bond insurer, to remove $14 million in excess coverage assets above the parity release level in accordance with the 6th Resolution. **Eligible Loans financed or refinanced thereafter and held under the 6th Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$44,209,468.78	67.16%
Consolidation	18,058,995.52	27.43%
PLUS/SLS	3,563,117.25	5.41%
HEAL Loans	0.00	0.00%
Supplemental Loans	0.00	0.00%
TOTALS:	$65,831,5813.55	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$7,474,372.49	11.35%
In Grace	5,877,545.81	8.93%
Forbearance	8,113,125.02	15.66%
Deferment	10,307,941.62	12.32%
Repayment	34,058,596.61	51.74%
TOTALS:	$65,831,581.55	100.00%

Distribution of Portfolio by School Type (as of September, 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$52,536,577.53	79.80%
Two-Year Schools	7,866,855.55	11.95%
Graduate Schools	7,688.74	0.01%
Other	5,420,459.73	8.23%
TOTALS:	$65,831,581.55	100.00%

DESCRIPTION OF LOANS UNDER AUTHORITY 8TH GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 8th General Student Loan Program Bond Resolution, as amended to date (collectively, the "8th Resolution"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2006, there was on deposit under the 8th Resolution approximately $5 million in cash, accrued receivables and investments and approximately $44 million in student loans insured, guaranteed or otherwise permitted pursuant to the 8th Resolution ("Eligible Loans") having characteristics substantially similar to those described below. As of September 30, 2006, the reserve account balance of the 8th Resolution was approximately $500 thousand. Since the 2005 continuing disclosure filing, $39.2 million in 90A Series bonds matured under this resolution on December 1, 2005. Subsequent to September 30, 2006, the Authority sought and received approval from Bank of America N.A., the letter of credit provider, to remove $6 million in excess coverage assets above the parity release level in accordance with the 8th Resolution. **Eligible Loans financed or refinanced thereafter and held under the 8th Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$39,385,627.85	89.46%
Consolidation	0.00	0.00%
PLUS/SLS	4,638,897.91	10.54%
HEAL Loans	0.00	0.00%
Supplemental Loans	0.00	0.00%
TOTALS:	$44,024,525.76	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$7,495,345.68	17.03%
In Grace	6,457,555.68	14.67%
Forbearance	4,698,359.97	10.89%
Deferment	4,792,576.60	10.67%
Repayment	20,580,687.90	46.75%
TOTALS:	$44,024,525.76	100.00%

Distribution of Portfolio by School Type (as of September 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$35,239,814.81	80.05%
Two-Year Schools	5,257,448.74	11.94%
Graduate Schools	9,117.54	0.02%
Other	3,518,144.67	7.99%
TOTALS:	$44,024,525.76	100.00%

DESCRIPTION OF LOANS UNDER
AUTHORITY 9TH GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 9th General Student Loan Program Bond Resolution, as amended to date (collectively, the "9th Resolution"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2006, there was on deposit under the 9th Resolution approximately $11 million in cash, accrued receivables and investments and approximately $40 million in student loans insured, guaranteed or otherwise permitted pursuant to the 9th Resolution ("Eligible Loans") having characteristics substantially similar to those described below. As of September 30, 2006, the reserve account balance of the 9th Resolution was approximately $3.1 million in investments. Subsequent to September 30, 2006, the Authority sought and received approval from MBIA Insurance Corporation, the bond insurer, to remove $7 million in excess coverage assets above the parity release level in accordance with the 9th Resolution. **Eligible Loans financed or refinanced thereafter and held under the 9th Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$39,128,516.25	97.64%
Consolidation	0.00	0.00%
PLUS/SLS	944,597.57	2.36%
HEAL Loans	0.00	0.00%
Supplemental Loans	0.00	0.00%
TOTALS:	$40,073,113.82	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$11,290,600.46	28.18%
In Grace	8,602,281.71	21.47%
Forbearance	4,200,809.01	11.19%
Deferment	4,482,421.10	10.48%
Repayment	11,497,001.54	28.69%
TOTALS:	$40,073,113.82	100.00%

Distribution of Portfolio by School Type (as of September 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$28,682,226.14	71.57%
Two-Year Schools	6,101,308.51	15.23%
Graduate Schools	41,212.76	0.10%
Other	5,248,366.41	13.10%
TOTALS:	$40,073,113.82	100.00%

DESCRIPTION OF LOANS UNDER AUTHORITY 10TH GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 10th General Student Loan Program Bond Resolution, as amended to date (collectively, the "10th Resolution"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2006, there was on deposit under the 10th Resolution approximately $5.2 million in cash, accrued receivables and investments and approximately $4.2 million in student loans insured, guaranteed or otherwise permitted pursuant to the 10th Resolution ("Eligible Loans") having characteristics substantially similar to those described below. Since the 2005 continuing disclosure filing, $5.7 million in 92B Series bonds matured under this resolution on February 15, 2006. As of September 30, 2006, the reserve account balance of the 10th Resolution was approximately $2.6 million. **Eligible Loans financed or refinanced thereafter and held under the 10th Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$4,083,780.11	97.46%
Consolidation	0.00	0.00%
PLUS/SLS	106,402.48	2.54%
HEAL Loans	0.00	0.00%
Supplemental Loans	0.00	0.00%
TOTALS:	$4,190,182.59	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$1,393,440.85	33.25%
In Grace	482,399.36	11.51%
Forbearance	440,131.12	10.50%
Deferment	501,247.39	11.96%
Repayment	1,372,963.87	32.77%
TOTALS:	$4,190,182.59	100.00%

Distribution of Portfolio by School Type (as of September 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$3,491,326.00	83.32%
Two-Year Schools	338,213.95	8.07%
Graduate Schools	0.00	0.00%
Other	360,642.64	8.61%
TOTALS:	$4,190,182.59	100.00%

DESCRIPTION OF LOANS UNDER AUTHORITY 11TH GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 11th General Student Loan Program Bond Resolution, as amended to date (collectively, the "11th Resolution"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2006, there was on deposit under the 11th Resolution approximately $236 million in cash, accrued receivables and investments and approximately $4.5 billion in student loans insured, guaranteed or otherwise permitted pursuant to the 11th Resolution ("Eligible Loans") having characteristics substantially similar to those described below. Since the 2005 continuing disclosure filing, $2.5 million in 94Q Series bonds matured under this resolution on February 15, 2006 and on September 14, 2006, the Authority issued an additional $750 million in Senior Libor Indexed Rate Notes, 2006F1-F8 Series bonds, under the Resolution. The Authority has initiated a bondholder consent process to obtain bondholder approval to modify the Resolution. Additional information about this process can be found under the filing dated December 4, 2006. As of September 30, 2006, the reserve account balance of the 11th Resolution was approximately $29 million. **Eligible Loans financed or refinanced thereafter and held under the 11th Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$1,379,098,703.96	30.92%
Consolidation	2,913,394,918.60	65.31%
PLUS/SLS	167,164,471.88	3.75%
HEAL Loans	903,578.46	0.02%
Supplemental Loans	0.00	0.00%
TOTALS:	$4,460,561,672.89	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$424,484,879.99	9.52%
In Grace	241,236,745.20	5.41%
Forbearance	549,101,210.71	12.31%
Deferment	666,844,646.28	14.95%
Repayment	2,578,894,190.71	57.81%
TOTALS:	$4,460,561,672.89	100.00%

Distribution of Portfolio by School Type (as of September 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$3,766,849,495.49	84.45%
Two-Year Schools	292,356,536.80	6.55%
Graduate Schools	2,879,954.51	0.06%
Other	398,475,686.09	8.93%
TOTALS:	$4,460,561,672.89	100.00%

DESCRIPTION OF LOANS UNDER
AUTHORITY 12TH GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 12th General Student Loan Program Bond Resolution, as amended to date (collectively, the "12th Resolution"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2006, there was on deposit under the 12th Resolution approximately $31 million in cash, accrued receivables and investments and approximately $332.9 million in student loans insured, guaranteed or otherwise permitted pursuant to the 12th Resolution ("Eligible Loans") having characteristics substantially similar to those described below. Since the 2005 continuing disclosure filing, $126 million in 2006I-J Series bonds were issued under this resolution on June 28, 2006. **Eligible Loans financed or refinanced thereafter and held under the 12th Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$66,064,692.49	19.85%
Consolidation	48,616,669.34	14.60%
PLUS/SLS	9,014,116. 92	2.71%
HEAL Loans	129,840.23	0.04%
Supplemental Loans	209,074,349.08	62.80%
TOTALS:	$332,899,668.06	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$105,935,853.53	31.82%
In Grace	38,569,243.53	11.59%
Forbearance	24,709,796.02	7.42%
Deferment	24,128,879.96	7.25%
Repayment	139,555,895.02	41.92%
TOTALS:	$332,899,668.06	100.00%

Distribution of Portfolio by School Type (as of September 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$294,958,624.18	88.60%
Two-Year Schools	13,978,349.69	4.20%
Graduate Schools	276,651.97	0.08%
Other	23,686,042.22	7.12%
TOTALS:	$332,899,668.06	100.00%

DESCRIPTION OF LOANS UNDER
AUTHORITY 2005 TRUST INDENTURE

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 2005 Trust Indenture, as amended to date (collectively, the "2005 Turst Indenture"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2006, there was on deposit under the 2005 Trust Indenture approximately $21 million in cash, accrued receivables and investments and approximately $356 million in student loans insured, guaranteed or otherwise permitted pursuant to the 2005 Trust Indenture ("Eligible Loans") having characteristics substantially similar to those described below. Since the 2005 continuing disclosure filing, $164.1 million in 2006A-E Series bonds were issued under this resolution on April 20, 2006. As of September 30, 2006, the reserve account balance of the 2005 Trust Indenture was approximately $2.9 million. **Eligible Loans financed or refinanced thereafter and held under the 2005 Trust Indenture may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$149,149,556.66	41.91%
Consolidation	179,662,414.57	50.49%
PLUS/SLS	27,026,294.83	7.60%
HEAL Loans	0.00	0.00%
Supplemental Loans	0.00	0.00%
TOTALS:	$355,838,266.06	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$59,183,343.21	16.63%
In Grace	39,213,023.51	11.02%
Forbearance	32,911,220.28	17.03%
Deferment	60,610,770.18	9.25%
Repayment	163,919,908.88	46.07%
TOTALS:	$355,838,266.06	100.00%

Distribution of Portfolio by School Type (as of September 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$310,247,735.10	87.19%
Two-Year Schools	28,326,710.28	7.96%
Graduate Schools	152,150.35	0.04%
Other	17,111,670.33	4.81%
TOTALS:	$355,838,266.06	100.00%

DESCRIPTION OF LOANS UNDER AUTHORITY MULTI-SELLER ASSET BACKED COMMERCIAL PAPER CONDUIT

The proceeds of the Indenture between the Higher Education Loan Authority of the State of Missouri (the "Authority") and YC Susi Trust and Kitty Hawk Funding Corporation, as conduit lenders, pursuant to the Multi-Seller Asset Backed Commercial Paper Conduit, as amended to date (collectively, the "Conduit"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain borrowing costs.

As of September 30, 2006, there was on deposit under the Conduit approximately $62 million in cash, accrued receivables and investments and approximately $145 million in student loans insured, guaranteed or otherwise permitted pursuant to the Conduit ("Eligible Loans") having characteristics substantially similar to those described below. As of September 30, 2006, the reserve account balance of the Conduit was approximately $1.8 million. **Eligible Loans financed or refinanced thereafter and held under the Conduit may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

Distribution of Portfolio by Loan Type (as of September 30, 2006)

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	$93,310,972.32	64.53%
Consolidation	44,522.08	0.03%
PLUS/SLS	51,252,949.79	35.44%
HEAL Loans	0.00	0.00%
Supplemental Loans	0.00	0.00%
TOTALS:	$144,608,444.19	100.00%

Distribution of Portfolio by Borrower Payment Status (as of September 30, 2006)

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	$203,837.99	0.14%
In Grace	52,227.73	0.04%
Forbearance	27,305,781.32	15.71%
Deferment	22,716,633.78	18.88%
Repayment	94,329,913.37	65.23%
TOTALS:	$144,608,444.19	100.00%

Distribution of Portfolio by School Type (as of September 30, 2006)

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	$97,166,615.05	67.19%
Two-Year Schools	18,691,229.81	12.93%
Graduate Schools	0.00	0.00%
Other	28,750,599.33	19.88%
TOTALS:	$144,608,444.19	100.00%

THE AUTHORITY

The Authority was established in 1981 pursuant to the Act for the purpose of assuring that all eligible post-secondary education students have access to guaranteed student loans. The Act was amended, effective August 28, 1994, to provide the Authority with generally expanded powers to finance, acquire and service student loans, including, but not limited to, those guaranteed or insured pursuant to the Higher Education Act.

The Authority is governed by a board of seven members, five of whom are appointed by the Governor of the State, subject to the advice and consent of the Senate of the State, and two others who are designated by statute, the State Commissioner of Higher Education and a member of the State Coordinating Board for Higher Education. The present members are:

Name	Term Expires	Occupation/Affiliation
Randy Etter	October 2009	Executive Director, Advanced Technology Center Linn State Technical College
John W. Greer	October 2007	President (Retired) Citizens State Bank, Marshfield
Tom Reeves	October 2011	President, Pulaski Bank St. Louis
Dr. John Smith	October 2010	Educational Consultant St. Charles
Vacant		Private Post-Secondary Institution Representative
Dr. Robert Stein	Indefinite	Commissioner, Missouri Department of Higher Education
Greg Upchurch	Indefinite	Missouri Coordinating Board for Higher Education

*Mr. Reeves and Mr. Etter began serving on the board on September 19, 2006 and September 21, 2006, respectively, when they were appointed by the Governor. Each of their appointments is subject to Missouri Senate confirmation in the first 30 days of the next legislative session.

The address of the Authority is 633 Spirit Drive, Chesterfield, Missouri 63005-1243. The telephone number of the Authority is (636) 532-0600 or 1-800-6MOHELA. The Authority web site address is http://www.mohela.com. The Authority has a staff of approximately 276 individuals performing customary loan servicing, administrative and related functions.

Raymond H. Bayer, Jr. , serves as Executive Director, Chief Executive Officer, and Assistant Secretary. He is responsible for the Authority's entire operation and oversees all of its activities. Mr. Bayer joined the Authority in 1985. Mr. Bayer is a graduate of the University of Missouri, St. Louis and holds a Master of Business Administration degree from Webster University and a Master of Arts in Finance degree from Webster University.

Scott D. Giles serves as the Director of Finance and the Chief Financial Officer for the Authority and is responsible for the Finance, Accounting, Treasury Management, and Lender Services and Reconcilation areas as well as the Authority's capital structure strategy, financing transactions, interest rate risk management, cash management, investing, and insurance. Mr. Giles previously served as the Authority's Treasurer. Prior to joining the Authority, Mr. Giles served for over four years as the Director of the Missouri Student Loan Group for the

Missouri Department of Higher Education. Mr. Giles has served as a member of the Board of Directors of the National Council of Higher Education Loan Programs and as a member and Chairman of the Board for Mapping-Your-Future. He has also served as a commissioned bank examiner with the Federal Reserve Bank of St. Louis and as an assistant bank examiner with the Missouri Division of Finance. Mr. Giles holds a Bachelor of Science in Business Administration with an emphasis in Finance from Southeast Missouri State University and a Master of Public Administration from the University of Missouri – Columbia.

William C. Shaffner serves as the Director of Business Development with supervisory responsibility for Sales, Loan Consolidation, E-Commerce, Client Relations and Marketing. Mr. Shaffner joined the Authority in July 2004 and has over twenty-three years of progressive experience in the Federal Family Education Loan Program working at University of Central Florida, USA Funds, USA Group, Sallie Mae and American Student Assistance. Mr. Shaffner is a graduate of the University of Central Florida and holds a Bachelor of Science in Business Administration.

Mary J. Stewart serves as the Director of Loan Servicing and Loan Origination with supervisory responsibility over the Call Center, Loan Servicing, Loan Origination and Acquisitions. Ms. Stewart holds a Bachelor of Science in Business Administration with a minor in Computer Science from Dana College in Blair, Nebraska. Ms. Stewart joined the Authority in 1990 where she began working in the Customer Service Department. She has held management positions of Supervisor, Manager, and Vice President primarily over the Loan Servicing/Call Center units.

Quentin C. Wilson serves as Associate Director – Student Access and Success. In his role as Associate Director – Student Access, he is responsible for the Authority's public affairs, strategic planning and initiatives to increase access and success in college. Prior to joining the Authority, Mr. Wilson served as Commissioner of Higher Education for the State of Missouri and as Director of Revenue for the State of Missouri. Mr. Wilson obtained a Bachelor of Arts in Public Affairs from the George Washington University in 1976, a Master of Business Administration from St. Louis University in 1980 as well as certificates in Project Management from Boston University and the State and Local Government Senior Executives Program at Harvard University.

Penny J. Hagan serves as Assistant Director and Controller for the Authority. She oversees the day to day operations, recording, and reporting of the Accounting and Finance Division. Ms. Hagan joined the Authority in January 1995. She holds a Bachelor of Arts in Business Administration with an emphasis in Accounting and a Master of Business Administration from Lindenwood University.

Matthew R. McIntyre, Esq., serves as Associate General Counsel for the Authority. Mr. McIntyre joined the Authority in 2004. Prior to joining the Authority, Mr. McIntyre was in private practice where he performed corporate law work for the Authority for five years, primarily in the areas of banking, consumer and commercial finance law. He is also a former audit and compliance manager and has over eighteen years of experience in the financial services industry. Mr. McIntyre is a graduate of Webster University and received his Juris Doctorate degree from St. Louis University School of Law, St. Louis, Missouri.

Loan Finance Program

The Authority has established its Loan Finance Program in order to effectuate the general purposes of the Authority and the specific objective of assisting students in obtaining a post-secondary education. Through its Loan Finance Program the Authority seeks to increase the availability of funds for such purposes by financing: (a) Higher Education Act Eligible Loans that are insured by the Secretary or guaranteed by an Eligible Guarantor and reinsured by the Secretary pursuant to the Higher Education Act; or (b) other educational loans permitted under the Act. Such loans may be financed through the issuance of bonds, subject to the terms and conditions of the particular resolutions or indentures securing such obligations.

Under the Act and pursuant to the Loan Finance Program, the Authority is authorized to either originate or acquire certain types of student loans, and with respect to other types of student loans, only to acquire such loans. The Authority may either originate or acquire PLUS Loans, Consolidation Loans, HEAL Loans (as defined below), Institution Loans and Supplemental Loans, but may only acquire Subsidized and Unsubsidized Stafford Loans. The Authority expects that all Eligible Loans made or acquired with the proceeds of the Bonds will be Higher Education

Act Eligible or approved Supplemental Loans. Some bonds permit the Authority to finance Institution Loans and Supplemental Loans, which are other loans made to finance education permitted under the Act, for which consent of the Bond Insurer, Liquidity Provider and/or other appropriate parties may be required. The Authority also finances loans authorized under the Missouri State Department of Elementary and Secondary Education Teachers Scholarship Program.

In order to participate in the Authority's Finance Program with respect to Higher Education Act Eligible Loans, each third-party lender must enter into a loan purchase agreement with the Authority and must be an "eligible lender" under the Higher Education Act or be otherwise approved by the Authority. An "eligible lender" under the Higher Education Act includes certain commercial banks, mutual savings banks, savings and loan associations, credit unions, insurance companies, pension funds, certain trust companies and educational institutions. In its agreement with the Authority, the selling lender must make certain representations with respect to the loans to be sold, and agree to repurchase the loan at the Authority's request if any representation or warranty made by the lender regarding the loan proves to be materially incorrect, if a maker or endorser of a note evidencing the loan asserts a defense which raises a reasonable doubt as to its legal enforcement or if the Secretary refuses to honor a claim with respect to the loan because of circumstances which occurred prior to the Authority's purchase of the loan.

Most Stafford and PLUS Loans will be eligible for the Authority's Rate Relief program (the "RR Program"). Under the RR Program, borrowers with qualified loans owned and serviced by the Authority are eligible for certain interest rate reductions on such loans. The Authority expects that in the aggregate, a substantial amount of interest rate reduction relief will be provided with respect to the Eligible Loans securing the Bonds. To the extent that Eligible Loans are financed with Tax-Exempt Bonds, and dependent upon various loan portfolio factors and tax regulations relating to Tax-Exempt Bonds under the Indenture, the amount of interest rate reduction attributable to Eligible Loans financed with Tax-Exempt Bonds will generally be applied against any obligations the Authority may have with respect to amounts received in excess of the allowable yield on the Eligible Loans for federal income tax purposes. The RR Program may be modified or terminated by the Authority, provided the Authority may not modify the RR Program in a manner that materially adversely affects the Owners unless the appropriate consent is obtained.

As of September 30, 2006, the Authority had approximately $5.7 billion in student loan revenue debt outstanding and held approximately $5.6 billion of student loans under all of its various resolutions (separate and apart from the Indenture). Approximately 96% of these student loans consisted of Higher Education Act Eligible Loans.

Loan Servicing

The Authority's servicing operation employs approximately 276 individuals who service education loans for several other lenders in addition to servicing most of the Authority's own loan portfolio and who perform administrative functions for the Authority. On September 15, 2006, the Authority received the exceptional performer designation from the U. S. Department of Education. As a result, eligible loans serviced by the Authority are 99% guaranteed by the applicable Guaranty Agencies, which are reinsured by the U. S. Department of Education.

The Authority currently services a significant portion of its portfolio of Higher Education Act Eligible Loans with the assistance of software developed and maintained by Pennsylvania Higher Education Assistance Agency ("PHEAA"). The Authority has entered into an agreement with PHEAA pursuant to which PHEAA has agreed to provide the equipment, software, training and related support necessary to enable the Authority to comply with the provisions of the Higher Education Act. The master servicing agreement runs through December 31, 2011.

PHEAA also services a portion of the Authority's loan portfolio in a full service capacity. This agreement provides life of loan servicing. PHEAA software is currently used by several lenders nationwide to service similar loans on a remote or full service basis. See "Pennsylvania Higher Education Assistance Agency" below.

In addition to its agreement with PHEAA, the Authority has servicing agreements with Great Lakes Educational Loan Services, Inc. and ACS Education Services. Great Lakes Educational Loan Services, Inc. and ACS Education Services are expected to service less than 1% in aggregate principal amount of the student loans held under the various debt instruments and such amount is not expected to materially increase. The Authority may from time to time enter into other servicing agreements and arrangements in accordance with the terms of the various debt instruments.

The Higher Education Act requires the exercise of due diligence in the collection of Higher Education Act Eligible Loans. The Higher Education Act defines due diligence as requiring the use of collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans. The Higher Education Act also requires the exercise of reasonable care and diligence in the making and servicing of Higher Education Act Eligible Loans and provides that the Secretary may disqualify an "eligible lender" (which could include the Authority or the Trustee as holder of Higher Education Act Eligible Loans) from further federal insurance if the Secretary is not satisfied that the foregoing standards have been or will be met. An eligible lender may not relieve itself of its responsibility for meeting these standards by delegation of its responsibility to any servicing agent and, accordingly, if any servicer fails to meet such standards, the Authority's ability to realize the benefits of insurance may be adversely affected.

The Higher Education Act requires that a guaranty agency ensure that due diligence will be exercised by an eligible lender in making and servicing Higher Education Act Eligible Loans guaranteed by such guaranty agency. Each guaranty agency establishes procedures and standards for due diligence to be exercised by the servicer and by eligible lenders which service loans subject to such guarantors' guarantee. If the Authority or any other servicer does not comply with the established due diligence standards, the Authority's ability to realize the benefits of any guaranty may be adversely affected. Institution Loans are serviced by the Authority.

Pennsylvania Higher Education Assistance Agency

Pennsylvania Higher Education Assistance Agency ("PHEAA") is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to an act of the Pennsylvania Legislature. Under its enabling legislation, PHEAA is authorized to issue bonds or notes, with the approval of the Governor of the Commonwealth of Pennsylvania for the purpose of purchasing making, or guaranteeing loans. Its enabling legislation also authorizes PHEAA to undertake the origination and servicing of loans made by PHEAA and others. PHEAA's headquarters are located in Harrisburg, Pennsylvania with regional offices located throughout Pennsylvania and additional offices located in California, Delaware and West Virginia. As of June 30, 2006 it had approximately 2,589 employees.

As of June 30, 2006, PHEAA had outstanding debt and/or credit facilities in the amount of approximately $9.2 billion. As of June 30, 2006, PHEAA owned approximately $9 billion outstanding principal amount of student loans financed with the proceeds of its debt, and as of June 30, 2006 had funds available for acquisition of student loans in the amount of approximately $73 million. PHEAA has also been guaranteeing student loans since 1964 and as of June 30, 2006 had guaranteed approximately $40.8 billion.

PHEAA's two principal servicing products are its full servicing operation (in which it performs all student loan servicing functions on behalf of its customers) and its remote servicing operation (in which it provides only data processing services to its customers that have their own servicing operations). PHEAA was designated an exceptional performer by the U. S. Department of Education on December 1, 2004. As of June 30, 2006 PHEAA, was servicing under its full service operation student loan accounts representing approximately $34.7 billion outstanding principal amount for an estimated 335 customers and under its remote servicing operation, student loans representing approximately $17.6 billion outstanding principal amount for approximately 8 customers.

PHEAA has agreed that it will provide a copy of its most recent audited financial statements to Owners upon receipt of a written request directed to Mr. Tim Guenther, Chief Financial Officer, Financial Management, 1200 North Seventh Street, Harrisburg, Pennsylvania 17102 or statements can be found on the PHEAA website at the following address: http://www.pheaa.org/about/financial_reports.shtml.

Missouri Governor's Lewis and Clark Discovery Initiative

On January 26, 2006 Missouri Governor Matt Blunt announced his Lewis and Clark Discovery Initiative (the "Initiative") to generate $425 million for higher education and economic development purposes. The Initiative would provide a one-time infusion of capital for building and related projects at state universities, fund scholarships to Missouri students, match other endowments for the retention, recruitment of top professors and fund other projects. The Initiative envisioned the sale in 2006 of all of the assets of the Authority to fund the Initiative. This may have resulted in the wind-down and possible functional termination of the Authority.

Authority Funding Plan. Believing that there was strong support for the Initiative in the Missouri General Assembly and that some form of it was likely to be adopted, the Authority worked to determine whether there was an opportunity to support the Initiative and preserve the Authority as a viable entity for the students, families and schools of Missouri. Based on a number of considerations, on March 10, 2006 the Authority approved a funding plan (the "Authority Funding Plan") for the Initiative which is different from the plan originally proposed by the Governor. The Governor agreed to this revised approach. One basic difference was that the Authority Funding Plan did not provide for the liquidation of all of the assets of the Authority. Rather, the Authority Funding Plan provided for funding the Initiative over a several year period and the preservation of the Authority as a viable entity. Further, the Authority Funding Plan added an additional $25 million for additional Gubernatorial initiatives for higher education purposes.

In the 2006 Session of the Missouri General Assembly, there was considerable discussion and consideration by members of the Missouri General Assembly and its legislative committees regarding the Initiative, the Authority Funding Plan and possible changes with respect to aspects thereof. However, no legislative action was taken with respect to those matters.

Cooperation Agreement. Since the General Assembly did not take action with respect to the Initiative and the Authority Funding Plan during the 2006 Session, the Authority met with representatives from the Governor's office and interested state agencies to determine how best to achieve their respective goals. The Authority engaged consultants, advisors, attorneys and others to assist the Authority in this endeavor. It was determined that the Authority, the Department of Economic Development, the Missouri Development Finance Board and The Curators of the University of Missouri would enter into a Cooperation Agreement (the "Agreement") to provide certain tangible benefits important to the long-term viability of the Authority and to implement the Initiative and the Authority Funding Plan. The potential benefits to the Authority include certain assurances relative to tax-exempt volume caps and possible assistance in broadening its powers and markets.

After a draft of the Agreement was circulated for consideration, the Members of the Authority received a letter from the Missouri Attorney General expressing reservations regarding the legality of the Agreement and urging the Members to vote against entering into the Agreement. The Authority Members subsequently delayed a vote on the Agreement and revisions were made which call for legislative approval of the Agreement prior to its effectiveness. It is believed that these revisions will address the concerns expressed by the Attorney General. The Authority Members adopted a resolution approving the execution of the Agreement, to be effective upon legislative approval, when they met on September 27, 2006. The Agreement has been executed by all parties but it is not to be effective without the aforesaid legislative approval.

Additional Activity. It is anticipated that the Missouri General Assembly will consider approval of the Agreement at its 2007 Session beginning in January, 2007. If approved by the Missouri General Assembly at that time, certain details and the steps for performance by the Authority of the Agreement remain to be determined, including the exact timing of any funding of the Initiative pursuant to the Agreement. The Agreement anticipates the funding of the Initiative through periodic sales of non-Missouri student loan assets and the release of available net assets. To date, the Authority has completed two sales of non-Missouri student loans and has established an account to hold that portion of the proceeds of the sales that are to be used to fund the Initiative, together with assets released from the various resolutions, until the funds can be released after legislative approval has been received. Pursuant to the Agreement, the Authority would provide $350 million over a period of six years to fund higher education capital improvements and other higher education projects. It also contemplates that the Authority will provide equal or improved levels of service and benefits to Missouri students, families and schools. As partial consideration for this commitment, the Authority will receive an estimated $1 billion to $1.8 billion in Missouri

Private Activity Bond Cap allocation over the next ten years. The Authority believes, based on its knowledge and experience in the industry and analysis to date, that the funding of the Agreement is workable and would fulfill its intended goals. However, it is possible that as work continues on the Authority Funding Plan some issues regarding timing of funding may develop.

It is not possible to predict with certainty whether or not the Agreement will be approved by the Missouri General Assembly and will proceed, or, if it does proceed, what impact the Agreement will have on the Authority.