

**NORTHSTAR STUDENT LOAN TRUST III**  
**Issuer**



**NORTHSTAR EDUCATION FINANCE, INC.**  
**Sponsor**

**NORTHSTAR CAPITAL MARKETS SERVICES, INC.**  
**Master Servicer and Administrator**

**\$90,000,000**

**Private Education Loan Asset-Backed Notes**

**Securities Offered**

- Series of Notes set forth in the table below.

**Credit Enhancement**

- Overcollateralization;
- Excess interest, if any, on the Financed Eligible Loans;
- Capitalized Interest Fund and Reserve Fund; and
- For the Series 2016-A Notes, the subordination of the Series 2016-B Notes.

Potential investors in the Notes should consider carefully the information under the caption “RISK FACTORS” in this Offering Memorandum. It is a condition to the issuance of the Notes that they be rated as set out in the caption “SUMMARY OF TERMS—Rating of the Notes” herein.

The Notes have not been registered with, or approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

<b>Series</b>	<b>Original Principal Amount</b>	<b>Interest Rate</b>	<b>Final Maturity Date</b>	<b>Price to Public</b>
Senior Series 2016-A	\$86,000,000	One-Month LIBOR plus 1.25%	May 27, 2036	95.48438%
Subordinate Series 2016-B	\$4,000,000	One-Month LIBOR plus 1.50%	October 26, 2037	88.64063%

The Notes are obligations of the Issuer only and are secured primarily by a pool of private student loans originated under the Sponsor’s T.H.E. Loan Program described in this Offering Memorandum. The Notes are not obligations of NorthStar Education Finance, Inc. or any of its affiliates, other than the Issuer.

The Notes will be issued pursuant to the terms and provisions of an Indenture of Trust, dated as of September 1, 2016, among the Issuer, Wilmington Trust, National Association, not in its individual capacity but solely as owner trustee, and U.S. Bank National Association, as indenture trustee. The Notes will receive monthly distributions of interest and principal on the 25th day of each month as described in this Offering Memorandum, or if such day is not a Business Day, the next Business Day, beginning October 25, 2016.

The Notes offered hereby have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or under the securities laws of any state or territory in the United States and, unless registered or qualified, may not be offered or sold except pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. The Notes are being offered to certain qualified institutional buyers (as defined in Rule 144A) in reliance on an exemption from the registration requirements of the Securities Act provided by Rule 144A. The Issuer is not registered or required to be registered as an “investment company” under the Investment Company Act of 1940, as amended, pursuant to Rule 3a-7 promulgated thereunder, although there may be additional exclusions or exemptions available to the Issuer, and is not a “covered fund” for purposes of the Volcker Rule under the Dodd-Frank Act.

The Issuer is offering the Notes through the Initial Purchaser named below, when and if issued. The Notes will be delivered in book-entry form on or about September 7, 2016.

**RBC Capital Markets**

This Offering Memorandum is dated August 26, 2016.

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This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Initial Purchaser, to subscribe for or purchase, any of the Notes in any circumstances or in any state or other jurisdiction where such offer or invitation is unlawful. No action has been taken or will be taken to register or qualify the Notes or otherwise to permit a public offering of the Notes in any jurisdiction where actions for that purpose would be required. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Initial Purchaser to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of the Notes and distribution of this Offering Memorandum, see the caption “NOTICE TO INVESTORS” herein.

This Offering Memorandum has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described herein. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the Notes. Any distribution of this Offering Memorandum in whole or in part to any person other than the offeree or such offeree’s advisers is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum. If given or made, such information or representations must not be relied upon as having been authorized by the Issuer or the Initial Purchaser. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has not been any change in the facts set forth in this Offering Memorandum or in the affairs of any party described herein since the date hereof.

In making an investment decision, prospective investors must rely on their own independent investigation of the terms of the offering and weigh the merits and the risks involved with ownership of the Notes. The Issuer will furnish any additional information (to the extent it has such information or can acquire such information without unreasonable effort or expense and to the extent it may lawfully do so under the Securities Act or applicable local laws or regulations) necessary to verify the information furnished in this Offering Memorandum. Representatives of the Issuer, NorthStar Education Finance, Inc. (“NEF”) and the Initial Purchaser will be available to answer questions from investors interested in purchasing Notes concerning the Notes, the Issuer and the student loans.

Prospective investors are not to construe the contents of this Offering Memorandum or any prior or subsequent communications from the Issuer, NEF or the Initial Purchaser, or any of their officers, employees or agents as investment, legal, accounting, regulatory or tax advice. Prior to any investment in the Notes, a prospective investor should consult with its own advisors to determine the appropriateness and consequences of such an investment in relation to that investor’s specific circumstances.

**The Notes have not been and will not be registered under the Securities Act or under the securities laws of any state (“Blue Sky” laws). Unless registered under the Securities Act, the Notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in full compliance with any applicable Blue Sky laws. Accordingly, the Notes are being offered and sold by the Initial Purchaser to “qualified institutional buyers” in transactions exempt from the registration requirements of the Securities Act. Each purchaser is hereby notified that the offer and sale of the Notes to it may be made in reliance on the exemptions from the registration requirements of the Securities Act provided by Rule 144A. None of the Issuer, NEF, the Initial Purchaser or any of its or their affiliates make any**

**undertaking to register the Notes under any state or federal securities laws on any future date. The resale, transfer or pledge of the Notes is further restricted as described under the caption “NOTICE TO INVESTORS” herein.**

The Notes may not be offered or sold to persons in the United Kingdom, by means of this Offering Memorandum or any other document, in circumstances which will result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the Financial Services and Markets Act 2000.

**Each initial and subsequent purchaser of the Notes will be deemed by its acceptance of such Notes to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of the Notes as described in this Offering Memorandum and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases. The Notes will bear a legend referring to such restrictions and investors must be prepared to bear the risks of their acquisition of the Notes for an indefinite period of time. See the caption “NOTICE TO INVESTORS” herein.**

The Initial Purchaser has reviewed the information in this Offering Memorandum pursuant to its responsibilities to investors under the federal securities laws, but the Initial Purchaser makes no representations or warranties as to the accuracy or completeness of the information described in this Offering Memorandum, and nothing herein shall be deemed to constitute such a representation or warranty by the Initial Purchaser nor a promise or representation as to the Issuer’s future performance or the future performance of the student loans or the Notes.

The Notes are being offered subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to the approval of certain legal matters by counsel and certain other conditions. No Notes may be sold without delivery of this Offering Memorandum.

In connection with the offering, the Initial Purchaser may over allot or effect transactions with a view to supporting the market price of the Notes at levels above that which might otherwise prevail in the open market for a limited period. However, there is no obligation to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

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#### **FOR NEW HAMPSHIRE RESIDENTS**

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER NEW HAMPSHIRE REVISED STATUTE ANNOTATED, CHAPTER 421-B (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED TO OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY**

**PROSPECTIVE INVESTOR OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

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AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sale of the Notes, the Issuer will be required, for so long as any Note is a “restricted security” within the meaning of Rule 144(a)(3) under the Securities Act, to provide, upon request of a holder of a Note, to such holder and a prospective purchaser designated by such holder, the information which is required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended.

## Table of Contents

	Page
SUMMARY OF TERMS .....	1
RISK FACTORS .....	11
NORTHSTAR STUDENT LOAN TRUST III.....	26
THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER .....	28
THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III.....	34
CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS .....	44
FEES AND EXPENSES.....	52
SOURCES AND USES OF FUNDS .....	53
ACQUISITION OF FINANCED ELIGIBLE LOANS .....	53
DESCRIPTION OF THE NOTES .....	54
SECURITY AND SOURCES OF PAYMENT FOR THE NOTES.....	57
BOOK-ENTRY REGISTRATION.....	61
SUMMARY OF THE INDENTURE PROVISIONS.....	64
CREDIT ENHANCEMENT.....	75
ERISA CONSIDERATIONS .....	76
CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS.....	79
CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS .....	85
REPORTS TO NOTEHOLDERS.....	85
SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS .....	86
RELATIONSHIPS AMONG FINANCING PARTICIPANTS.....	87
PLAN OF DISTRIBUTION.....	87
NOTICE TO INVESTORS.....	88
LEGAL MATTERS.....	90
RATINGS .....	90
GLOSSARY OF TERMS .....	90
APPENDIX A   WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN MONTHLY DISTRIBUTION DATES FOR THE NOTES	
APPENDIX B   ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM	
APPENDIX C   ADDITIONAL INFORMATION REGARDING THE SUB-MASTER SERVICER AND SUB-ADMINISTRATOR	
APPENDIX D   ADDITIONAL INFORMATION REGARDING THE SPONSOR	

## SUMMARY OF TERMS

The following summary is a very general overview of the terms of the Notes and does not contain all of the information that you need to consider in making your investment decision.

Before deciding to purchase the Notes, you should consider the more detailed information appearing elsewhere in this Offering Memorandum. The Issuer may not sell the Notes until an Offering Memorandum for the Notes is delivered in final form.

The words “we,” “us,” “our” and similar terms, as well as references to the “Issuer,” refer to NorthStar Student Loan Trust III. This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. See the caption “SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS” herein.

### **Principal Parties and Dates**

#### ***Issuer***

- NorthStar Student Loan Trust III

#### ***Depositor***

- NorthStar Education Funding I, L.L.C.

#### ***Sponsor***

- NorthStar Education Finance, Inc.

#### ***Master Servicer and Administrator***

- Northstar Capital Markets Services, Inc.

#### ***Sub-Master Servicer and Sub-Administrator***

- Northstar Education Services LLC

#### ***Servicer***

- Great Lakes Educational Loan Services, Inc.

#### ***Backup Master Servicer and Administrator***

- Great Lakes Educational Loan Services, Inc.

#### ***Trustee***

- U.S. Bank National Association

#### ***Owner Trustee***

- Wilmington Trust, National Association

#### ***Initial Purchaser***

- RBC Capital Markets, LLC

#### ***Distribution Dates***

Distribution dates for the Notes will be the 25<sup>th</sup> day of each month (each, a “Monthly Distribution Date”). However, if any Monthly Distribution Date is not a Business Day, the monthly distribution will be made on the next Business Day. The first Monthly Distribution Date will be October 25, 2016. The calculation date for each Monthly Distribution Date generally will be the second Business Day before such Monthly Distribution Date.

#### ***Collection Periods***

The collection periods will be the full calendar month preceding each Monthly Distribution Date (each, a “Collection Period”). However, the initial Collection Period will begin on the initial Cut-Off Date and end on September 30, 2016.

#### ***Interest Accrual Periods***

The initial interest accrual period for the Notes begins on the Closing Date and ends on October 24, 2016. For all other Monthly Distribution Dates, the interest accrual period will begin on the prior Monthly Distribution

Date and end on the day before such Monthly Distribution Date (each, an “Interest Accrual Period”).

### ***Cut-Off Dates***

The initial Cut-Off Date for the Eligible Loan portfolio the Issuer will acquire on the Closing Date is September 7, 2016. For Financed Eligible Loans acquired after the Closing Date, the Cut-Off Date will be the date such Financed Eligible Loans are transferred to the Trust Estate.

The information presented in this Offering Memorandum relating to the Eligible Loans we expect to pledge to the repayment of the Notes is as of March 31, 2016 (the “Statistical Cut-Off Date”). The Issuer and NorthStar Education Finance, Inc. (“NEF”) believe that the information set forth in this Offering Memorandum with respect to the Financed Eligible Loans as of the Statistical Cut-Off Date is representative of the characteristics of the Financed Eligible Loans as they will exist on the Closing Date for the Notes, although certain characteristics on any Financed Eligible Loans acquired after the Statistical Cut-Off Date may vary.

### ***Closing Date***

The closing date for this offering is expected to be September 7, 2016 (the “Closing Date”).

## **Description of the Notes**

### ***General***

NorthStar Student Loan Trust III is offering the following Private Education Loan Asset-Backed Notes (the “Notes”):

- Senior Series 2016-A Notes in the aggregate principal amount of \$86,000,000; and
- Subordinate Series 2016-B Notes in the aggregate principal amount of \$4,000,000.

The Notes are debt obligations of the Issuer and will be issued pursuant to an Indenture of Trust, dated as of September 1, 2016 (the “Indenture”), among the Issuer, the Owner Trustee and the Trustee. The Notes will receive payments primarily from collections on a pool of Financed Eligible Loans.

The Series 2016-A Notes will be senior notes and the Series 2016-B Notes will be subordinate notes. The Notes will be issued in minimum denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof. Interest and principal on the Notes will be payable to the record owners of the Notes as of the close of business on the day before the related Monthly Distribution Date.

### ***Interest on the Notes***

The Notes will bear interest at the following rates:

- the Series 2016-A Notes will bear interest at an annual rate equal to One-Month LIBOR, plus 1.25%; and
- the Series 2016-B Notes will bear interest at an annual rate equal to One-Month LIBOR, plus 1.50%.

The Trustee will determine the rate of interest on the Notes on the second Business Day prior to the start of the applicable Interest Accrual Period. Interest on the Notes will be calculated on the basis of the actual number of days elapsed during the Interest Accrual Period divided by 360. For the initial Interest Accrual Period, the Trustee will determine the LIBOR rate according to a formula described under the caption “DESCRIPTION OF THE NOTES—Interest Payments” herein.

Interest accrued on the outstanding principal balance of the Notes during each Interest Accrual Period will be paid on the related Monthly Distribution Date in the order and priority described under the caption “Description of the Issuer—*Flow of Funds*” below and under the caption “SECURITY AND



## SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds” herein.

Interest payments on the Series 2016-B Notes will be suspended if a Series 2016-B Note Interest Trigger is in effect. A “*Series 2016-B Note Interest Trigger*” will be in effect if, on any Monthly Distribution Date, any Series 2016-A Notes are Outstanding and (a)(i) the Pool Balance (including all accrued interest on the Financed Eligible Loans) plus the amounts on deposit in the Acquisition Fund, the Collection Fund, the Capitalized Interest Fund and the Reserve Fund, each as of the end of the related Collection Period, minus (ii) the Outstanding Amount of the Series 2016-A Notes as of the end of the related Collection Period, is less than (b) the initial aggregate principal amount of the Series 2016-B Notes.

Any interest not paid on the Series 2016-B Notes on any Monthly Distribution Date will be paid on a subsequent Monthly Distribution Date to the extent a Series 2016-B Note Interest Trigger is no longer in effect, with interest on such unpaid interest at the interest rate of the Series 2016-B Notes. Failure to pay interest on the Series 2016-B Notes is not an Event of Default so long as any of the Series 2016-A Notes remain Outstanding.

### ***Principal Payments on the Notes***

Principal distributions will be allocated to the Notes on each Monthly Distribution Date in an amount equal to the amounts remaining in the Collection Fund for distribution on such Monthly Distribution Date after the payment of fees and expenses, interests on the Notes and replenishment of the Reserve Fund. See the caption “Description of the Issuer—*Flow of Funds*” below. Principal will be paid, *first*, on the Series 2016-A Notes until paid in full and, *second*, on the Series 2016-B Notes until paid in full. See the caption “DESCRIPTION OF THE NOTES—Principal Payments on the Notes” herein.

### ***Final Maturity***

The Monthly Distribution Dates on which the Notes are due and payable in full are as follows:

- Series 2016-A Notes: May 27, 2036
- Series 2016-B Notes: October 26, 2037

The actual maturity of any Series of Notes could occur earlier if, for example:

- there are prepayments on the Financed Eligible Loans held in the Trust Estate; or
- the NorthStar Education Funding I, L.L.C. (the “Depositor”), or its assignee exercises its option to purchase all of the Financed Eligible Loans remaining in the Trust Estate (which will not occur until the Pool Balance is 10% or less of the initial Pool Balance).

In the event that the Financed Eligible Loans experience significant prepayments, the actual final payments on the Notes may occur substantially before their final maturity date, causing a shortening of the Notes’ weighted average life. See the caption “DESCRIPTION OF THE NOTES—Prepayment, Yield and Maturity Considerations” herein and “APPENDIX A—WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN MONTHLY DISTRIBUTION DATES FOR THE NOTES” hereto.

### **Description of the Issuer**

#### ***General***

NorthStar Student Loan Trust III is a Delaware statutory trust formed pursuant to Chapter 38 of Title 12 of the Delaware Code, as amended, the operations of which are limited to acquiring, holding and managing student loans originated under NEF’s private student loan programs described herein and other assets of

the Issuer, issuing and making payments on the Notes and any other incidental or related activities.

The Issuer will use the proceeds from the sale of the Notes to acquire certain of the Financed Eligible Loans and to make deposits to the Acquisition Fund, the Capitalized Interest Fund, the Costs of Issuance Fund and the Reserve Fund. The remaining Financed Eligible Loans not acquired, or to be acquired, by the Issuer will be contributed to the Issuer by the Depositor, as described herein.

The only sources of funds for payment of all of the Notes issued under the Indenture are the Financed Eligible Loans, the cash and investments in the Funds pledged to the Trustee and the payments the Issuer receives on the Financed Eligible Loans and such investments.

#### ***The Issuer's Assets***

The assets of the Issuer will include:

- the Financed Eligible Loans acquired with the proceeds of the sale of the Notes or contributed by NEF (legal title to which are held by the Owner Trustee);
- collections and other payments received on account of the Financed Eligible Loans; and
- money and investments held in Funds created under the Indenture, including the Acquisition Fund, the Capitalized Interest Fund, the Cost of Issuance Fund, the Collection Fund and the Reserve Fund.

Pursuant to a Private Student Loan Purchase and Contribution Agreement, dated as of September 1, 2016 (the "Private Student Loan Purchase and Contribution Agreement"), among the Issuer, the Owner Trustee and the Depositor, the Depositor will sell and/or contribute the Financed Eligible Loans to the Issuer, with the Owner Trustee holding legal title to the Financed Eligible Loans. See the caption "THE

STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Acquisition and Contribution of the Financed Eligible Loans" herein.

Except under limited circumstances set forth in the Indenture, Financed Eligible Loans may not be transferred out of the Trust Estate. For example, if after the Closing Date the Issuer discovers that there has been a breach of the representations or warranties made by the Depositor under the Private Student Loan Purchase and Contribution Agreement regarding a Financed Eligible Loan, the Depositor generally will be obligated to cure such breach, repurchase or replace such Financed Eligible Loan, or reimburse the Issuer for any losses resulting from the breach. However, the Issuer may sell Financed Eligible Loans through the Owner Trustee so long as (a) the aggregate amount of such Financed Eligible Loans does not exceed 2% of the initial Pool Balance and (b) such sale of Financed Eligible Loans will not cause a material change in the overall composition of the pool of Financed Eligible Loans. See the caption "SUMMARY OF THE INDENTURE PROVISIONS—Sale of Financed Eligible Loans Held in Trust Estate" herein.

On the Closing Date, the Pool Balance (including all accrued interest on the Financed Eligible Loans) plus the amounts on deposit in the Acquisition Fund, the Collection Fund, the Capitalized Interest Fund and the Reserve Fund will be approximately 122.4% of the aggregate principal amount of the Series 2016-A Notes and approximately 116.9% of the aggregate principal amount of the Series 2016-A Notes and the Series 2016-B Notes. The Issuer is not required to maintain these parity ratios.

#### ***The Acquisition Fund***

On the Closing Date, the Issuer will deposit into the Acquisition Fund the proceeds from the sale of the Notes (less amounts deposited into the Capitalized Interest Fund, the Reserve Fund and the Costs of Issuance Fund), which will be used to acquire a portion of the Financed Eligible Loans. An amount equal to approximately \$63,936,600 of the moneys on

deposit in the Acquisition Fund will be used to acquire Eligible Loans pursuant to the Private Student Loan Purchase and Contribution Agreement on the Closing Date, and the remaining approximately \$16,387,220 of moneys on deposit in the Acquisition Fund shall be used to acquire additional Eligible Loans pursuant to the Private Student Loan Purchase and Contribution Agreement during the Acquisition Period, each at a price not in excess of 100% of the outstanding principal balance of such Eligible Loans as of the applicable Cut-Off Date plus accrued interest to and including the applicable Cut-Off Date. In addition, the Depositor will deposit approximately \$21,036,346 of Eligible Loans to the Acquisition Fund on the Closing Date pursuant to the Private Student Loan Purchase and Contribution Agreement. The “Acquisition Period” begins on the Closing Date and ends on September 29, 2016. If any moneys remain in the Acquisition Fund at the end of the Acquisition Period, or on such earlier date as the Trustee may be instructed by Issuer Order, then the Trustee will transfer all such remaining moneys or funds to the Collection Fund on such date (or if such date is not a Business Day, on the next succeeding Business Day). See the captions “SOURCES AND USES OF FUNDS” and “ACQUISITION OF FINANCED ELIGIBLE LOANS” herein.

### ***The Collection Fund***

The Trustee will deposit into the Collection Fund all revenues derived from Financed Eligible Loans, money or assets on deposit in the Trust Estate and all amounts transferred from the Acquisition Fund, the Capitalized Interest Fund and the Reserve Fund. Money on deposit in the Collection Fund will be used to pay the Issuer’s operating expenses (which include administration and master servicing fees, servicing fees, backup master servicing fees, trustees’ fees and rating agency surveillance fees), replenish the Reserve Fund and pay interest and principal on the Notes. See the caption “Description of the Issuer—*Flow of Funds*” below and the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—*Flow of Funds*” herein.

### ***The Capitalized Interest Fund***

The Issuer will make a deposit to the Capitalized Interest Fund from the proceeds of the sale of the Notes in the amount of \$500,000. On each Monthly Distribution Date, to the extent that money in the Collection Fund is not sufficient to pay administration and master servicing fees, servicing fees, backup master servicing fees, trustees’ fees, rating agency surveillance fees and interest then due on the Notes, an amount equal to the deficiency will be transferred directly from the Capitalized Interest Fund, prior to the transfer of any amounts on deposit in the Reserve Fund. Any amount remaining in the Capitalized Interest Fund on the August 2017 Monthly Distribution Date will be transferred to the Collection Fund, which will increase the principal payments on the Notes on such Monthly Distribution Date.

### ***The Reserve Fund***

The Issuer will make a deposit to the Reserve Fund from the proceeds of the sale of the Notes in the amount of \$225,000. The Reserve Fund is subject to a minimum balance (the “Specified Reserve Fund Balance”) equal to the greater of

- 0.25% of the aggregate outstanding principal amount of the Notes as of the close of business on the last day of the related Collection Period; and
- 0.15% of the original aggregate principal amount of the Notes.

This Specified Reserve Fund Balance may be reduced if the Issuer receives a Rating Confirmation.

On each Monthly Distribution Date, to the extent that money in the Collection Fund and the Capitalized Interest Fund is not sufficient to pay administration and master servicing fees, servicing fees, backup master servicing fees, trustees’ fees, rating agency surveillance fees and interest then due on the Notes, an amount equal to the deficiency will be transferred directly from the Reserve Fund. To the extent

the amount in the Reserve Fund falls below the Specified Reserve Fund Balance, the Reserve Fund will be replenished on each Monthly Distribution Date from funds available in the Collection Fund as described below under the caption “Description of the Issuer—*Flow of Funds*” below and under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds” herein. Principal payments due on the Notes may be made from the Reserve Fund only on the final maturity date for the respective Series of Notes. Funds on deposit in the Reserve Fund in excess of the Specified Reserve Fund Balance will be transferred to the Collection Fund.

#### ***The Trustee Expense Reserve Fund***

The Issuer will make a deposit to the Trustee Expense Reserve Fund from its own funds in an amount equal to \$150,000. On each Monthly Distribution Date, the Issuer will make a deposit to the Trustee Expense Reserve Fund equal to the lesser of (a) \$4,167 per month and (b) the amount necessary to bring the balance of the Trustee Expense Reserve Fund to \$150,000 from funds available in the Collection Fund as described under the caption “Flow of Funds” below. Amounts on deposit in the Trustee Expense Reserve Fund will be used by the Trustee, upon written notice to the Issuer and the Administrator, to pay Trustee Expenses.

#### ***Costs of Issuance Fund***

The Issuer will make a deposit to the Costs of Issuance Fund from the proceeds of the sale of the Notes in the amount of \$1,455,100. Amounts deposited to the Costs of Issuance Fund will be used to pay the costs of issuing the Notes.

#### ***Characteristics of the Financed Eligible Loan***

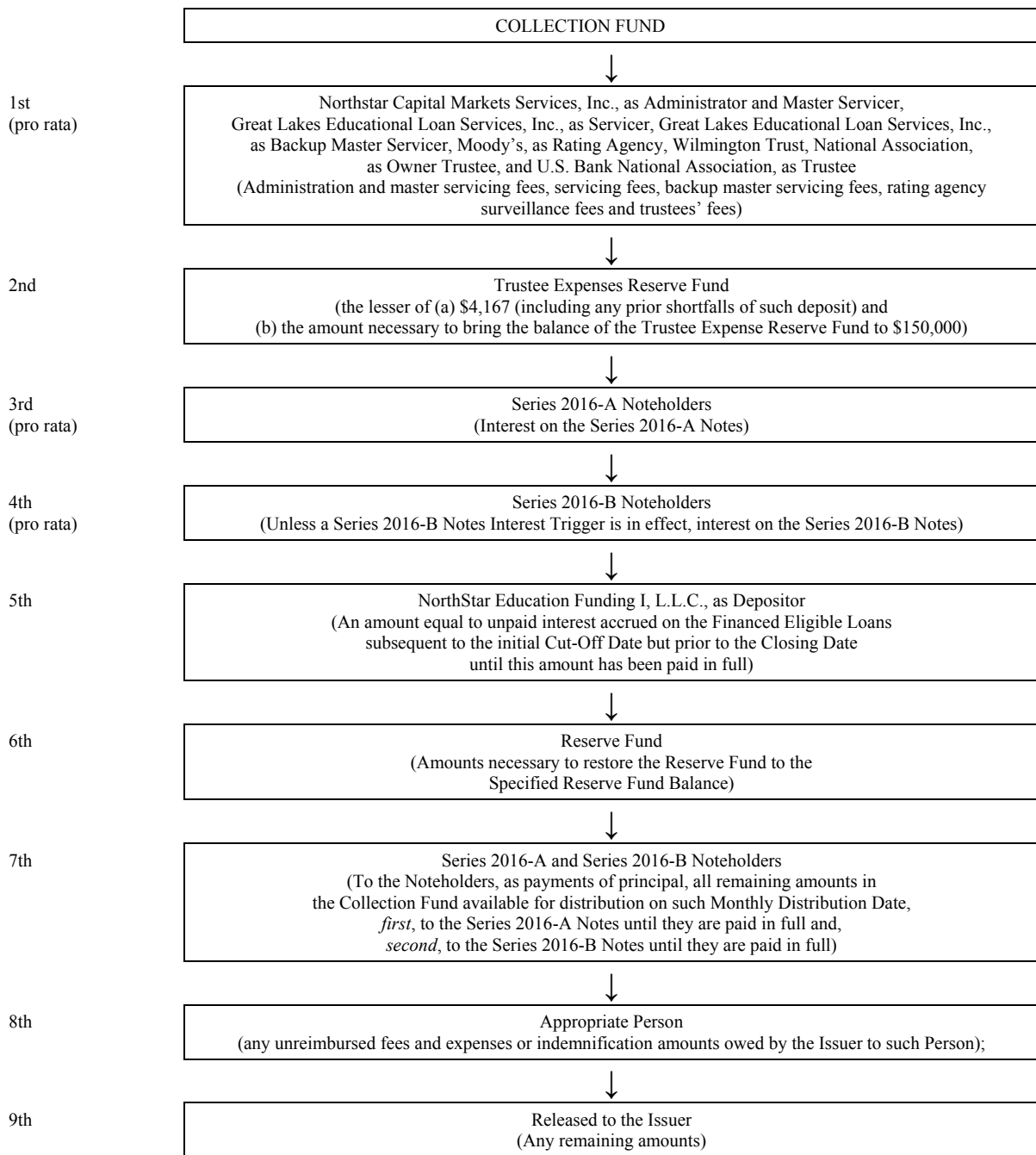
The Issuer will obtain (through acquisition or contribution) a portfolio of Eligible Loans substantially originated under the T.H.E. Loan Program, which are described more fully under the caption “CHARACTERISTICS OF THE FINANCED ELIGIBLE LOAN” herein, having an aggregate outstanding principal balance of \$103,702,217 as of the Statistical Cut-Off Date. Approximately \$3.9 million of the Eligible Loans expected to be acquired by the Issuer were not originated under the T.H.E. Loan Program, but were originated under a loan program with substantially the same terms as the T.H.E. Loan Program.

For a description of the T.H.E. Loan Program, see “APPENDIX B—ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM” hereto. NEF ceased originating student loans under the T.H.E. Loan Program in 2009. As of the Statistical Cut-Off Date, the weighted average annual interest rate of the Financed Eligible Loans was approximately 3.15% and their weighted average remaining term to scheduled maturity was approximately 179 months.

#### ***Flow of Funds***

On each Monthly Distribution Date, prior to an Event of Default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available, as set forth in the following chart:

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### **Flow of Funds After Events of Default**

Following the occurrence of an Event of Default that results in an acceleration of the maturity of the Notes, no distributions of principal or interest will be made with respect to the Series 2016-B Notes until payment in full of principal and interest on the Series 2016-A Notes. See the caption “SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default” herein.

### **Credit Enhancement**

Credit enhancement for the Notes will include overcollateralization, excess interest, if any, on the Financed Eligible Loans, cash on deposit in the Capitalized Interest Fund and the Reserve Fund as described below under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES” herein, and, for the Series 2016-A Notes, the subordination of the Series 2016-B Notes, as described under the caption “CREDIT ENHANCEMENT” herein.

### **Servicing and Administration**

Under a Master Servicing Agreement, dated as of August 27, 2010 (the “Master Servicing Agreement”), between NEF and Northstar Capital Markets Services, Inc. (“NCMS”), as previously supplemented and which will be supplemented pursuant to a Supplemental Master Servicing Agreement, dated as of September 1, 2016, to apply to the Issuer, NCMS agrees to arrange for and oversee the Servicer’s performance of its servicing obligations on the Financed Eligible Loans, and to perform certain administrative duties for the Issuer. NCMS will be paid a monthly administration and master servicing fee equal to one-twelfth (1/12th) of fifty (50) basis points of the Pool Balance, less the Servicing Fee paid to the Servicer. See the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Description of the Master Servicing Agreement” herein. The duties and obligations of NCMS under the Master Servicing Agreement will be subcontracted to Northstar Education Services LLC (“NES”) pursuant to an Amended and

Restated Subservicing Agreement, dated as of October 25, 2012, as amended, among NES, NCMS and Great Lakes Educational Loan Services, Inc. See the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Description of the Subservicing Agreement” herein

Great Lakes Educational Loan Services, Inc. (“GLELSI”) will act as a Servicer with respect to all of the Financed Eligible Loans. The Issuer has entered into a Non-FFELP Loan Servicing Agreement with the Servicer pursuant to which the Servicer will assume responsibility for servicing, maintaining custody of and making collections on the Financed Eligible Loans. See the caption “NORTHSTAR STUDENT LOAN TRUST III—Description of the GLELSI Servicing Agreement” herein.

The Issuer, the Master Servicer and GLELSI, as the Backup Master Servicer (the “Backup Master Servicer”), will enter into a Backup Master Servicing Agreement, dated as of September 1, 2016 (the “Backup Master Servicing Agreement”), which sets forth the terms and conditions under which the duties and obligations of the Master Servicer will be transitioned to the Backup Master Servicer. Pursuant to the Backup Master Servicing Agreement, the Issuer, the Master Servicer and the Backup Master Servicer agree to undertake the necessary actions to enable the Backup Master Servicer to perform the master servicing functions upon the occurrence of a Conversion Event (as defined under the caption “GLOSSARY OF TERMS” herein) with respect to the Master Servicer. See the caption “NORTHSTAR STUDENT LOAN TRUST III—Description of the Backup Master Servicing Agreement” herein.

### **Optional Purchase**

The Depositor or its assignee may, but is not required to, repurchase the Financed Eligible Loans from the Issuer and the Owner Trustee when the Pool Balance is 10% or less of the initial Pool Balance. If this purchase option is exercised, the Financed Eligible Loans will be sold to the Depositor or its assignee and the

proceeds will be used on the corresponding Monthly Distribution Date to repay Outstanding Notes, which will result in early retirement of the Notes.

If the Depositor or its assignee exercises its purchase option, the optional purchase amount will equal the greater of (a) an amount equal to the outstanding principal amount of the Financed Eligible Loans, plus accrued interest to the optional purchase date and (b) the amount that, when combined with amounts on deposit in the funds and accounts held under the Indenture, would be sufficient to:

- reduce the principal amount of each Series of Notes then Outstanding on the related Monthly Distribution Date to zero;
- pay to each Series of Noteholders the interest payable on the related Monthly Distribution Date; and
- pay any unpaid administration and master servicing fees, servicing fees, backup master servicing fees, trustees' fees, trustee expenses and rating agency surveillance fees.

### **Book-entry Registration**

The Notes will be delivered in book-entry form through The Depository Trust Company. Noteholders will not receive a certificate representing their Notes except in very limited circumstances. See the caption "BOOK-ENTRY REGISTRATION" herein.

### **U.S. Federal Income Tax Consequences**

Kutak Rock LLP will deliver an opinion to the effect that, for U.S. federal income tax purposes, the Notes will be characterized as debt and the Issuer will not be characterized as an association or publicly traded partnership taxable as a corporation. By accepting its Notes, each Noteholder agrees to treat its Notes as indebtedness for U.S. federal income tax and all applicable state and local income and franchise tax purposes in all tax filings, reports and returns and otherwise, and will not take, or participate in the taking of or permit to be taken, any action

that is inconsistent with such tax treatment and tax reporting of the Notes, unless required by applicable law. The Notes will be issued with more than a de minimis amount of original issue discount ("OID") as specified in the Internal Revenue Code of 1986, as amended (the "Code"), and each Noteholder will be required to include OID in income in accordance with the method under the Code that applies to OID. Interest on the Notes will be included in income either in accordance with the Noteholder's tax accounting method and the applicable provisions of the Code or in accordance with the method under the Code that applies to OID. See the caption "CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS" herein.

### **ERISA Considerations**

Fiduciaries of employee benefit plans, retirement arrangements and other entities in which such plans or arrangements are invested ("Plans") may choose to invest in the Notes subject to the Code, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), other applicable law, and the considerations and representations addressed under the caption "ERISA CONSIDERATIONS" herein.

### **Certain Investment Company Act Considerations**

The Issuer is not registered or required to be registered as an "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to Rule 3a-7 promulgated thereunder, although there may be additional exclusions or exemptions available to the Issuer. The Issuer does not rely upon the exclusions from the definition of "investment company" set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. The Issuer does not constitute a "covered fund" for purposes of Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010), also known as the Volcker Rule (the "Volcker Rule"). Since the Issuer has not registered, and does not intend to register, as an investment company under the

Investment Company Act, Noteholders will not be afforded protections of the provisions of the Investment Company Act designed to protect investment company investors.

### **Rating of the Notes**

The Notes will be rated at least as follows:

<b>Series</b>	<b>Rating Agency (Moody's)</b>
Series 2016-A Notes	<b>Aa1 (sf)</b>
Series 2016-B Notes	<b>A1 (sf)</b>

See the caption “RISK FACTORS—Ratings of other Securities issued by NEF or its Affiliates may be Reviewed or Downgraded” herein.

### **Transfer Restrictions**

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities act”), or registered or qualified under any state securities or blue sky law of any state. The Notes may be reoffered, resold, pledged or otherwise transferred only in compliance with the Securities Act and other

applicable laws and only (i) pursuant to Rule 144A promulgated under the securities act (“Rule 144A”) to a person that the holder reasonably believes is a qualified institutional buyer within the meaning of Rule 144A (a “QIB”), purchasing for its own account or a QIB purchasing for the account of a QIB, whom the holder has informed, in each case, that the reoffer, resale, pledge or other transfer is being made in reliance on Rule 144A; (ii) pursuant to another exemption available under the Securities Act and in accordance with any applicable state securities laws; or (iii) pursuant to a valid registration statement. See the caption “NOTICE TO INVESTORS” herein.

### **CUSIP Numbers**

- Series 2016-A Notes: 66705R AA7
- Series 2016-B Notes: 66705R AB5

### **ISIN Numbers**

- Series 2016-A Notes: US66705RAA77
- Series 2016-B Notes: US66705RAB50

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## **RISK FACTORS**

Potential investors in the Notes should consider the following risk factors together with all other information in this Offering Memorandum in deciding whether to purchase Notes. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of Notes and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the Notes are described throughout this Offering Memorandum, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future.

### **The Financed Eligible Loans are Unsecured and do Not have the Benefit of a Guaranty Agency.**

The Financed Eligible Loans are private, or alternative, student loans, are not originated pursuant to the Higher Education Act of 1965, as amended (the “Higher Education Act”), and are not, and will not, be guaranteed by any governmental entity or third party guarantor, and there are no reserves available to pay defaulted Financed Eligible Loans. In addition, the Financed Eligible Loans to be pledged to the Trust Estate will be unsecured. Certain of the Financed Eligible Loans have cosigners. Therefore, the receipt by the Trustee of principal and interest on the Financed Eligible Loans will be dependent on the ability and willingness of the borrowers and, if applicable, the cosigners to make these payments. See the caption “Variety of Factors Affecting Borrowers” below and the caption “CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS” herein.

### **Variety of Factors Affecting Borrowers**

Collections on the Financed Eligible Loans may vary greatly in both timing and amount from the payments actually due on such Financed Eligible Loans for a variety of economic, social, and other factors. As a result, the Issuer may not receive all the payments that are actually due on the Financed Eligible Loans. Failures by borrowers to make timely payments of the principal and interest due on the Financed Eligible Loans or an increase in deferments or forbearances could affect the revenues of the Trust Estate, which may reduce the amounts available to pay principal and interest due on the Notes. In addition, many of the Financed Eligible Loans have been made to graduate and professional students, who generally have higher debt burdens than Financed Eligible Loans borrowers as a whole. The Issuer cannot predict with accuracy the effect of these factors, including the effect on the timing and amount of funds available and the ability to pay principal and interest on the Notes.

Certain general economic conditions, such as a downturn in the economy resulting in decreased employment, either regionally or nationally, may result in an increase in defaults by borrowers in repaying their Financed Eligible Loans. It is impossible to predict the status of the economy or unemployment levels or when, if ever, a downturn in the economy would impair a borrower’s ability to repay his or her Financed Eligible Loans. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Such events may also have other effects, the impact of which is impossible to project.

The amount of student loan debt has grown steadily over the last several years, reflecting rising costs of education. It is impossible to predict how this, when combined with a variety of economic, social and other factors and employment trends, might affect the timing and amount of payments received on the Financed Eligible Loans.

The Issuer's cash flow, and its ability to make payments due on the Notes, will be reduced to the extent interest is not currently payable on the Financed Eligible Loans. The borrowers on most Financed Eligible Loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter as described in the T.H.E. Loan Program. See "APPENDIX B—ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM" hereto. The Trust Estate will include Financed Eligible Loans for which payments are deferred as well as Financed Eligible Loans for which the borrower is currently required to make payments of principal and interest. The proportions of the Financed Eligible Loans for which payments are deferred and currently in repayment will vary during the period that the Notes are Outstanding. If defaults occur on the Financed Eligible Loans and the remedies or credit enhancement described herein are not sufficient, Noteholders may suffer a delay in payment or a loss on their Notes.

### **The Financed Eligible Loans May be Subject to Discharge in Bankruptcy**

Under the U.S. Bankruptcy Code (as amended, the "Bankruptcy Code"), educational loans for qualified education expenses are generally non-dischargeable, subject to specified exceptions. Title 11 of the United States Code at Section 523(a)(8) provides substantially as follows:

(a) A discharge under Section 727, 1141, 1228(a), 1228(b), or 1328(b) of this title does not discharge an individual debtor from any debt— . . .

(8) unless excepting such debt from discharge under this clause would impose an undue hardship on the debtor and the debtor's dependents, for—

- (A) (i) an educational benefit overpayment or loan made, insured, or guaranteed by a governmental unit, or made under any program funded in whole or in part by a governmental unit or nonprofit institution; or
- (ii) an obligation to repay funds received as an educational benefit, scholarship, or stipend; or
- (B) any other educational loan that 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.

However, student loans can become dischargeable if the borrower proves that keeping the student loans non-dischargeable would impose an undue hardship on the debtor and the debtor's dependents. In March, 2016, the United States Bankruptcy Court, Eastern District of New York, ruled that a loan made by a commercial lender to a borrower for bar exam study (or preparation) costs could be discharged after the defendant could not prove that such loan met the 'education benefit' test of the Bankruptcy Code (the "Campbell Case"). The pool of Financed Eligible Loans to be pledged by the Issuer to the Trustee includes 4.9% of student loans which constitute loans made to law students to cover bar exam related costs. In addition, 17.2% of the pool of Financed Eligible Loans was made to medical students for purposes of the residency relocation costs. There is no guarantee as to how a bankruptcy judge may view these types of student loans in the future given the outcome of the Campbell Case, however, the student loans included in the Financed Eligible Loans differ from the loan at issue in the Campbell Case in that the loan in the Campbell Case was originated by a commercial lender and was not a qualified education loan, as defined in section 221(d)(1) of the Internal Revenue Code and as such would only be presumptively non-dischargeable if such loan would be considered "an obligation to repay funds received

as an educational benefit, scholarship, or stipend," as set forth in 11 U.S.C. § 523(a)(8)(A)(ii). The bar study and medical residency relocation loans were originated as part of NEF's Total Higher Education (T.H.E.) Loan Program as a non-profit entity and (i) 11 U.S.C. § 523(a)(8)(A)(i) makes reference to loans "made under any program funded in whole or in part by a governmental unit or nonprofit institution" in describing loans intended for exclusion from discharge and (ii) NEF's loan documentation for all loans made under the T.H.E. Loan Program specified that such loans were being made for educational purposes.

A number of bankruptcy reform proposals that would make it easier to discharge private student loans under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 have been discussed and/or introduced in the Congress of the United States in recent years. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") established a student loan ombudsman within the Consumer Financial Protection Bureau (the "CFPB"), which ombudsman is required to prepare an annual report and make appropriate recommendations to the Secretary of the Treasury, the Director of the Consumer Financial Protection Bureau, the Secretary of Education, and Congress. In the Annual Report of the CFPB Student Loan Ombudsman, dated October 16, 2014, the ombudsman recommended that Congress review the provisions of the Bankruptcy Code exempting student loans for qualified education expense from discharge in bankruptcy absent a showing of "undue hardship" to the debtor. No assurance can be given as to whether bankruptcy reform legislative proposals will be enacted at the federal level in a manner that might affect the Issuer's ability to enforce collection of the Financed Eligible Loans.

The discharge of a significant amount of the Financed Eligible Loans could adversely affect the ability of the Issuer to pay principal of and interest on the Notes.

**Application of Consumer Protection Laws to the Financed Eligible Loans may Increase Costs and Uncertainties about the Financed Eligible Loans**

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Certain of these requirements may apply to assignees such as the Issuer and may result in both liability for penalties for violations and a material adverse effect upon the enforceability of the Financed Eligible Loans. For example, federal law such as the Truth-in-Lending Act can impose statutory damages on assignees and defenses to enforcement of the Financed Eligible Loans, if errors were made in disclosures that must be made to borrowers. Certain state disclosure laws, such as those protecting cosigners, may also affect the enforceability of the Financed Eligible Loans if appropriate disclosures were not given or records of those disclosures were not retained. If the interest rate on the Financed Eligible Loans in question exceeds applicable usury laws, that violation could materially adversely affect the enforceability of the Financed Eligible Loans.

If the Financed Eligible Loans were marketed or serviced in a manner that is unfair, deceptive or abusive, or if marketing, origination or servicing violated any applicable law, then state and federal laws applicable to unfair, deceptive or abusive acts or practices may impose liability on the loan holder, as well as creating defenses to enforcement. Under certain circumstances, the holder of a Financed Eligible Loan is subject to all claims and defenses that the borrower on that Financed Eligible Loan could have asserted against the educational institution that received the proceeds of the Financed Eligible Loans. If pricing of private student loans has an adverse impact on classes of protected persons under the federal Equal Credit Opportunity Act and other similar laws, claims under those acts may be asserted against the originator and, possibly, the Financed Eligible Loan holder.

University National Bank (“UNB”) originated all of the Financed Eligible Loans from 2005 to 2008 and generally sold the Financed Eligible Loans within one business day of origination to NEF. Potentially, it could be argued that NEF, not UNB, was the "true lender" and, accordingly, NEF should have complied with certain state licensing requirement or that the Financed Eligible Loans could be subject to usury limits applicable to unlicensed, nonbank lenders. NEF believes that UNB should be regarded as the "true lender" and to date has had no claim to the contrary. In addition, the Owner Trustee, a national bank, will be the legal title holder of the Financed Eligible Loans. NEF also believes that the seasoning of the Financed Eligible Loans, the spread to Three-Month LIBOR applicable to the Financed Eligible Loans and borrowers’ receipt of T.H.E. Bonus Payments with respect to the Financed Eligible Loans, mitigate against these risks.

There can be no assurance that the Issuer will not be subject to and have liability with respect to any such claims. Any such liability could reduce Available Funds and have a material adverse effect on the Notes.

**Recent Investigations, Litigation and Regulatory Initiatives related to LIBOR may Affect the Notes**

The interest rates payable on the Notes are based on a spread over One-Month LIBOR, as set forth on the cover of this Offering Memorandum, and the interest rates payable on certain of the Financed Eligible Loans are based on spreads over Three-Month LIBOR. The London Interbank Offered Rate, or LIBOR, serves as a global benchmark for home mortgages, student loans and what various issuers pay to borrow money. Certain financial institutions have announced settlements with certain regulatory authorities with respect to, among other things, allegations of manipulating LIBOR or have announced that they are involved in investigations by regulatory authorities relating to, among other things, the manipulation of LIBOR. In addition to the ongoing investigations, several plaintiffs have filed lawsuits against various banks in federal court seeking damages arising from alleged LIBOR manipulation. Pursuant to rules and regulations that became effective on April 1, 2013, the U.K.’s Financial Conduct Authority assumed regulatory oversight and supervision of LIBOR, removing it from the control of the British Bankers’ Association, and on February 1, 2014 the administration of LIBOR was transferred from the British Banker’s Association to the IntercontinentalExchange Group (ICE). On October 20, 2014, the ICE Benchmark Administration published proposed enhancements to LIBOR benchmark submissions. The Issuer cannot predict what effect, if any, these events will have on the use of LIBOR as a global benchmark going forward, or on the Notes or such Financed Eligible Loans.

**Ratings of other Securities issued by NEF or its Affiliates may be Reviewed or Downgraded**

Certain asset-backed notes have been downgraded in connection with rating agencies revising their methodologies with respect to failed auction rate securities, basis risk, and loan default expectations, among other factors. Adverse action by the rating agencies regarding other securities issued by NEF or its affiliates may adversely affect the market value of the Notes or any secondary market for the Notes that may develop.

**Subordination of the Series 2016-B Notes may Result in a Greater Risk of loss for Noteholders of Series 2016-B Notes**

Payments of interest on the Series 2016-B Notes are subordinated in priority of payment to payments of interest on the Series 2016-A Notes and to the payment of principal on the Series 2016-A Notes at maturity. Similarly, payments of principal on the Series 2016-B Notes are subordinated to payments of interest and principal on the Series 2016-A Notes. Principal on the Series 2016-B Notes will not be paid until the Series 2016-A Notes have been paid in full. Thus, investors in the Series 2016-B Notes will bear a greater risk of loss than the holders of Series 2016-A Notes. Investors in the Series 2016-B Notes will also bear the risk of any adverse changes in the anticipated yield and weighted average life of their Series 2016-B Notes resulting from any variability in payments of principal or interest on the Series 2016-B Notes.

Interest payments on the Series 2016-B Notes will be suspended if a Series 2016-B Note Interest Trigger is in effect. A “*Series 2016-B Note Interest Trigger*” will be in effect if, on any Monthly Distribution Date, any Series 2016-A Notes are Outstanding and (a)(i) the Pool Balance (including all accrued interest on the Financed Eligible Loans) plus the amounts on deposit in the Acquisition Fund, the Collection Fund, the Capitalized Interest Fund and the Reserve Fund, each as of the end of the related Collection Period, minus (ii) the Outstanding Amount of the Series 2016-A Notes as of the end of the related Collection Period, is less than (b) the initial aggregate principal amount of the Series 2016-B Notes. Any interest not paid on the Series 2016-B Notes on any Monthly Distribution Date will be paid on a subsequent Monthly Distribution Date to the extent a Series 2016-B Note Interest Trigger is no longer in effect, with interest on such unpaid interest at the interest rate of the Series 2016-B Notes.

The Series 2016-B Notes are subordinated to the Series 2016-A Notes as to the direction of remedies upon an Event of Default. In addition, as long as any of the Series 2016-A Notes are Outstanding, the failure to pay interest or principal on the Series 2016-B Notes will not constitute an Event of Default under the Indenture. Consequently, holders of the Series 2016-B Notes may bear a greater risk of losses or delays in payment than holders of Series 2016-A Notes.

**Holders of the Notes may be Required to Accrue Income Before they Receive Cash Attributable to Original Issue Discount**

The Notes are expected to have more than a de minimis amount of OID for U.S. federal income tax purposes. A pro rata portion of OID will be allocable to each day in any “accrual period” under a methodology required by the Code. Consequently, a holder of the Notes will be required to include such OID as income in advance of the receipt of cash attributable to such income regardless of such holder’s method of accounting. Some of the cash attributable to such income will consist of principal to be received on the Notes. Due to the subordination features of the Series 2016-B Notes and the payment priorities of the waterfall, this cash will not be received by Series 2016-B Noteholders until after the Series 2016-A Notes are paid in full. Also, if losses on the Financed Eligible Loans acquired by the Issuer exceed available credit support, some or all of this cash may not be received. In addition, OID on the Notes will be computed using a constant yield method under the Code that takes into account both the prepayment assumption used in pricing the Notes and the actual prepayment experience. As a result, the amount of OID on the Notes that will accrue in any given accrual period may either increase or decrease depending upon the actual prepayment rate. No representation is made that the Notes will prepay in accordance with any prepayment assumption. See the caption “CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS—Taxation of Interest Income and Original Issue Discount” herein.

## **Noteholders may have Difficulty Selling their Notes**

There currently is no secondary market for the Notes. The Issuer cannot assure that any market will develop or, if it does develop, how long it will last. If a secondary market for the Notes does develop, the spread between the bid prices and the asked prices for the Notes may widen, thereby reducing the net proceeds to a Noteholder from the sale of its Notes. Under current market conditions, a Noteholder may not be able to sell its Notes when it may want to do so or it may not be able to obtain the price that it wishes to receive. The market values of the Notes may fluctuate and movements in price may be significant. In addition, the Notes may only be sold to “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act, which may limit their marketability.

## **European Risk Retention Rules may Affect the Liquidity of the Notes**

On January 1, 2014, Regulation (EU) No 575/2013 (the “Capital Requirements Regulation” or the “CRR”) on prudential requirements for credit institutions and investment firms became effective. Articles 404-410 (“Articles 404-410”) of the CRR apply to new securitizations issued on or after January 1, 2011 and replace and, with certain amendments, re-enact what was previously Article 122a of European Union Directive 2006/48/EC. Articles 404-410 apply to credit institutions and investment firms established in a Member State of the European Economic Area (“EEA”) and consolidated group affiliates thereof (including those that are based in the U.S.) (each an “Affected CRR Investor”) that invest in or have an exposure to credit risk in securitizations. Articles 404-410 of the CRR impose a severe capital charge on a securitization position acquired by EEA-regulated institutions unless, among other conditions, (a) the sponsor or original lender for the securitization has explicitly disclosed that it will retain, on an ongoing basis, a material net economic interest of not less than 5% in respect of certain specified credit risk tranches or asset exposures, and (b) the acquiring institution is able to demonstrate that it has undertaken certain due diligence in respect of its securitization position and the underlying exposures and that procedures are established for such activities to be monitored on an on-going basis. For purposes of Articles 404-410, an EEA-regulated institution may be subject to the capital requirements as a result of activities of its overseas affiliates, including those that are based in the U.S. Articles 404-410 apply in respect of the Notes, but no originator, sponsor or original lender will retain or commit to retain a 5% net economic interest with respect to the Notes for the purposes of Articles 404-410. The absence of any such commitment to retain means that the requirements of Articles 404-410 cannot be met in respect of the Notes, which is expected to deter EEA-regulated institutions and their affiliates from investing in the Notes. In addition, requirements similar to the retention requirement in Articles 404-410 apply to investments in securitizations by other types of EEA investors, such as EEA insurance and reinsurance undertakings and Undertakings for Collective Investment in Transferable Securities funds. This lack of suitability may impair the marketability and liquidity of the Notes. Prospective European investors should analyze their own regulatory position, and are encouraged to consult with their own investment and legal advisors regarding compliance with Articles 404-410 and the suitability of the Notes for investment.

## **The Rate of Payments on the Financed Eligible Loans may Affect the Maturity and Yield of the Notes**

The Financed Eligible Loans may be prepaid at any time without penalty. If the Issuer receives prepayments on the Financed Eligible Loans, those amounts will be used to make principal payments as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds” herein, which could shorten the average life of the Notes. Factors affecting prepayment of the

Financed Eligible Loans include general economic conditions, prevailing interest rates and changes in the borrower's job, including transfers and unemployment. Refinancing opportunities that may provide more favorable repayment terms also affect prepayment rates.

Scheduled payments with respect to, and the maturities of, the Financed Eligible Loans may be extended as authorized by the T.H.E. Loan Program described herein. Also, periods of deferment and forbearance may lengthen the remaining term of the Financed Eligible Loans and the average lives of the Notes. See "APPENDIX B—ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM" hereto.

The rate of principal payments on the Notes will be directly related to the rate of payments on the Financed Eligible Loans. Changes in the rate of prepayments may significantly affect a Noteholder's actual yield to maturity, even if the average rate of prepayments is consistent with such Noteholder's expectations. In general, the earlier a prepayment of a Financed Eligible Loan, the greater the effect may be on a Noteholder's yield to maturity. The effect on a Noteholder's yield as a result of payments occurring at a rate higher or lower than the rate anticipated by such Noteholder during the period immediately following the issuance of the Notes may not be offset by a subsequent like reduction, or increase, in the rate of principal payments on the Notes. The Noteholders will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the Financed Eligible Loans.

#### **The Notes May Not be Repaid on their respective Final Maturity Date**

The Issuer expects that final payment of each Series of the Notes will occur on or prior to its respective final maturity date. Failure to make final payment of a Series of Notes on its respective final maturity date would constitute an Event of Default under the Indenture. However, no assurance can be given that sufficient funds will be available to pay a Series of Notes in full on or prior to its respective final maturity date. If sufficient funds are not available, final payment of a Series of Notes could occur later than its respective final maturity date or a Noteholder could suffer a loss on its investment.

#### **Bankruptcy of the Issuer Could Result in Accelerated Prepayment on the Notes**

If, despite all steps taken to prevent such an occurrence, the Issuer were to become the subject of a bankruptcy proceeding, the United States Bankruptcy Code could materially limit or prevent the enforcement of the Issuer's obligations, including its obligations with respect to the Notes. The Issuer's trustee in bankruptcy or the Issuer itself as debtor-in-possession may seek to accelerate payment on the Notes and liquidate the assets held under the Indenture. If principal of the Notes is declared due and payable, Noteholders may lose the right to future payments and face reinvestment risks.

#### **Other Parties May Have or May Obtain Superior Interests in the Financed Eligible Loans**

If the transfer of the Financed Eligible Loans is deemed to be a secured financing, other persons may have interests in the Financed Eligible Loans prior to the Issuer and the Owner Trustee. In addition, if, through inadvertence or fraud, Financed Eligible Loans were to be sold to a purchaser who purchases in good faith without knowledge that the purchase violates the rights of the Issuer and the Owner Trustee in the Financed Eligible Loans, the purchaser could defeat the Issuer's and the Owner Trustee's ownership interest in those Financed Eligible Loans.

The Servicer maintains custody of the physical loan documents for the Financed Eligible Loans. However, the physical loan documents will not be segregated or marked to evidence the Issuer's interests in those Financed Eligible Loans. A third party that obtained control of loan documents might be able to assert rights that defeat the Issuer's ownership interest in those Financed Eligible Loans.

### **There will be No Market Valuation of the Financed Eligible Loans**

The Financed Eligible Loans are not being acquired pursuant to a bidding process, and the acquisition price of the Financed Eligible Loans is not based upon their fair market value as determined by any independent advisor, but will be based upon the principal of and accrued interest on the Financed Eligible Loans. At any time that the Pool Balance is less than 10% of the Initial Pool Balance, the Depositor is granted the right to purchase the Financed Eligible Loans as a whole at a price equal to the greater of (a) the aggregate unpaid principal balance of the Financed Eligible Loans, plus accrued interest thereon or (b) an amount sufficient, together with amounts in the funds and accounts held under the Indenture, to pay the entire outstanding principal amount of the Notes, together with all accrued interest thereon and all other obligations of the Issuer under the Indenture.

### **Investigations and Inquiries of the Student Loan Industry**

A number of state attorneys general and the U.S. Senate Committee on Health, Education, Labor and Pensions have conducted broad inquiries or investigations of the activities of various participants in the student loan industry, including, but not limited to, activities that may involve perceived conflicts of interest.

There is no assurance that the Issuer, NEF, the Master Servicer, the Sub-Servicer and Sub-Administrator or the Servicer will not be subject to inquiries or investigations. While the ultimate outcome of any inquiry or investigation cannot be predicted, it is possible that these inquiries or investigations and regulatory developments may materially affect the Issuer's ability to perform its obligations under the Indenture or the Issuer's ability to pay principal of and interest on the Notes from assets in the Trust Estate or the Depositor's ability to perform its obligations under the Private Student Loan Purchase and Contribution Agreement.

### **Federal Financial Regulatory Legislation may Affect the Notes**

The Dodd-Frank Act, which was enacted in July 2010, represents a comprehensive overhaul of the financial services industry within the United States, and established the federal Consumer Financial Protection Bureau (the "CFPB"). The CFPB, an independent agency within the Federal Reserve, regulates consumer financial products, including education loans, and other financial services offered primarily for personal, family, or household purposes, and the CFPB and other federal agencies, including the Securities and Exchange Commission (the "SEC") and the Commodity Futures Trading Commission (the "CFTC"), are required to undertake various assessments and rulemakings to implement the law. The majority of the provisions in the Dodd-Frank Act are aimed at financial institutions. However, there are components of the law that will have an impact on NEF and the Issuer, including new requirements for securitizations as discussed below.

The Dodd-Frank Act will affect NEF's future student loan portfolio securitization financing transactions which result in the issuance of asset-backed securities. In December 2014, the SEC and federal banking agencies published final regulations, effective December 24, 2016 for issuers of student



loan asset-backed securities, requiring issuers of asset-backed securities or persons who organize and initiate asset-backed securities transactions to retain a portion of the underlying assets' credit risk. In addition, the SEC approved changes to the rules applicable to issuers and sponsors of asset-backed securities under the Securities Act and the Securities Exchange Act of 1934, as amended, that substantially revise Regulation AB and other rules governing the offering process, disclosure and reporting for asset-backed securities issued in registered and certain unregistered transactions. It is not clear how the revisions to Regulation AB will be implemented, and to what extent the Issuer may be affected. No assurance can be given that the new standards contained in the amended Regulation AB will not have an adverse impact on the Issuer or on the value or marketability of the Notes.

In September 2014, the SEC adopted new rules further regulating rating agencies' activities with respect to rating asset-backed securities, and requiring that issuers of asset-backed securities, effective June 15, 2015, disclose third-party due diligence findings, including certain agreed-upon procedure reviews. NEF, as the sponsor of the Issuer, has furnished a Form ABS-15G to the Securities and Exchange Commission pursuant to Rule 15Ga-2 of the Securities Exchange Act of 1934, as amended, which is available on the Securities and Exchange Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system website (<http://www.sec.gov/edgar.shtml>) under NEF's central index key (CIK) 0001550023, which information and website are not part of, and are not incorporated by reference into, this Offering Memorandum.

Student loans and student loan servicing are top priorities for the CFPB. In May 2015, the CFPB launched a public inquiry into student loan servicing practices throughout the industry. In September 2015, the CFPB issued a report discussing public comments submitted in response to the inquiry and, in consultation with the Department of Education and Department of the Treasury, released recommendations to reform student loan servicing to improve borrower outcomes and reduce defaults. In July 2016, the Department of Education expanded on these joint principles by outlining enhanced customer service standards and protections that will be incorporated into federal servicing contracts and guidelines. The CFPB has also announced that it may issue student loan servicing rules in the future.

The Dodd-Frank Act gave the CFPB authority to supervise private education lenders. In addition, the CFPB adopted a rule in December 2013 that enables it to federally supervise certain non-bank student loan servicers that service more than one million borrower accounts, to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The rule covers both federal and private student loans. GLELSI, the current Servicer of the Financed Eligible Loans, services more than one million student loan borrower accounts. The CFPB began conducting its initial supervisory examinations of the large nonbank student loan servicers after the rule became effective in March 2014. If the CFPB were to determine that a Servicer is not in compliance, it is possible that this could result in material adverse consequences to such Servicer, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in a Servicer's business practices, or other actions. However, it is not possible to estimate at this time any potential financial or other impact to any such Servicer, including any impact on its ability to satisfy its obligations with respect to the Financed Eligible Loans to be sold or contributed to the Issuer, that could result from the CFPB's examinations, in the event that any adverse regulatory actions occur.

In addition to its supervisory authority, the CFPB has broad authority to enforce compliance with federal consumer financial laws applicable to private student lenders and student loan servicers, including the Dodd-Frank Act's prohibition on unfair, deceptive or abusive acts or practices, by conducting investigations and hearings, imposing monetary penalties, collecting fines and requiring consumer restitution in the event of violations. It may also bring a federal lawsuit or administrative proceeding.

Also in December 2013, the banking regulators and other agencies principally responsible for banking and financial market regulation in the United States implemented the final rule under the so-called Volcker Rule under the Dodd-Frank Act, which in general prohibits “banking entities” (as defined therein) from (a) engaging in proprietary trading, (b) acquiring or retaining an ownership interest in or sponsoring certain hedge funds, private equity funds (broadly defined to include any entity that would be an investment company under the Investment Company Act but for the exemptions provided in Section 3(c)(1) or 3(c)(7) of the Investment Company Act) and certain similar funds and (c) entering into certain relationships with such funds. Banking entities subject to the Volcker Rule were required to fully conform their activities and investments to the final regulations regarding proprietary trading restrictions by July 21, 2015, and the final regulations regarding investments in and relationships with covered funds by July 21, 2016. Although the Issuer does not rely upon the exemptions in Section 3(c)(1) or 3(c)(7) of the Investment Company Act for an exemption from being an investment company under the Investment Company Act and, as such, is not a covered fund, the general effects of the final rules implementing the Volcker Rule remain uncertain. Any prospective investor in the Notes, including a U.S. or foreign bank or an affiliate or subsidiary thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule and regulatory implementation.

At this time, it is also difficult to predict the extent to which the Dodd-Frank Act or the resulting regulations will impact the Issuer’s business and operations and the business and operations of NEF, the Master Servicer, a Servicer and their affiliates. As rules and regulations are promulgated by the federal agencies responsible for implementing and enforcing the provisions of the Dodd-Frank Act, the Issuer, NEF, the Master Servicer and each Servicer will need to apply adequate resources to ensure that they are in compliance with all applicable provisions. Compliance with these new laws and regulations may result in additional costs and may otherwise adversely impact the Issuer’s, NEF’s, the Master Servicer’s, a Servicer’s and their affiliates’ results of operations, financial condition, or liquidity.

### **Military Service Obligations and Natural Disasters**

Military service obligations and national disasters may result in delayed payments from borrowers. Congress has enacted, and may enact in the future, statutes and other guidelines that provide relief to borrowers who enter active military service, to borrowers in reserve status who are called to active duty after the origination of their student loan, and to individuals who live in a disaster area or suffer a direct economic hardship as a result of a national emergency.

The number and aggregate principal balance of the Financed Eligible Loans that may be affected by the application of these statutes and other guidelines will not be known at the time the Notes are issued. If a substantial number of borrowers of the Financed Eligible Loans become eligible for the relief under these statutes and other guidelines, or any actions Congress may take to respond to national disasters, there could be an adverse effect on the total collections on those Financed Eligible Loans and the Issuer’s ability to provide for payments of principal and interest payments on the Notes.

The Servicemembers Civil Relief Act limits the ability of a lender to take legal action against a borrower during the borrower’s period of active duty and, in some cases, during an additional three-month period thereafter, and may limit the interest rate on a student loan to six percent per annum while the borrower is in military service if the loan was incurred before the borrower’s entry into military service.

The Issuer does not know how many of the Financed Eligible Loans may be affected by the application of the Servicemembers Civil Relief Act. Payments on the Financed Eligible Loans may be

delayed as a result of these requirements, which may reduce the funds available to pay principal and interest on the Notes.

**Different Rates of Change in Interest Rate Indexes may Affect the Issuer's Cash Flow**

The interest rates on the Notes may fluctuate from one Interest Accrual Period to another in response to changes in the One-Month LIBOR rate. The Financed Eligible Loans that will be financed with the proceeds from the sale of the Notes bear interest at rates based upon the Three-Month LIBOR rate. See "APPENDIX B—ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM" hereto and the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS" herein. If there is a decline in the rates payable on Financed Eligible Loans, the amount of funds representing interest deposited into the Collection Fund may be reduced. If the interest rates payable on the Notes do not decline in a similar manner and time, the Issuer may not have sufficient funds to pay interest on the Notes when due. Even if there is a similar reduction in the rates applicable to the Notes, there may not necessarily be a reduction in the other amounts required to be paid out of the Trust Estate, such as administrative expenses, causing interest payments to be deferred to future periods. Similarly, if there is a rapid increase in the interest rates payable on the Notes without a corresponding increase in rates payable on the Financed Eligible Loans, the Issuer may not have sufficient funds to pay interest on the Notes when due. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the Notes or expenses of the Trust Estate.

**The Timing of Changes in the Interest Rates Payable on the Notes as Compared to the Financed Eligible Loans may Affect our Cash Flow**

The interest rates payable on the Financed Eligible Loans held in the Trust Estate are based upon the Three-Month LIBOR rate, while the interest rates payable on the Notes reset solely on the One-Month LIBOR rate. In a declining interest rate environment, the differences in the timing of the interest rate resets may lead to a compression of the spread between the amount of Financed Eligible Loan interest the Issuer receives and the amount of interest it pays on the Notes. In a rising interest rate environment, the spread may increase. If the spread between the amount of Financed Eligible Loan interest the Issuer receives and the amount of interest it pays on the Notes compresses, the Issuer may not have sufficient funds available in future periods to pay the expenses of the Trust Estate and interest and principal on the Notes.

**The Notes are Not a Suitable Investment for all Investors**

The Notes are not a suitable investment for investors who require a regular or predictable schedule of payments or payment on any specific date. The Notes are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, and tax consequences of an investment, as well as the interaction of these factors.

**The Notes are Payable Solely from the Trust Estate and Noteholders will have No other Recourse against the Issuer, NEF or any other Party**

Interest and principal on the Notes will be paid solely from the funds and assets held in the Trust Estate created under the Indenture. No insurance or guarantee of the Notes will be provided by any government agency or instrumentality, by any affiliate of the Issuer, by any insurance company or by any other person or entity. Therefore, a Noteholder's receipt of payments on the Notes will depend solely on:

- the amount and timing of payments and collections on the Financed Eligible Loans held in the Trust Estate and interest paid or earnings on the funds held in the accounts established pursuant to the Indenture; and
- amounts on deposit in the Capitalized Interest Fund and the Reserve Fund and other funds held in the Trust Estate.

The Issuer has no assets other than the Trust Estate, and Noteholders will have no additional recourse against any other party if those sources of funds for repayment of the Notes are insufficient. In addition, each transaction agreement will contain "non-petition" covenants to prevent the commencement of any bankruptcy or insolvency proceedings against the Issuer by any of the transaction parties or by the Noteholders.

**The Obligations of each of the Trustee, the Owner Trustee, the Master Servicer, the Administrator, the Servicer and the Backup Master Servicer are Limited**

The duties, actions and obligations of each of the Trustee, the Owner Trustee, the Master Servicer, the Administrator, the Servicer, the Sub-Servicer and the Sub-Administrator and the Backup Master Servicer are limited to such duties, actions and obligations specifically set forth in the transaction documents and no implied covenants, duties or obligations are read into the transaction documents. None of Trustee, the Owner Trustee, the Master Servicer, the Administrator, the Servicer, the Sub-Servicer and the Sub-Administrator and the Backup Master Servicer has any duty or obligation to take any additional action unless specifically directed to take such action and satisfactorily indemnified therefor. Additionally, certain of the duties and obligations of such parties are dependent upon receipt of information from other parties. Any failure of one party to timely and accurately deliver any information, or perform its duties and obligations, could prevent another party from being able to fulfill its duties and obligations.

**The Available Funds Available to the Issuer to Pay its Operating Expenses will be Limited**

The Available Funds available to the Issuer to pay the fees and expenses of its service providers are limited as described in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds" herein. In the event that such Available Funds are not sufficient to pay these fees and expenses, the ability of the Issuer to operate effectively may be impaired, and it may not be able to defend or prosecute legal proceedings that may be brought against it or that it might otherwise bring to protect its interests. In addition, certain service providers who are not paid in full may have the right to resign.

**The Inability of the Depositor to meet its Repurchase Obligations may Result in Losses on the Notes**

Under some circumstances, the Issuer has the right to require the Depositor to repurchase or provide a substitute for a Financed Eligible Loan held by the Issuer. This right arises generally from a breach of the representations and warranties of the Depositor that has a material adverse effect on the Financed Eligible Loan if the breach is not cured within the applicable cure period. There can be no assurance that the Depositor will have the financial resources to repurchase a Financed Eligible Loan, or will have available Eligible Loans to substitute an Eligible Loan, if a breach occurs. In this case, Noteholders may bear any resulting loss.

**Bankruptcy or Insolvency of the Depositor could Result in Payment Delays to Noteholders**

The Depositor will be the sole owner of the Issuer and will sell or contribute all of the Financed Eligible Loans to the Issuer. If the Depositor should become a debtor in a bankruptcy action, the bankruptcy court could attempt to consolidate the assets of the Issuer into the bankruptcy estate of the Depositor. If that occurs, Noteholders can expect delays in receiving payments on their Notes and even a reduction in payments on their Notes.

The Issuer has taken steps to structure each Eligible Loan purchase from the Depositor such that the Eligible Loans purchased should not be included in the bankruptcy estate of the Depositor if it should become bankrupt. If a court disagrees with this position, the Issuer could experience delays in receiving payments on the Financed Eligible Loans or reductions in the amount of such payments and Noteholders could then expect delays in receiving payments on their Notes, or even a reduction in payments on their Notes. A court could also subject the Financed Eligible Loans to a superior tax or government lien arising before the sale of the Eligible Loans to the Issuer.

**Bankruptcy or Insolvency of the Master Servicer or a Servicer could result in Payment Delays to Noteholders**

NCMS will act as the Master Servicer with respect to the Financed Eligible Loans and will engage the Servicer to service such Financed Eligible Loans. In the event of a default by the Master Servicer or the Servicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the Trustee or the Noteholders from appointing a successor servicer, and delays in collections of the Financed Eligible Loans may occur. Any delay in the collections of Financed Eligible Loans may delay payments to Noteholders.

**A Default by the Master Servicer could Adversely Affect the Notes**

If NCMS, as Master Servicer, defaults on its obligations under the Master Servicing Agreement, the Issuer is entitled to all rights and remedies available to it as a result of the breach of the Master Servicing Agreement. In the event of the removal of the Master Servicer and the appointment of a successor Master Servicer, there may be additional costs associated with the transfer of such duties to the successor Master Servicer, including, but not limited to, an increase in the servicing fees the successor Master Servicer charges. In addition, the ability of the successor Master Servicer to perform the obligations and duties under the Master Servicing Agreement cannot be predicted.

## **Risk of Geographic Concentration of the Financed Eligible Loans**

The concentration of the Financed Eligible Loans in specific geographic areas may increase the risk of losses on the Financed Eligible Loans. Economic conditions in the states where borrowers reside may affect the delinquency, loan loss and recovery experience with respect to the Financed Eligible Loans. As of the Statistical Cut-Off Date, approximately 22.0%, 7.4% and 5.6% of the Financed Eligible Loans by principal balance were to borrowers with current billing addresses in the States of California, New York and Pennsylvania, respectively. See the table titled “Distribution of Loans by Geographic Location” under the caption “CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS” herein. As of the Statistical Cut-Off Date, no other State accounts for more than approximately 5.0% of the Financed Eligible Loans by principal balance. Economic conditions in any state or region may decline over time and from time to time. Because of the concentrations of the borrowers in States of California, New York and Pennsylvania, any adverse economic conditions adversely and disproportionately affecting those states may have a greater effect on the repayment of the Notes than if these concentrations did not exist.

## **If the Trustee is Forced to Sell Financed Eligible Loans after an Event of Default, Noteholders could Realize Losses on their Notes**

Generally, after an Event of Default, the Trustee is authorized to sell the Financed Eligible Loans. However, the Trustee may not find a purchaser for the Financed Eligible Loans. The market for private student loans, including the Financed Eligible Loans, is not as developed as the market for Federal Family Education Loan Program (“FFELP”) loans made pursuant to the Higher Education Act. There may be fewer potential buyers for the Financed Eligible Loans, and therefore lower prices available in the secondary market. Noteholders may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the Financed Eligible Loans sufficient to pay the principal amount of the Notes plus accrued interest.

## **The Notes may be Repaid Early due to an Optional Purchase. If this happens, a Noteholder’s Yield may be Affected and it will bear Reinvestment Risk**

The Notes may be repaid before a Noteholder expect them to be in the event of an optional purchase of the Financed Eligible Loans. Such an optional purchase would result in the early retirement of the Notes Outstanding on that date. If this happens, a Noteholder’s yield on the Notes may be affected and it will bear the risk that it cannot reinvest the money it receives in comparable notes at an equivalent yield.

## **Less than all of the Noteholders can Approve Amendments to the Indenture or Waive Defaults under the Indenture**

Under the Indenture, Noteholders of specified percentages of the aggregate principal amount of the Notes may amend or supplement provisions of the Indenture and the Notes and waive Events of Defaults and compliance provisions without the consent of the other Noteholders. A Noteholder has no recourse if other Noteholders vote in a manner with which such Noteholder does not agree. The other Noteholders may vote in a manner which impairs the ability to pay principal and interest on a

Noteholder's Notes. Also, so long as the Series 2016-A Notes are Outstanding, the holders of the Series 2016-B Notes will not have the right to exercise certain rights under the Indenture.

**Commingling of Payments on Financed Eligible Loans could prevent the Issuer from Paying You the Full Amount of the Principal and Interest due on your Notes**

Payments received on the Financed Eligible Loans generally are deposited into an account in the name of the Servicer each Business Day. However, payments received on the Financed Eligible Loans will not be segregated from payments the Servicer receives on other student loans it services. Such amounts are transferred to the Trustee within two Business Days of receipt of such payments for deposit into the Collection Fund. Prior to the transfer of such funds, the Servicer may invest those funds for its own account and at its own risk. If the Servicer is unable to transfer all or any part of such funds to the Trustee, Noteholders may suffer a loss.

**The Notes are Expected to be Issued Only in Book-Entry Form**

The Issuer expects that the Notes will be initially represented by certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in the name of any holder or the name of its nominee. Unless and until definitive securities are issued, holders of the Notes will not be recognized by the Trustee as registered holders as that term is used in the Indenture and holders of the Notes will only be able to exercise the rights of Noteholders indirectly through DTC and its participating organizations. See the caption "BOOK-ENTRY REGISTRATION" herein.

**Potential Conflicts of Interest Relating to the Initial Purchaser**

The Initial Purchaser may from time to time perform investment banking services for, or solicit investment banking business from, any person named in this Offering Memorandum. The Initial Purchaser and/or its employees or customers may from time to time have a long or short position in the Notes. These long or short positions may be as a result of any market making activities with respect to the Notes. The Initial Purchaser and/or its employees or customers may from time to time enter into hedging positions with respect to the Notes.

**The Ratings of the Notes are Not a Recommendation to Purchase and may Change**

It is a condition to issuance of the Notes that they be rated as described under the caption "SUMMARY OF TERMS—Rating of the Notes" herein. Ratings are based primarily on the creditworthiness of the underlying Financed Eligible Loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to purchase, hold or sell the Notes inasmuch as the ratings do not comment as to the market price or suitability for any investor. Ratings may be increased, lowered or withdrawn by any rating agency if in the rating agency's judgment circumstances so warrant. A downgrade in the rating of your Notes is likely to decrease the price a subsequent purchaser will be willing to pay for your Notes.

### **There is the Potential for Conflicts of Interest and Regulatory Scrutiny with Respect to the Rating Agency Rating the Notes**

It may be perceived that the rating agency has a conflict of interest that may have affected the ratings assigned to the Notes where, as is the industry standard and the case with the ratings of the Notes, the Issuer pays the fees charged by the rating agency for its rating services.

Furthermore, the rating agencies have been and may continue to be under scrutiny by federal and state legislative and regulatory bodies for their roles in the financial crisis and such scrutiny and any actions such legislative and regulatory bodies may take as a result thereof may also have an adverse effect on the price that a subsequent purchaser would be willing to pay for the Notes and a Noteholder's ability to resell its Notes.

### **Rating Agencies not Hired to rate the Notes may Assign Unsolicited Ratings, which may Differ from the Ratings Assigned by the Hired Rating Agency**

Pursuant to a rule adopted recently by the SEC aimed at enhancing transparency, objectivity and competition in the credit rating process, the Issuer and the Initial Purchaser will make available to each nationally recognized statistical rating organization (an "NRSRO") not hired to rate the Notes the same information that the Issuer and the Initial Purchaser provide to each hired NRSRO in connection with determining or maintaining the credit ratings on the Notes, including information about the characteristics of the underlying Financed Eligible Loans and the legal structure of the Notes. This could make it easier for non-hired NRSROs to assign ratings to the Notes, which ratings could differ from those assigned by the rating agency hired to assign ratings to the Notes described in this Offering Memorandum. The occurrence or timing of any such ratings actions or the effect, if any, on the market value of the Notes cannot be predicted.

### **Incentive or Borrower Benefit Programs May Affect the Notes**

Certain of the Financed Eligible Loans are subject to NEF's T.H.E. Bonus Program, which reduces a qualifying borrower's interest rate by making certain interest payments on behalf of such qualifying borrower. Any incentive program that provides payments on Financed Eligible Loans may result in the Financed Eligible Loans amortizing faster than anticipated. Payments pursuant to NEF's T.H.E. Bonus Program are made by NEF from amounts released from financings sponsored by NEF. No Available Revenues (other than amounts released from the Indenture) will be used to make payments under NEF's T.H.E. Bonus Program. The Issuer cannot accurately predict the number of borrowers that will have the benefit of NEF's T.H.E. Bonus Program. See the caption "CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS—Borrower Benefit Programs" herein and "APPENDIX B—ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM—Private Loan Terms—T.H.E. Bonus Program" hereto.

## **NORTHSTAR STUDENT LOAN TRUST III**

### **General**

NorthStar Student Loan Trust III is a Delaware statutory trust formed by NorthStar Education Funding I, L.L.C., as depositor (the "Depositor"), pursuant to an Amended and Restated Trust Agreement,



dated as of September 1, 2016 (the “Trust Agreement”), between the Depositor and Wilmington Trust, National Association, as owner trustee (the “Owner Trustee”), for the transactions described in this Offering Memorandum. The assets of the Issuer will include Financed Eligible Loans, cash and investments that are pledged under the Indenture and the payments received on the Financed Eligible Loans and investments. The Issuer was created for the purpose of facilitating the refinancing of the Financed Eligible Loans and other financial assets, and to engage in activities in connection therewith. The Issuer will not engage in any activity other than:

- acquiring, holding and managing the Financed Eligible Loans and the other assets of the Issuer, and the proceeds therefrom;
- issuing the Notes; and
- engaging in other activities related to the activities listed above.

The Depositor will hold all of the equity interests in the Issuer. The mailing address for the Depositor is 930 Blue Gentian Road, Suite 100, Eagan, Minnesota 55121 and its telephone number is (608) 327-1968. The Issuer’s fiscal year ends on September 30<sup>th</sup>.

The Notes issued pursuant to the Indenture will be secured by the Issuer’s assets. The Acquisition Fund, the Capitalized Interest Fund, the Collection Fund and the Reserve Fund will be maintained in the name of the Trustee for the benefit of the Noteholders, to the extent described herein. In addition, a Trustee Expense Reserve Fund will be held and maintained by the Trustee solely for the benefit of the Trustee. The Servicer described below will act as custodian of the promissory notes and other documents with respect to the Financed Eligible Loans.

#### **Owner Trustee**

Wilmington Trust, National Association (formerly called M&T Bank, National Association) (“Wilmington Trust”) will act as owner trustee (the “Owner Trustee”) for the Issuer under the Trust Agreement. Pursuant to the Trust Agreement, legal title to all of the Financed Eligible Loans will be vested at all times in the Owner Trustee on behalf of and for the benefit of the Issuer. Wilmington Trust is a national banking association with trust powers incorporated in 1995. The Owner Trustee’s principal place of business is located at 1100 North Market Street, Wilmington, Delaware 19890. Wilmington Trust is an affiliate of Wilmington Trust Company and both Wilmington Trust and Wilmington Trust Company are subsidiaries of Wilmington Trust Corporation. Since 1998, Wilmington Trust Company has served as Owner Trustee in numerous asset-backed securities transactions involving student loan receivables.

On May 16, 2011, after receiving all required shareholder and regulatory approvals, Wilmington Trust Corporation, the parent of Wilmington Trust, through a merger, became a wholly owned subsidiary of M&T Bank Corporation (“M&T”), a New York corporation.

Wilmington Trust is subject to various legal proceedings that arise from time to time in the ordinary course of business. Wilmington Trust does not believe that the ultimate resolution of any of these proceedings will have a materially adverse effect on its services as Owner Trustee.

Other than the information in the above three paragraphs, Wilmington Trust has not participated in the preparation of, and is not responsible for, any other information contained in this Offering Memorandum.

Wilmington Trust's role is limited to performing various ministerial and other express duties set forth in the trust agreement of the Issuer, fulfilling the provisions of the Delaware Statutory Trust Act that require a Delaware statutory trust at all times to have at least one trustee that, in the case of a natural person, is a Delaware resident, or in all other cases, has its principal place of business in Delaware, and accepting service of process in Delaware on behalf of the Issuer.

## **THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER**

The following summary provides a general description of NorthStar Education Finance, Inc. ("NEF"), as the sponsor of the Issuer, Northstar Capital Market Services, Inc. ("NCMS"), the Master Servicer and Administrator, Northstar Education Services LLC ("NES"), the Sub-Master Servicer and Sub-Administrator, and Great Lakes Educational Loan Services, Inc. ("GLELSI"), as servicer of the Financed Eligible Loans, to be involved in the establishment of the Issuer and the servicing and administration of the Trust Estate and the issuance of the Notes.

### **The Sponsor**

**General.** NEF is a Delaware non-stock nonprofit corporation that was incorporated in January of 2000. NEF is a membership organization, and its current members are its board of directors. NEF was formed to carry on the student loan programs started by NorthStar Guarantee, Inc. as described below.

NorthStar Guarantee, Inc., a Minnesota nonprofit corporation recognized as exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, began its operations in 1991 as the State of Minnesota's designated federal loan guarantor for education loans made under the Higher Education Act. NorthStar Guarantee, Inc. also provided loan origination and loan disbursement services for lenders and educational institutions.

NorthStar Guarantee, Inc. changed its business focus in 1997 from that of a guarantee agency and disbursement agent for other lenders to that of a direct lender of education loans. The change in business activities coincided with NorthStar Guarantee, Inc. affiliating with the Great Lakes Higher Education Corporation ("GLHEC") based in Madison, Wisconsin. NorthStar Guarantee, Inc. and GLHEC each agreed that the activities and assets of the student loan business would be contributed to a new nonprofit entity, when the business could sustain itself, and NEF was formed for that purpose.

Shortly after receiving a favorable determination from the Internal Revenue Service in March of 2003 that NEF was an organization described in Section 501(c)(3) of the Internal Revenue Code, NorthStar Guarantee, Inc. transferred beneficial ownership of all remaining assets (including all student loans) to NEF, and NEF assumed all associated liabilities. As of November 30, 2015, NEF owned (directly and through wholly owned subsidiaries) approximately \$3.2 billion of student loans. NEF is no longer affiliated with NorthStar Guarantee, Inc.

NEF formed NCMS, a Delaware for-profit business corporation, in January of 2000, and sold all of its interests in NCMS in August of 2010. See the caption "The Master Servicer, Administrator, Sub-Master Servicer and Sub-Administrator" below.

NEF has no employees, and, as such, entered into a Master Servicing Agreement, dated as of August 27, 2010, with NCMS to manage its business. The Master Servicing Agreement will be supplemented pursuant to a Supplemental Master Servicing Agreement with NCMS to apply to the Issuer (as amended and supplemented, the "Master Servicing Agreement"). See the caption "THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Description of the Master Servicing Agreement" herein.

**Permissible Activities; Limitations.** NEF was not formed as a “special purpose” entity and can generally take all actions permitted under Delaware and other applicable law. NEF does not generally have any restrictions on its activities in its certificate of incorporation and bylaws, including with respect to issuing or investing in additional securities, borrowing money or making loans to other persons. NEF’s certificate of incorporation may be amended in whole or in part by a majority vote of its directors (who are also its members) and upon the adoption of a resolution relating thereto, each in accordance with Delaware law. NEF’s bylaws may also be amended in whole or in part by a majority vote of its directors.

**Directors and Officers.** NEF’s current directors and officers are as follows (there is currently one vacancy on the board of directors):

<b>Name</b>	<b>Position</b>	<b>Principal Occupation</b>
Anita Pampusch	Chairman of the Board	Retired President of the Bush Foundation
Richard Nigon	President and Director	Senior Vice President of Cedar Point Capital, Inc.
Clyde Nelson	Treasurer and Director	Retired Mortgage Banker
Sarah Duniway	Secretary	Managing Officer, Principal, and Attorney, Gray Plant Mooty
Jayne B. Khalifa	Director	Retired Deputy City Coordinator, City of Minneapolis
The Honorable Timothy Penny	Director	President, The Southern Minnesota Initiative Foundation and former Congressman
Charles Osborne	Chief Financial Officer	Consultant and Retired Chief Financial Officer of FICO and Deluxe Corporation

In addition, the board of directors includes four Directors Emeritus. Each of NEF’s directors and officers holds his or her position until death, resignation, removal or until his or her successor is elected and qualified.

NEF has two board committees, including an audit committee. The audit committee is chaired by Dick Nigon, and Clyde Nelson and Timothy Penny are members. The audit committee operates pursuant to a charter that sets forth its responsibilities.

**Affiliates.** NorthStar Education Funding I, L.L.C., a Delaware limited liability company, is the depositor of the Issuer and the depositor and sole certificateholder of NorthStar Student Loan Trust I, a trust which securitized certain student loans originated pursuant to the Higher Education Act, NorthStar Student Loan Trust II, a trust which originally securitized the Financed Eligible Loans, and the Issuer. Upon the issuance of the Notes, NorthStar Student Loan Trust II will be terminated. NEF is the sole member of the Depositor. The limited liability company agreement of the Depositor restricts its activities.

NEF, NorthStar Education Funding I, L.L.C., NorthStar Student Loan Trust I, NorthStar Student Loan Trust II and the Issuer, all of which are affiliates, are collectively referred to herein as the “NorthStar Companies.”

**Capitalization of NorthStar Education Finance, Inc.** The consolidated financial statements include the accounts of NEF and the accounts associated with the beneficial interests of its subsidiary, NorthStar Education Funding I, L.L.C., the depositor entity which holds all beneficial interests in the loans pledged to NorthStar Student Loan Trust I, NorthStar Student Loan Trust II and the Issuer. In NEF's audited financial statements as of September 30, 2015, the NorthStar Companies had total assets of \$3.5 billion, total liabilities of \$3.3 billion, and net assets as of such date of approximately \$0.2 billion. Except for the limited assets pledged under the Indenture and the repurchase obligation of NEF and the Depositor with respect to certain Financed Eligible Loans as described under the caption "THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Acquisition and Contribution of the Financed Eligible Loans" herein, none of the assets of the NorthStar Companies are available to pay principal of or interest on the Notes issued pursuant to the Indenture.

**NorthStar Loan Program.** NEF's loan program was known as the Total Higher Education (T.H.E.) Loan Program (the "T.H.E. Loan Program"). The T.H.E. Loan Program was marketed to graduate and professional schools and four year undergraduate institutions from 1997 until 2009, when NEF ceased making new loans. NEF's mission and business strategy was to create innovative financing programs that allowed for no up-front fees on federally insured loans and a borrower benefit program funded from residual cash flows from NEF's financings.

The T.H.E. Loan Program consisted of two major components:

- (a) Federal Family Education loans (FFELP or Higher Education Act loans):
  - (i) Subsidized FFELP loans;
  - (ii) Unsubsidized FFELP loans;
  - (iii) Parent Loan For Undergraduate Student (PLUS);
  - (iv) PLUS Loan for Professional and Graduate Students; and
  - (v) Consolidation Loans.
- (b) Private or non-FFELP and non-Higher Education Act loans:
  - (i) Medical loans;
  - (ii) Allied Health/Health Professionals;
  - (iii) Law/MBA loans; and
  - (iv) Other undergraduate and graduate loans

The private loan component was designed to provide an additional loan to a student to cover the difference between the cost of attending the higher education institution and the federal and institutional grants and loans already provided. Higher Education Act loans and private loans were offered separately or as a comprehensive financing package. The T.H.E. Loan Program's availability was as follows: (a) the federally guaranteed loan was available to any student attending an eligible four year institution and (b) the private loan was available to students that met NEF's credit underwriting requirements and were attending eligible institutions.

NEF originated \$6.3 billion of FFELP and private loans under the T.H.E. Loan Program, and as of April 30, 2016 had \$3.0 billion of T.H.E. loans (\$2.7 billion of FFELP and \$324 million of private loans). Additional information on NEF's loan pools and financings can be found on NEF's website <http://www.northstar.org/investors>. Any information contained on such website is not incorporated into this Offering Memorandum.

**Loan Origination.** NEF, or its predecessors, began originating student loans, including private loans, in 1991. When NorthStar Guarantee, Inc. and GLHEC affiliated in 1997, NorthStar Guarantee, Inc.'s origination processing personnel became employees of GLHEC. Until April 2000, all loans originated by or on behalf of NorthStar Guarantee, Inc. were processed and serviced by GLHEC under contract with NorthStar Guarantee, Inc.

Beginning in April 2000 and ending in 2009, NCMS, a wholly-owned subsidiary of NEF, processed substantially all originations and GLELSI performed substantially all servicing functions. GLELSI also originated a small number of loans for NEF. The vast majority of NEF's private loans were originated by University National Bank and purchased by NEF shortly after origination.

NEF's program guidelines (the "Program Guidelines") set forth the terms under which loans were made and defined borrower and school eligibility. The T.H.E. Loan Program included discipline-specific programs for law, MBA and medical students. The T.H.E. Loan Program also included a national program generally available to other graduate students and undergraduate students who, alone or with a cosigner, met certain credit underwriting criteria. All students attending a four-year institution and eligible for federal government guaranteed loans were eligible for T.H.E. Loan Program federal government guaranteed loans.

The private student loans made pursuant to the T.H.E. Loan Program (the "Private Loans"), including the Financed Eligible Loans were made only to eligible borrowers at eligible schools. Borrower eligibility was determined through a proprietary credit underwriting process utilizing credit scoring models. School eligibility was determined, in part, on the school's historical default experience. When applications were received, the applications were reviewed to determine that the application was complete, that the student was an eligible borrower and the school an eligible institution. Each application also included a certification from the submitting school that the student was eligible for the particular loan program and that the amount of the loan did not exceed the student's cost of education less other financial aid. If the application was complete and consistent with the Program Guidelines, the loan would be approved. If a student applicant did not meet the credit requirements or an application was otherwise determined not to comply with the Program Guidelines, the applicant would be sent an adverse determination letter, which would have included instructions on the steps to be taken to appeal the denial if the denial was based on an adverse credit determination.

**Repurchase Requests.** The loan purchase and contribution agreements entered into in connection with prior NEF-sponsored securitization transactions contain covenants requiring the repurchase of student loans in the case of a breach of certain representations and warranties. See the caption "THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Acquisition and Contribution of the Financed Eligible Loans—*Private Student Loan Purchase and Contribution Agreement*" herein. In calendar years 2013, 2014 and 2015, none of NEF, the Depositor or any of their affiliated securitizers received a demand to repurchase any student loan, as reportable on SEC Form ABS-15G, underlying a securitization of student loans for which NEF has acted as a securitizer. NEF, as securitizer covering all of its affiliated securitizers, is responsible for disclosure of all fulfilled and unfulfilled repurchase requests for student loans on SEC Form ABS-15G. NEF filed its most recent Form ABS-15G on January 13, 2016. NEF's CIK number is 0001550023.

**Audits.** An annual audit of NEF's financial statements is performed by an external audit firm, and agreed upon procedures are performed to assess NEF's compliance with certain U.S. Department of Education lender requirements. Such annual financial audits are performed in compliance with generally accepted accounting principles (GAAP). No material findings were noted in any of the recent audits.

In addition, an annual audit on internal controls pursuant to the Statement on Standards for Attestation Engagements No. 16, or “SSAE 16” is performed by an external audit firm.

### **The Master Servicer, Administrator, Sub-Master Servicer and Sub-Administrator**

NCMS is a Delaware for-profit business corporation and is a subsidiary of Alliance Holdings, Inc., an employee-owned lower-middle-market private equity company.

Pursuant to the terms of the Master Servicing Agreement, NCMS has responsibility for administration of NEF and the Issuer, and will act as the Administrator and Master Servicer of the Financed Eligible Loans and oversee the servicing of the Financed Eligible Loans. For a description of the Master Servicing Agreement, see the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Description of the Master Servicing Agreement” herein.

NCMS will maintain the Master Servicing Agreement with NEF and the Issuer and remain responsible for its obligations thereunder, but will subcontract all of its duties and obligations under the Master Servicing Agreement to NES. NES will act as the Sub-Master Servicer and Sub-Administrator of the Financed Eligible Loans. NES is a Wisconsin limited liability company, and is a wholly-owned subsidiary of GLELSI, the initial Servicer of the Financed Eligible Loans. On October 1, 2012, NCMS sold a majority of its intellectual property, existing customer contacts, furniture and equipment to NES. In conjunction with the sale, all of the employees of NCMS became employees of NES. Pursuant to an Amended and Restated Subservicing Agreement, dated as of October 25, 2012 (as amended, the “Subservicing Agreement”), among NCMS, NES and GLELSI, NES is responsible for performing all of the obligations of NCMS under the Master Servicing Agreement. Pursuant to a Backup Master Servicing Agreement, GLELSI will serve as Backup Master Servicer with respect to the Financed Eligible Loans and the Issuer. For a description of the Subservicing Agreement, see the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Description of the Subservicing Agreement” herein.

**Key Personnel of NES.** The key personnel of NES are listed below. Each of the below personnel held the equivalent position at NCMS prior to the sale of NCMS in August 2010.

*Taige P. Thornton*, 63, is President of NES. Mr. Thornton started NorthStar Guarantee, Inc. in 1991 and grew it into the sixth largest education loan insurer in the country. Mr. Thornton has been engaged in the financial services industry for over 30 years. Prior to NCMS, his previous executive positions were: President of the Consumer Finance Group, First Bank System, Vice President of Operations at Balcor/American Express, and an Officer at the Harris Trust and Savings Bank. Mr. Thornton received his BA degree in Political Science from the University of Iowa in 1975.

*Thomas Dixon*, 56, is the Chief Information Officer of NES. Mr. Dixon began with NCMS in 1991, joined Great Lakes in 1997 and rejoined NCMS in 2000. He is responsible for strategic, design and operational decisions regarding the information technology utilized by NES. Mr. Dixon has 20 years of experience in analysis, design, development, and management of computer software with over 15 years of experience in the student loan industry. Mr. Dixon has held positions with Higher Education Assistance Foundation, NorthStar Guarantee, Inc., and Great Lakes. Mr. Dixon received a BS in Computer Science from the University of Minnesota in 1996.

*Kate Seifert*, 54, is the Vice President of Finance for NES, joining NCMS in May 2011. Prior to NCMS, Ms. Seifert served in various finance and accounting roles, including Manager of Financial Reporting, Virtual Radiologic and Manager of Financial Reporting and Internal Audit, FICO. Ms. Seifert

is a licensed CPA and began her career with Coopers & Lybrand in San Francisco after receiving a BS degree in Business Administration from the University of California, Chico in 1985.

*Robert C. Forbrook*, 52, is the Vice President – NorthStar Default Collections of NES. Mr. Forbrook is responsible for the Debt Management and Default Aversion aspects of the business, including proactive outreach to students prior to entering repayment, during early stages of delinquency and into delinquency for the private loan portfolio for NorthStar Education Finance Inc. Mr. Forbrook has been in the student loan industry since 1986 and was with NCMS beginning March 2003. Mr. Forbrook received a BS degree in Business Administration and Management in 1985 from Southwest State University in Marshall, Minnesota.

*Lisa R. Parker*, 53, is the Assistant Vice President – Customer Service of NES. Ms. Parker leads the Operations and Outreach group as it finds profitable growth by managing existing operations, developing cohort management solutions for external clients, and evaluating new technology for the operations team. She is also responsible for implementing outreach activities for new contracts. Ms. Parker has an extensive background in higher education services and has served for more than 25 years in various capacities as student loan lender, guarantor and servicer with emphasis in loan origination, servicing and repayment planning. She received her BS degree in Management, Economics and Industry Relations from Minnesota State University in Mankato, MN.

***Products and Services of NES.*** In addition to performing the master servicing and administration responsibilities subcontracted by NCMS under the Subservicing Agreement, NES offers consulting services for loan origination systems. Additionally, NES has developed a variety of financial literacy and debt management products and services using a combination of web-based technologies, proven processes and experienced loan professionals working to support the needs of each student-borrower. NES's offerings provide end-to-end solutions that improve cohort default rates by offering outreach services to schools and tools and support to students to successfully finance and repay their education debt. NES's proprietary web-based financial literacy products include the following:

- FinancialAidReady – Pre-enrollment instruction on how to fund an education. Includes tutorials and resources on federal and private loans creating a funding plan and long-term impact of loan debt.
- GradReady – Customized student portal equipped with a wide range of personal finance topics, budgeting tools, lender contact page, and a page for tracking education debt and its long-term impact.
- RepayReady – Resource designed to prevent delinquency and default for borrowers repaying student loans. RepayReady provides students with tools to organize student debt, learn about repayment options, and develop/implement a successful repayment strategy.

NES's products and services dramatically improve the loan experience for students. The primary goals are to help students and graduates manage their student loan debt obligations, and to help lenders increase their efficiency and effectiveness throughout the loan life-cycle. NES uses proprietary software and services to improve originations and modify borrower behavior through active portfolio management, high borrower contact, and financial literacy training. In addition to NEF, NCMS products and services are provided to major national and regional banks and financial service providers and to various post-secondary institutions.

NES's debt management outreach services and RepayReady tool are provided to all of NEF's student loan borrowers who are entering repayment.

NES currently has approximately 16 employees who are providing master servicing and administration for NEF and the Issuer, as well as loan origination consulting services to a third-party financial institution. The financial literacy and debt management products and services as described above are managed and performed by GLELSI employees.

The office of NES is located at 930 Blue Gentian Road, Suite 100, Eagan, Minnesota 55121.

### **The Servicer, Backup Administrator and Backup Master Servicer**

*The following three paragraphs have been furnished by GLELSI for use in this Offering Memorandum. The Issuer does not guarantee or make any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of GLELSI subsequent to the date hereof.*

**Great Lakes Educational Loan Services, Inc.** GLELSI acts as a loan servicing agent for the Issuer. GLELSI is a wholly-owned subsidiary of GLHEC, a Wisconsin 34onstick, nonprofit corporation. The primary operations center for GLHEC and its affiliates (including GLELSI) is in Madison, Wisconsin, which includes the data processing center and operational staff offices for both guaranty support services provided by GLELSI to GLHEC and third party guaranty agencies and lender servicing functions. GLHEC and affiliates also maintain offices in Rocky Hill, Connecticut, Eagan, Minnesota, Aberdeen, South Dakota and Boscobel, Eau Claire and Stevens Point, Wisconsin and customer support staff located nationally.

GLELSI began servicing loans for commercial lenders in 1977, first as a division of the Wisconsin Higher Education Corporation, subsequently renamed the Great Lakes Higher Education Corporation, then as GLELSI. In September, 2009, GLELSI began servicing loans for the U.S. Department of Education. GLELSI is presently one of four primary servicers who service loans issued to new student and parent borrowers under the Federal Direct Student Loan Program.

As of November 30, 2015, GLELSI serviced 10,746,342 student and parental accounts with an outstanding balance of \$218 billion for over 1,050 lenders nationwide, including the U.S. Department of Education. As of November 30, 2015, 78.4% of the portfolio serviced by GLELSI was in repayment status, 2.4% was in grace status and the remaining 19.2% was in deferred status. GLELSI will provide a copy of GLHEC's most recent consolidated financial statements on receipt of a written request directed to 2401 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

### **THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III**

The Issuer will make deposits to the Acquisition Fund, the Capitalized Interest Fund, the Reserve Fund and the Costs of Issuance Fund from proceeds of the Notes. The Financed Eligible Loans acquired by the Issuer under the Private Student Loan Purchase and Contribution Agreement with the Depositor will be deposited to the Acquisition Fund. In addition, the Financed Eligible Loans contributed by the Depositor pursuant to the Private Student Loan Purchase and Contribution Agreement will also be deposited to the Acquisition Fund.

### **Administration**

The Master Servicing Agreement provides that NCMS will provide administrative and personnel services to NEF and certain of its affiliates, including the Issuer. Pursuant to the Master Servicing Agreement, for acting as Master Servicer of the Issuer, which includes providing administrative and personnel services, NCMS is paid a monthly fee equal to one-twelfth of 0.50% of the ending principal



balance of the Financed Eligible Loans, plus accrued interest, during the preceding month, less the servicing fees paid to the Servicer. Pursuant to the Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES. GLELSI guarantees the performance by NES of its obligations with respect to the Issuer under the Subservicing Agreement. See the caption “THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER—The Master Servicer, Administrator, Sub-Master Servicer and Sub-Administrator” herein and the captions “Description of the Master Servicing Agreement” and “Description of the Subservicing Agreement” below.

## **Servicing**

NCMS will, under the Master Servicing Agreement, act as a Master Servicer of the Financed Eligible Loans and oversee the servicing of the Financed Eligible Loans. The Master Servicing Agreement provides that NCMS will be paid for the performance of its functions under the Master Servicing Agreement, from funds available for such purpose under the Indenture, a monthly fee described under the caption “Administration” above. Pursuant to the Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES. The Issuer has entered into the GLELSI Servicing Agreement with GLELSI providing for GLELSI to perform all of the obligations of the servicer in servicing the Financed Eligible Loans. Under the GLELSI Servicing Agreement, GLELSI agrees to service, and perform all other related tasks with respect to, the Financed Eligible Loans in compliance with applicable standards and procedures. See the captions “THE SPONSOR, THE ADMINISTRATOR, THE MASTER SERVICER AND THE SERVICER—The Master Servicer, Administrator, Sub-Master Servicer and Sub-Administrator” and “—The Servicer” herein and the captions “Description of the Master Servicing Agreement,” “Description of the GLELSI Servicing Agreement” and “Description of the Subservicing Agreement” below.

## **Description of the Master Servicing Agreement**

Pursuant to the Master Servicing Agreement, NCMS is required to collect delinquent and defaulted Financed Eligible Loan accounts in compliance with all applicable law, including commencement and prosecution of litigation, which may include the use of third party agencies or outside counsel (all applicable expenses of which shall be the responsibility of the Issuer). NCMS is required to provide staffing to counsel borrowers about managing their student loan debt and assisting borrowers of private loans that become delinquent in bringing their loans current. NCMS will provide comprehensive default aversion and collection services for the Financed Eligible Loans. See “APPENDIX B—ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM—Default Aversion/Default Management Program” hereto. NCMS is also required to oversee and manage the Issuer’s servicing relationship and contract with GLELSI. Pursuant to the Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES. See the caption “Description of the Subservicing Agreement” below.

**Administration.** Pursuant to the Master Servicing Agreement, NCMS is required to perform all of the Issuer’s administrative obligations, including, but not limited to, the following:

- (a) Collection, deposit, investment, disbursement and reporting of cash generated or used in the operation of the Issuer’s student loan programs and the investment and management of all funds;

(b) Processing, storing and safekeeping of student loan documents and electronic data related thereto, maintenance of a disaster recovery plan with remote storage of computer software, data and student loan documents, and provision for offsite computer services;

(c) Developing and maintaining advanced information technology platforms to comprehensively administer the Issuer's student loans, protect the confidentiality of customer information and facilitate student borrower repayment and other interactions with the Issuer;

(d) Performing all of the Issuer's obligations under its agreements related to its student loan program; provided, however, that NCMS will perform such obligations solely from the Issuer's funds and that NCMS is not obligated to use its own funds or credit to perform such obligations; and

(e) Immediately upon becoming aware of the existence of any Event of Default or potential Event of Default, NCMS is required to furnish to the Issuer a written statement of the Chief Executive Officer or Chief Financial Officer of NCMS setting forth details of such event and the action that NCMS recommends the Issuer take with respect thereto; and immediately upon becoming aware of any default by the Servicer, NCMS is required to likewise immediately furnish the Issuer written notice thereof.

***Not a Fiduciary.*** Notwithstanding anything to the contrary in the Master Servicing Agreement, none of NCMS, its affiliates or their respective officers and directors shall be deemed a fiduciary of the Issuer.

***Limitation on NCMS Authority.*** Notwithstanding any other provision in the Master Servicing Agreement, NCMS does not have the authority to take any of the following actions on behalf of the Issuer without the approval of NEF, as the sponsor of the Issuer:

- (a) incur expenses outside of the budget approved by the Issuer;
- (b) materially modify the terms of any financing arrangement or material contract;
- (c) enter into new financing arrangements or material contracts;
- (d) make new or additional investor disclosures;
- (e) institute or defend litigation (other than student loan collection matters in the ordinary course of business); or
- (f) acquire or dispose of assets

***Actions Concerning the Financed Eligible Loans.*** The Issuer covenants and agrees that it shall, at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the agreements to which the Issuer is a party related to the Financed Eligible Loans. The Issuer also covenants and agrees that it will take no actions without the prior consent of NCMS (such consent to be not unreasonably withheld), that would cause or would be reasonably likely to cause a breach by the Issuer of its obligations under the Master Servicing Agreement.

***NCMS's Indemnification.*** NCMS is required to indemnify the Issuer against and hold the Issuer harmless from any and all loss, damage, liability, fines, penalties, cost or expense, including reasonable attorneys' fees, arising out of or resulting from: (a) NCMS's breach of any representation, warranty or

covenant contained in the Master Servicing Agreement (including, without limitation, any such breach which results in any dispute, claim, offset or defense (other than discharge in bankruptcy) of an obligor to the payment of any student loan (including, without limitation, a defense based on such student loan not being a legal, valid and binding obligation of such obligor enforceable against it in accordance with its terms)); (b) NCMS's violation, breach or non-compliance with the provisions of any federal, state or local law; or (c) any and all actions, suits, proceedings, demands, assessments or judgments incident to any of the foregoing, except any such actions, suits, proceedings, demands, assessments or judgments arising out of or resulting from the willful misconduct or negligence of the Issuer. NCMS's indemnification obligations under the Master Servicing Agreement will survive the expiration or termination of the Master Servicing Agreement.

***Term and Termination.*** Unless earlier terminated as described below, the Master Servicing Agreement will expire in August of 2017. Upon the occurrence of an event of default under the Master Servicing Agreement, in addition to any other remedies, a party may, at its option, terminate the Master Servicing Agreement by giving written notice thereof to the other party. An "event of default" under the Master Servicing Agreement includes:

- (a) the breach by either party of any material term, condition or covenant contained in the Master Servicing Agreement which is not cured within ninety (90) days after written notice by the other party;
- (b) NCMS makes an assignment for the benefit of creditors, or the commencement of any proceeding under the United States Federal Bankruptcy Code by or against NCMS or of any proceeding alleging that NCMS is insolvent or unable to pay its debts as they mature;
- (c) The entry of any judgment against NCMS in the amount of \$250,000 or more which remains unpaid or unstayed for more than thirty (30) days; or
- (d) The dissolution, merger, consolidation, winding up or liquidation or transfer, (other than a transfer for security purposes) of a substantial part of the property of NCMS or any affiliated entity or person to whom the obligation of NCMS under the Master Servicing Agreement have been assigned or subcontracted.

In addition, the Master Servicing Agreement may be terminated solely with respect to the Issuer if:

- (i) NCMS has notified the Issuer that it will no longer perform its obligations under the Master Servicing Agreement;
- (ii) NCMS fails to pay certain fees due to NES as provided in a supplement to the Master Servicing Agreement; or
- (iii) certain bankruptcy, insolvency or dissolution proceedings or events described in a supplement to the Master Servicing Agreement are commenced by or against NCMS (subject to certain cure periods).

Until the earlier of (i) the termination date or (ii) sixty (60) days following the expiration date (or such other period as agreed to by the parties), NCMS shall continue to perform the services under the Master Servicing Agreement and the Issuer shall continue to pay the management fee, and the parties shall cooperate in transitioning the services, including but not limited to servicing of the Financed Eligible Loans.

**Assignment.** NCMS may not assign the Master Servicing Agreement in whole or in part or subcontract with others for the performance of any of the services provided for under the Master Servicing Agreement without the prior written consent of the Issuer; provided, however, that NCMS may assign the Master Servicing Agreement to an entity wholly-owned by NCMS or owned by a party that owns NCMS upon written notice to the Issuer.

### **Description of the Subservicing Agreement**

**General.** Pursuant to the Subservicing Agreement, NES agrees to perform NCMS's duties and responsibilities under the Master Servicing Agreement for and on behalf of NCMS and under NCMS's supervision and direction. NES covenants and agrees to fully and faithfully perform and complete the services required under the Master Servicing Agreement in a manner that is consistent with the terms of the Master Servicing Agreement and to fully and completely fulfill all obligations of NCMS under the Master Servicing Agreement. NES will maintain in effect all qualifications required in order to perform its obligations under the Subservicing Agreement. NES covenants that it possesses all requisite authority, permits and powers to conduct its business.

**Compensation.** NES is paid an annual management fee by NCMS that is fixed for each year of the agreement as compensation for the services rendered by NES pursuant to the Subservicing Agreement.

**Term and Termination.** The term of the Subservicing Agreement is coterminous with the term of the Master Servicing Agreement, see the caption "Description of the Master Servicing Agreement—*Term and Termination*" above, unless earlier terminated. The Subservicing Agreement may be terminated by mutual consent of NES and NCMS, or for cause upon (a) a breach by either party of a material term, condition or covenant (subject to cure rights), (b) certain insolvency or bankruptcy proceedings, (c) the loss of its eligibility as a third-party servicer under the Higher Education Act, (d) the entry of any judgment against NES of \$250,000 or more which remains unpaid or unstayed for more than 30 days or (e) the dissolution, merger, consolidation, winding up or liquidation of NES or the sale of substantially all the assets of NES, without the consent of NCMS.

**Indemnification.** NES agrees to indemnify NCMS against and hold NCMS harmless from any and all loss, damage, liability, fines, penalties, costs or expense, arising out of or resulting from: (a) NES's breach of any representation, warranty or covenant contained in the Subservicing Agreement, (b) NES's violation, breach or non-compliance with the provisions of any federal, state or local law or (c) any and all actions, suits, proceedings, demand, assessments or judgments incidental to any of the foregoing, except any such action, suits, proceedings, demands, assessments or judgments arising out of or resulting from the willful misconduct or negligence of NCMS.

**Assignment.** NES may not assign the Subservicing Agreement in whole or in part or subcontract with others for the performance of any of the services thereunder without the prior consent of NCMS.

**Guaranty.** GLELSI guarantees the full performance of each and all obligations of NES under the Subservicing Agreement and relating to the Issuer. GLELSI agrees that immediately upon a failure in performance of any or all guaranteed obligations by NES, GLELSI will perform in full, such guaranteed obligations.

## **Description of the Backup Master Servicing Agreement**

The Backup Master Servicing Agreement sets forth the terms and conditions under which the duties and obligations of the Master Servicer will be transitioned to the Backup Master Servicer upon the occurrence of a Conversion Event (as defined under the caption “GLOSSARY OF TERMS” herein) with respect to the Master Servicer. Pursuant to the Backup Master Servicing Agreement, upon the occurrence of a Conversion Event, the Backup Master Servicer agrees to perform the duties and obligations of the Master Servicer, and the Issuer, the Master Servicer and the Backup Master Servicer agree to undertake the necessary actions to enable the Backup Master Servicer to perform the master servicing functions.

***Term and Termination.*** The Backup Master Servicing Agreement has an initial term that extends through September 1, 2021, but extends automatically for successive one (1) year terms unless terminated at the end of a term by any party thereto upon at least one hundred and eighty (180) days’ notice; provided, however, that the Backup Master Servicing Agreement will not terminate until a successor Backup Master Servicer or, after a Conversion Event, a successor Master Servicer has been appointed and entered into a successor Backup Master Servicing Agreement or, after a Conversion Event, a successor Master Servicing Agreement. In addition, the Backup Master Servicing Agreement may be terminated on any date by the Issuer if the Issuer has entered into a Master Servicing Agreement with a replacement Master Servicer satisfying the conditions of the Indenture.

***Indemnification and Liability.*** Upon the occurrence of a Conversion Event, the Backup Master Servicer is required to exercise care and due diligence in performing its services as Master Servicer. To the extent that the Backup Master Servicer is required to appear in, or is made a defendant in any legal action or other proceeding commenced by a party other than the Issuer or the Master Servicer with respect to any matter arising under the Backup Master Servicing Agreement including specifically, but without limitation, consumer law claims, the Issuer and the Master Servicer shall indemnify and hold the Backup Master Servicer harmless from all loss, liability and expense (including reasonable attorney’s fees) except for any loss, liability or expense arising out of or relating to the Backup Master Servicer’s negligent acts or omissions or misconduct with regard to the performance of services under the Backup Master Servicing Agreement. Subject to the paragraph entitled “*Limitation of Liability*” below, the Backup Master Servicer is required to indemnify and hold the Issuer and the Master Servicer harmless from all loss, liability and expense (including reasonable attorney’s fees) arising out of or relating to the Backup Master Servicer’s negligent acts or omissions with regard to the performance of its obligations under the Backup Master Servicing Agreement; provided, however, that in no event will the Backup Master Servicer be responsible or liable for the failure of a borrower to repay a Financed Eligible Loan or any consequential damages with respect to any matter whatsoever arising out of the Backup Master Servicing Agreement.

***Limitation of Liability.*** The Issuer, the Backup Master Servicer and the Master Servicer recognize that the Backup Master Servicer’s servicing programs are separate and distinct from Great Lakes Higher Education Guaranty Corporation’s (GLHEGC’s) guaranty program and GLHEGC’s outreach and access mission. The Issuer, the Master Servicer and the Trustee specifically agree to look only to the Backup Master Servicer, in its capacity as a servicing agent, to satisfy any claims under the Backup Master Servicing Agreement relating to its functions as the Backup Master Servicer. The Issuer, the Master Servicer and the Trustee specifically waive any claim under the Backup Master Servicing Agreement against GLHEGC’s Guaranty Fund (as defined in 34 CFR § 682.410(a)(1)) and GLHEGC’s Federal Reserve Fund and Administrative Operating Fund and all other escrows required under the Higher Education Act and any claim hereunder against GLHEGC.

***Interest of the Trustee.*** The Backup Master Servicer acknowledges that, in the event of a Conversion Event, the Trustee has an interest in the Backup Master Servicer's performance of its obligations pursuant the Backup Master Servicing Agreement. The Trustee is an intended third-party beneficiary of the Backup Master Servicing Agreement.

***Amendments.*** Amendments, changes and modifications to the Backup Master Servicing Agreement are required to be in writing and signed by a duly authorized representative of each party.

### **Description of the GLELSI Servicing Agreement**

***General.*** Pursuant to the GLELSI Servicing Agreement, GLELSI generally agrees to provide all customary post-origination student loan servicing activities with respect to Financed Eligible Loans made under the T.H.E. Loan Program in accordance with the Program Guidelines. The following summary describes certain terms of the GLELSI Servicing Agreement. The summary is not complete, and is subject to and qualified in its entirety, by reference to all of the provisions of the GLELSI Servicing Agreement. Such services generally include maintaining custody of copies of promissory notes and related documentation, billing for and processing payments from borrowers, undertaking certain required collection activities with respect to delinquent loans, establishing and maintaining records with respect to its servicing activities, and providing certain reports of its activities and the student loan portfolios serviced by GLELSI. GLELSI agrees to service the Financed Eligible Loans in compliance with all applicable federal and state laws and regulations.

Pursuant to the GLELSI Servicing Agreement, GLELSI will service and perform other related tasks with respect to the Financed Eligible Loans which are submitted to GLELSI and accepted by GLELSI for servicing with customary diligence and care. GLELSI's administrative obligations generally include, but are not limited to, the following:

(a) Upon receipt of information regarding a Financed Eligible Loan acquired by the Issuer, GLELSI is required to establish a loan record on its computer system. GLELSI will capture and retain a copy of each Financed Eligible Loan application/promissory note and disclosure statement on its imaging system and will store a backup image copy at a remote facility. GLELSI will hold the original Financed Eligible Loan application/promissory note for safekeeping. GLELSI is under no duty or obligation to inquire into the authenticity of the Financed Eligible Loan.

(b) GLELSI is required to provide Financed Eligible Loan servicing services as described in the T.H.E. Loan Program rules and as set forth in the GLELSI Servicing Agreement.

(c) GLELSI is required to respond to all borrower inquiries in a prompt, courteous and thorough manner.

(d) When a Financed Eligible Loan first becomes due for repayment, GLELSI is required to prepare and mail, email or otherwise transmit a repayment schedule to the borrower in accordance with the Issuer's instructions. Prior to the first payment due date, repayment coupons or alternative repayment instructions will be prepared and provided to the borrower.

(e) GLELSI is required to post to the borrower's account all payments of principal and interest. All collections are required to be remitted to an account designated by the Issuer within two business days.

(f) GLELSI is required to provide reports to the Issuer of all monetary transactions as well as periodic summary and account information, including such items as:

- (1) Detailed reports to support all cash transactions processed;
- (2) Monthly portfolio summary reports and supporting detail;
- (3) Monthly listing of delinquent accounts.

(g) GLELSI is to remit overpayments of more than \$5.00 directly to the borrower and write-off balances of less than \$10.00.

(h) GLELSI is required to handle all borrower contact functions and meet all servicing due diligence requirements described in the T.H.E. Loan Program rules. GLELSI is to prepare and submit all papers and documentation necessary to file a claim as described in the T.H.E. Loan Program rules.

***Term and Termination.*** The GLELSI Servicing Agreement may be terminated by the Issuer or GLELSI upon 120 days written notice to the other party. In the event that the GLELSI Servicing Agreement is so terminated, GLELSI shall continue its full servicing (and shall be entitled to its fees) until the date a successor servicer has been appointed and has been provided complete conversion files so as to enable the successor servicer to begin servicing the Financed Eligible Loans. In the event of termination, the Issuer agrees to pay GLELSI a servicing removal fee identified in the GLELSI Servicing Agreement as to each active account removed by such termination.

***Compensation.*** The Issuer agrees to pay GLELSI a monthly fee for the servicing of Financed Eligible Loans based on certain per account calculations. The servicing fee will be paid from amounts held in the Collection Fund, as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund” hereof. Increases or decreases in such schedule may be made from time to time; provided however, that the Issuer will be given 60 days written notice prior to the effective date of any change in the fee schedule. Such effective date shall be the beginning of a calendar quarter (January 1, April 1, July 1 and October 1). Statements for services rendered will be provided on a monthly basis and are payable upon receipt.

***Indemnification and Liability.*** GLELSI is required to exercise care and due diligence in performing the services required by the GLELSI Servicing Agreement. To the extent that GLELSI is required to appear in, or is made a defendant in any legal action or other proceeding commenced by a party other than the Issuer with respect to any matter arising under the GLELSI Servicing Agreement including specifically, but without limitation, consumer law claims, the Issuer is required to indemnify and hold GLELSI harmless from all loss, liability and expense (including reasonable attorney's fees) except for any loss, liability or expense arising out of or relating to GLELSI's negligent acts or omissions or misconduct with regard to the performance of services under the GLELSI Servicing Agreement. Subject to the following paragraph, GLELSI is required to indemnify and hold the Issuer harmless from all loss, liability and expense (including reasonable attorney's fees) arising out of or relating to GLELSI's negligent acts or omissions with regard to the performance of services under the GLELSI Servicing Agreement; provided, however, that in no event shall GLELSI be responsible or liable for the failure of a borrower to repay a Financed Eligible Loan or any consequential damages with respect to any matter whatsoever arising out of the GLELSI Servicing Agreement. Either party shall have the right to mitigate its liability under the GLELSI Servicing Agreement by taking such actions as may be appropriate, including but not limited to re-performance.

GLELSI and the Issuer recognize that GLELSI's lender servicing programs are separate and distinct from GLHEGC's guarantee program and Great Lakes Higher Education Corporation's (GLHEC) outreach and access mission. The Issuer specifically agrees to look only to GLELSI, in its capacity as a servicing agent, to satisfy any claims under the GLELSI Servicing Agreement relating to its functions as servicing agent. The Issuer specifically waives any claim under the GLELSI Servicing Agreement against GLHEGC's Guarantee Fund (as defined in 34 CFR § 682.410(a)(1)) and GLHEGC's Federal Reserve Fund and Administrative Operating Fund and all other escrows required under the Higher Education Act and any claim under the GLELSI Servicing Agreement against GLHEC.

GLELSI will continue to be liable for all acts or failures to act which occur prior to a termination of the GLELSI Servicing Agreement (or the following loan transactions: sale or transfer to another lender, servicing transfer to the Issuer or another servicer or payment in full), but will not be liable for post-termination activities except that GLELSI will be obligated to remit to the Issuer any collections received by GLELSI subsequent to such termination and to provide the reports and records required by the GLELSI Servicing Agreement.

**Amendments.** Except as to adjustments of fees described under the caption "*Compensation*" above, the GLELSI Servicing Agreement may be amended by GLELSI at any time upon 30 days written notice to the Issuer, provided that the provisions of the GLELSI Servicing Agreement shall at all times be consistent with the T.H.E. Loan Program rules and lenders forms and procedures for consumer law protection compliance. In the event of any such modification by GLELSI, the Issuer has 30 days in which to accept or reject the modification by notice in writing. In the event of rejection of proposed modification, either party may exercise its right to terminate as described under the caption "*Term and Termination*" above. In the event of termination for this reason, such modification shall not apply to the Issuer.

### **Acquisition and Contribution of the Financed Eligible Loans**

Pursuant to a Private Student Loan Purchase and Contribution Agreement, dated as of September 1, 2016 (the "Private Student Loan Purchase and Contribution Agreement"), among the Issuer, the Owner Trustee and the Depositor, the Depositor will sell and contribute the Financed Eligible Loans to the Issuer, with the Owner Trustee holding legal title to the Financed Eligible Loans. See the caption "NORTHSTAR STUDENT LOAN TRUST III—Owner Trustee" herein.

**Private Student Loan Purchase and Contribution Agreement.** Pursuant to the Private Student Loan Purchase and Contribution Agreement, and subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth therein, the Depositor agrees to sell and contribute to the Issuer and the Owner Trustee, acting on behalf of the Issuer, and the Issuer and the Owner Trustee, acting on behalf of the Issuer, agree to buy and accept from the Depositor, Eligible Loans together with all promissory notes and related documentation evidencing the indebtedness represented by the Eligible Loans and all proceeds thereof.

The Depositor makes certain representations and warranties set forth in the Private Student Loan Purchase and Contribution Agreement with respect to the Eligible Loans sold and/or contributed as a capital contribution to the Issuer, legal title to which are held by the Owner Trustee (each, an "Acquired Loan"). If any such representation or warranty made or furnished by the Depositor with respect to an Acquired Loan shall prove to have been materially incorrect as of the date made, then the Depositor shall, upon obtaining knowledge thereof, notify the Issuer and the Trustee thereof, and the Depositor is required within five (5) Business Days of a request by the Issuer, the Owner Trustee, the Administrator or the Trustee to: (a) exchange for the Acquired Loan an Eligible Loan with an outstanding principal balance no less than that of the Acquired Loan and with similar characteristics as the Acquired Loan; or



(b) repurchase such Acquired Loan by paying to the Issuer for deposit with the Trustee pursuant to the Indenture 100% of the then outstanding principal balance of such Acquired Loan, plus 100% of all interest accrued and unpaid on such Acquired Loan and any attorneys' fees, legal expenses, court costs, servicing fees or other expenses incurred by the Issuer, the Owner Trustee, the Trustee or the appropriate successors or assigns in connection with such Acquired Loan.

In the Private Student Loan Purchase and Contribution Agreement, the Depositor agrees to indemnify and save the Issuer, the Owner Trustee, the Administrator and the Trustee (together with each of their respective successors, assignees, officers, directors, agents and employees) harmless from and against any and all loss, liability, cost, damage or expense, including reasonable attorneys' fees and costs of litigation, incurred by reason of any breach of the Depositor's warranties, representations or covenants under the Private Student Loan Purchase and Contribution Agreement or any false or misleading representations of the Depositor or any failure to disclose any matter which makes the warranties and representations in the Private Student Loan Purchase and Contribution Agreement misleading or any inaccuracy in any information furnished by the Depositor in connection with the Private Student Loan Purchase and Contribution Agreement, excluding, however, any loss attributable to credit or yield losses due to defaulted or delinquent Eligible Loans or which would otherwise constitute credit recourse; provided, however, it is understood that all risks relating to the collectability of Eligible Loans transferred to the Issuer and the Owner Trustee under the Private Student Loan Purchase and Contribution Agreement are assumed by the Issuer and the Owner Trustee (in such capacity) and the aforesaid indemnity shall not be construed to cover such risks.

The Private Student Loan Purchase and Contribution Agreement is not assignable by the Depositor, in whole or in part, without the prior written consent of the Issuer, the Owner Trustee (upon request of the Issuer) and the Administrator; provided, however, the Issuer and, upon request of the Issuer, the Owner Trustee may assign or otherwise transfer, in whole or in part, any or all of the Acquired Loans or their respective interests in the Private Student Loan Purchase and Contribution Agreement at any time without the consent of the Depositor in accordance with the terms of the Indenture. The Private Student Loan Purchase and Contribution Agreement may be amended from time to time by the Issuer and the Depositor with the prior written consent of the Administrator and the Owner Trustee. The Depositor has sold, contributed, transferred, assigned and otherwise conveyed to the Issuer all of its right, title and interest in, to and under the Private Student Loan Purchase and Contribution Agreement, dated as of September 1, 2016, between the Depositor and NEF, pursuant to which NEF makes identical representations and warranties and has an identical repurchase obligation.

## **Trustee**

U.S. Bank National Association ("U.S. Bank"), a national banking association organized under the laws of the United States, is the Trustee under the Indenture. The Trust Estate will initially be administered from U.S. Bank's corporate trust office located at 425 Walnut Street, Cincinnati, Ohio 45202.

U.S. Bank has provided corporate trust services since 1924 and has one of the largest corporate trust businesses in the country, with office locations in 49 domestic and 3 international cities. As of March 31, 2016, U.S. Bank was acting as trustee with respect to over 87,000 issuances of securities with an aggregate outstanding principal balance of over \$3.4 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed, student loan asset-backed, and other asset-backed securities and collateralized debt obligations. U.S. Bank has acted as trustee under indentures related to student loan asset-backed notes issued by the Sponsor.

Since 2014 various plaintiffs or groups of plaintiffs, primarily investors, have filed claims against U.S. Bank, in its capacity as trustee or successor trustee (as the case may be) under certain residential mortgage backed securities (“RMBS”) trusts. The plaintiffs or plaintiff groups have filed substantially similar complaints against other RMBS trustees. The complaints against U.S. Bank allege the trustee caused losses to investors as a result of alleged failures by the sponsors, mortgage loan sellers and servicers for these RMBS trusts and assert causes of action based upon the trustee’s purported failure to enforce repurchase obligations of mortgage loan sellers for alleged breaches of representations and warranties concerning loan quality. The complaints also assert that the trustee failed to notify securityholders of purported events of default allegedly caused by breaches of servicing standards by mortgage loan servicers and that the trustee purportedly failed to abide by a heightened standard of care following alleged events of default.

Currently U.S. Bank is a defendant in multiple actions alleging individual or class action claims against the trustee with respect to multiple trusts as described above with the most substantial case being: *BlackRock Balanced Capital Portfolio et al v. U.S. Bank National Association*, No. 605204/2015 (N.Y. Sup. Ct.) (class action alleging claims with respect to approximately 794 trusts) and its companion case *BlackRock Core Bond Portfolio et al v. U.S. Bank National Association*, No. 14-cv-9401 (S.D.N.Y.). Some of the trusts implicated in the aforementioned Blackrock cases, as well as other trusts, are involved in actions brought by separate groups of plaintiffs related to no more than 100 trusts per case.

U.S. Bank cannot assure you as to the outcome of any of the litigation, or the possible impact of these litigations on the trustee or the RMBS trusts. However, U.S. Bank denies liability and believes that it has performed its obligations under the RMBS trusts in good faith, that its actions were not the cause of losses to investors and that it has meritorious defenses, and it intends to contest the plaintiffs’ claims vigorously.

See the caption “SUMMARY OF THE INDENTURE PROVISIONS—The Trustee” herein for additional information regarding the responsibilities of the Trustee.

#### **CHARACTERISTICS OF THE FINANCED ELIGIBLE LOANS**

As of March 31, 2016, the Statistical Cut-Off Date, the characteristics of the pool of Financed Eligible Loans expected to be pledged to the repayment of the Notes are described below. Since the dates for purchases of the Financed Eligible Loans are other than the Statistical Cut-Off Date and not all of the Financed Eligible Loans may actually be acquired, the characteristics of the Financed Eligible Loans will vary from the information presented below. The aggregate outstanding principal balance of the Financed Eligible Loans in each of the following tables includes the principal balance due from borrowers, but does not include accrued interest as of the Statistical Cut-Off Date of \$816,221, of which \$561,495 is expected to be capitalized. The percentages set forth in the tables below may not always add to 100% and the balances may not always add to \$103,702,217 due to rounding.

**Composition of Loans  
(As of the Statistical Cut-Off Date)**

Outstanding Principal Balance	\$103,702,217
Accrued interest to be capitalized	\$561,495
Accrued interest not to be capitalized	\$254,726
Number of Borrowers	6,757
Average Outstanding Principal Balance per Borrower	\$15,347
Number of Loans	9,508
Average Outstanding Principal Balance per Loan	\$10,907
Weighted Average Remaining Term to Scheduled Maturity (Months) <sup>1</sup>	179
Weighted Average Payments Made (Months) <sup>2</sup>	62
Weighted Average FICO Score at Origination <sup>3</sup>	730
Weighted Average FICO Score as of January 20, 2016 <sup>3</sup>	759
Weighted Average Current Borrower Interest Rate <sup>4</sup>	3.15%
Weighted Average Margin to Three-Month LIBOR	2.82%

<sup>1</sup> Including current school, grace, deferment and forbearance periods.

<sup>2</sup> For loans currently in repayment only.

<sup>3</sup> For loans on which data is available.

<sup>4</sup> Does not include any interest rate reductions from any borrower benefit programs.

**Distribution of Loans by Loan Program  
(As of the Statistical Cut-Off Date)**

Loan Program	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
Allied Health	2,148	\$23,908,330	23.1%
Medical	2,020	29,761,894	28.7
Law/MBA	1,201	13,260,457	12.8
Residency Relocation	1,393	17,801,644	17.2
Bar Study	720	5,068,013	4.9
Other	<u>2,026</u>	<u>13,901,878</u>	<u>13.4</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

**Distribution of Loans by School Type  
(As of the Statistical Cut-Off Date)**

School Type	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
4-Year/Graduate schools	9,438	\$103,352,958	99.7%
2-Year schools	66	334,391	0.3
Proprietary/For-Profit	<u>4</u>	<u>14,868</u>	<u>0.0*</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

\*Greater than 0.00% but less than 0.05%.

**Distribution of Loans by Current Borrower Interest Rate  
(As of the Statistical Cut-Off Date)**

Current Borrower Interest Rate <sup>(1)</sup>	Number of Loans	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance
Less than 2.50%	1,274	\$16,113,920	15.5%
2.50% to 2.99%	55	273,715	0.3
3.00% to 3.49%	5,777	70,197,917	67.7
4.00% to 4.49%	2,002	14,131,596	13.6
5.00% to 5.49%	317	2,257,651	2.2
6.00% to 6.49%	<u>83</u>	<u>727,419</u>	<u>0.7</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

<sup>(1)</sup>Does not include any interest rate reductions from any borrower benefit.

**Distribution of Loans by Margin  
(As of the Statistical Cut-Off Date)**

<b>Margin to Three-Month LIBOR</b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
1.75%	1,274	\$16,113,920	15.5%
2.75%	5,615	68,851,503	66.4
2.80%	217	1,620,128	1.6
3.75%	692	5,488,962	5.3
4.00%	1,310	8,642,634	8.3
5.00%	317	2,257,651	2.2
6.00%	<u>83</u>	<u>727,419</u>	<u>0.7</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

**Distribution of Loans by FICO Score at Origination  
(As of the Statistical Cut-Off Date)**

<b>FICO Score at Origination</b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
Not available	54	\$ 739,334	0.7%
640 or lower	229	2,919,312	2.8
641 to 660	413	4,801,200	4.6
661 to 680	627	7,052,220	6.8
681 to 700	1,151	12,260,152	11.8
701 to 720	1,356	14,056,728	13.6
721 to 740	1,501	16,173,938	15.6
741 to 760	1,646	17,900,779	17.3
761 to 780	1,316	14,544,276	14.0
781 to 800	870	9,630,038	9.3
801 to 820	314	3,295,190	3.2
821 to 840	<u>31</u>	<u>329,051</u>	<u>0.3</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

**Distribution of Loans by Current FICO Score  
(As of January 20, 2016)**

<b>Recent FICO Score</b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
Not available	51	\$ 645,293	0.6%
640 or lower	490	6,247,351	6.0
641 to 660	231	2,790,481	2.7
661 to 680	357	3,960,214	3.8
681 to 700	501	5,933,991	5.7
701 to 720	547	6,143,015	5.9
721 to 740	794	8,771,215	8.5
741 to 760	908	9,494,707	9.2
761 to 780	1,131	12,304,449	11.9
781 to 800	1,254	13,339,070	12.9
801 to 820	1,461	15,731,994	15.2
821 to 840	1,357	13,983,557	13.5
841 or higher	<u>426</u>	<u>4,356,880</u>	<u>4.2</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

**Distribution of Loans by Borrower Payment Status  
(As of the Statistical Cut-Off Date)**

<b>Borrower Payment Status</b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
School	4	\$ 48,379	0.0%*
Grace	29	347,833	0.3
Deferment	448	5,634,184	5.4
Forbearance	56	520,679	0.5
Repayment:			
0 to 12 Payments Made	261	4,486,588	4.3
13 to 24 Payments Made	586	9,165,437	8.8
25 to 36 Payments Made	785	11,055,283	10.7
37 to 48 Payments Made	924	11,603,819	11.2
49 to 60 Payments Made	1,223	15,424,097	14.9
61 to 72 Payments Made	1,135	12,700,886	12.2
>72 Payments Made	<u>4,057</u>	<u>32,715,033</u>	<u>31.5</u>
Total Repayment	<u>8,971</u>	<u>\$97,151,142</u>	<u>93.7%</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

\*Greater than 0.00% but less than 0.05%.

**Distribution of Loans by Delinquency Status (Loans in Repayment Only)  
(As of the Statistical Cut-Off Date)**

<b>Days Delinquent</b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
0 to 30 days	8,770	\$94,591,995	97.4%
31 to 60 days	97	1,119,519	1.2
61 to 90 days	32	387,444	0.4
91 to 120 days	32	509,678	0.5
121 to 150 days	33	427,189	0.4
151 to 180 days	<u>7</u>	<u>115,316</u>	<u>0.1</u>
Total	<u>8,971</u>	<u>\$97,151,142</u>	<u>100.0%</u>

**Distribution of Loans by Current Loan Balance  
(As of the Statistical Cut-Off Date)**

<b>Current Loan Balance</b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
Less than \$500	107	\$ 31,342	0.0%*
\$500 to \$999	237	184,171	0.2
\$1,000 to \$1,999	556	838,177	0.8
\$2,000 to \$2,999	628	1,568,796	1.5
\$3,000 to \$3,999	600	2,114,554	2.0
\$4,000 to \$5,999	1,185	5,924,289	5.7
\$6,000 to \$7,999	1,035	7,219,855	7.0
\$8,000 to \$9,999	876	7,862,955	7.6
\$10,000 to \$14,999	1,830	22,906,714	22.1
\$15,000 to \$19,999	1,297	22,250,539	21.5
\$20,000 to \$24,999	513	11,447,093	11.0
\$25,000 to \$29,999	305	8,330,967	8.0
\$30,000 to \$34,999	170	5,471,088	5.3
\$35,000 to \$39,999	71	2,634,518	2.5
\$40,000 to \$49,999	63	2,775,088	2.7
\$50,000 to \$59,999	19	1,025,698	1.0
\$60,000 to \$69,999	9	573,436	0.6
\$70,000 to \$79,999	6	452,870	0.4
\$90,000 to \$99,999	<u>1</u>	<u>90,066</u>	<u>0.1</u>
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

\*Greater than 0.00% but less than 0.05%.

**Distribution of Loans by Remaining Term  
(As of the Statistical Cut-Off Date)**

<b>Remaining Term (Months)<sup>(1)</sup></b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
61 to 72	12	\$ 25,612	0.0%*
73 to 84	71	172,361	0.2
85 to 96	219	921,021	0.9
97 to 108	374	2,021,615	1.9
109 to 120	355	2,229,658	2.2
121 to 132	444	3,070,478	3.0
133 to 144	936	6,156,650	5.9
145 to 156	1,466	12,903,471	12.4
157 to 168	1,135	14,087,386	13.6
169 to 180	946	11,996,780	11.6
181 to 192	1,040	13,755,677	13.3
193 to 220	1,866	26,049,613	25.1
221 to 260	635	10,184,949	9.8
261 to 300	<u>9</u>	<u>126,946</u>	<u>0.1</u>
<b>Total</b>	<b><u>9,508</u></b>	<b><u>\$103,702,217</u></b>	<b><u>100.0%</u></b>

\*Greater than 0.00% but less than 0.05%.

<sup>(1)</sup> Including current school, grace, deferment and forbearance periods.

**Distribution of Loans by Geographic Location  
(As of the Statistical Cut-Off Date)**

<b>State, Province or U.S. Territory</b>	<b>Number of Loans</b>	<b>Outstanding Principal Balance</b>	<b>Percentage of Loans by Outstanding Principal Balance</b>
Alabama	46	\$ 523,307	0.5%
Alaska	21	157,692	0.2
Arizona	206	2,451,321	2.4
Arkansas	21	160,770	0.2
California	1,806	22,782,399	22.0
Colorado	190	2,076,709	2.0
Connecticut	96	1,365,875	1.3
Delaware	16	185,931	0.2
District of Columbia	156	1,783,132	1.7
Florida	415	4,220,892	4.1
Georgia	218	2,218,667	2.1
Hawaii	42	656,058	0.6
Idaho	57	571,702	0.6
Illinois	242	2,472,231	2.4
Indiana	58	604,628	0.6
Iowa	39	300,111	0.3
Kansas	24	288,346	0.3
Kentucky	39	475,397	0.5



Louisiana	142	1,398,307	1.3
Maine	172	1,739,831	1.7
Maryland	216	2,796,307	2.7
Massachusetts	224	2,605,281	2.5
Michigan	140	1,196,257	1.2
Minnesota	540	3,890,685	3.8
Mississippi	26	329,373	0.3
Missouri	127	1,420,869	1.4
Montana	26	273,241	0.3
Nebraska	48	345,165	0.3
Nevada	57	682,021	0.7
New Hampshire	57	691,657	0.7
New Jersey	253	3,036,568	2.9
New Mexico	16	205,819	0.2
New York	634	7,708,301	7.4
North Carolina	171	1,875,298	1.8
North Dakota	9	68,661	0.1
Ohio	167	1,732,284	1.7
Oklahoma	70	1,017,298	1.0
Oregon	172	2,157,700	2.1
Pennsylvania	552	5,818,467	5.6
Puerto Rico	1	10,950	0.0*
Rhode Island	19	198,597	0.2
South Carolina	60	648,672	0.6
South Dakota	10	105,797	0.1
Tennessee	86	981,689	0.9
Texas	396	4,994,387	4.8
Utah	82	1,034,215	1.0
Vermont	20	285,043	0.3
Virginia	274	3,165,642	3.1
Washington	202	2,346,889	2.3
West Virginia	29	317,212	0.3
Wisconsin	769	4,807,226	4.6
Wyoming	11	173,850	0.2
Guam	3	21,330	0.0*
Virgin Islands	3	13,362	0.0*
Armed Forces	5	38,259	0.0*
Armed Forces Pacific	8	77,043	0.1
Foreign Country	19	197,495	0.2
Total	<u>9,508</u>	<u>\$103,702,217</u>	<u>100.0%</u>

\*Greater than 0.00% but less than 0.05%.

### **Borrower Benefit Programs**

Through application of its T.H.E. Bonus Program, NEF helps borrowers reduce the cost of financing their education by providing eligible borrowers (those in active repayment and less than 60 days delinquent) a monthly credit on their student loan accounts which is based on the type of loan, school and loan origination date. The T.H.E. Bonus program was suspended temporarily in February of 2008 and a settlement was made with NEF's borrowers, resulting in mandated settlement guaranteed annual minimum benefit payments for five years (which ended in May of 2015) and the reinstatement of bonus

benefits to eligible borrowers. The current funding source for bonus payments is from excess cash released from certain financings sponsored by NEF, which NEF is required to deposit into its Settlement Bonus Trust Account. The T.H.E. Bonus payment does not reduce the monthly payment otherwise required to be made by the borrower; therefore, the borrower prepays a portion of its student loan when a T.H.E. Bonus payment is made on the borrower's behalf. Other than the \$3.9 million of non-T.H.E. Loan Program loans that are eligible for an automatic debit (ACH) incentive of 0.25%, there are no other payment incentives with respect to the Financed Eligible Loans. The \$3.9 million of non-T.H.E. Loan Program loans are not eligible for the T.H.E. Bonus Program.

## FEES AND EXPENSES

The fees and expenses payable by the Issuer are set forth in the table below. The priority of payment of such fees and expenses is described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds" herein.

Fee and Expense	Recipient	Amount
Administration and Master Servicing Fee	Northstar Capital Market Services, Inc.	0.50% <sup>1</sup> per annum, less the Servicing Fee
Servicing Fee	GLELSI	\$1.24 to \$3.02 per account/per month <sup>2</sup>
Backup Master Servicing Fee	GLELSI	\$5,000 per annum
Trustee Fee	U.S. Bank National Association	0.01% <sup>3</sup> per annum
Owner Trustee Fee	Wilmington Trust, National Association	\$10,500 per annum
Rating Agency Surveillance Fees	Moody's Investor's Service, Inc.	\$15,000 per annum

<sup>1</sup>As a percentage of the Pool Balance as of the end of each calendar month immediately preceding such monthly Distribution Date.

<sup>2</sup>Servicing Fee paid to GLELSI is paid from the Administration and Master Servicing Fee.

<sup>3</sup>As a percentage of the Notes as of the end of each calendar month (with a minimum fee of \$7,500 per annum) immediately preceding such monthly Distribution Date. In addition, the Trustee will be paid its Trustee Expenses as provided herein. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds" herein.

The fees described above may be increased if the Issuer obtains a Rating Confirmation with respect to such increase.

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## SOURCES AND USES OF FUNDS

The following tables show the estimated sources and uses of funds relating to the proceeds of the Notes:

### Sources of Funds

Note Proceeds .....	\$90,000,000
Less: Original Issue Discount .....	<u>4,337,808</u>
Total Sources of Funds .....	<u>\$85,662,192</u>

### Uses of Funds

Deposit to the Acquisition Fund <sup>(1)</sup> .....	\$80,323,820
Deposit to the Collection Fund .....	3,158,272
Deposit to the Capitalized Interest Fund .....	500,000
Deposit to the Reserve Fund .....	225,000
Deposit to the Costs of Issuance Fund .....	<u>1,455,100</u>
Total Uses of Funds .....	<u>\$85,662,192</u>

<sup>(1)</sup> The amounts in the Acquisition Fund will be used to acquire certain of the Financed Eligible Loans from the Depositor, which are presently owned by NorthStar Student Loan Trust II or by NEF.

In addition, the Depositor will contribute to the Issuer the remainder of the Financed Eligible Loans necessary to provide the required initial overcollateralization.

## ACQUISITION OF FINANCED ELIGIBLE LOANS

On the Closing Date, the Issuer will deposit into the Acquisition Fund the proceeds from the sale of the Notes (less amounts deposited into the Capitalized Interest Fund, the Reserve Fund and the Costs of Issuance Fund), which will be used to acquire certain of the Financed Eligible Loans from the Depositor pursuant to the Private Student Loan Purchase and Contribution Agreement. The Issuer will purchase such Financed Eligible Loans on the Closing Date and during the Acquisition Period, as described below, for a price equal to 100% of their aggregate outstanding principal balance as of the applicable Cut-Off Date, plus accrued interest to and including the applicable Cut-Off Date. In addition, the Depositor will contribute the remainder of the Financed Eligible Loans pledged as security for the Notes pursuant to the Private Student Loan Purchase and Contribution Agreement. Interest that accrues on the Financed Eligible Loans subsequent to the Cut-Off Date but prior to the Closing Date will be paid to the Depositor as described below under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds” herein. The “Acquisition Period” begins on the Closing Date and ends on September 29, 2016. If any moneys remain in the Acquisition Fund at the end of the Acquisition Period, or on such earlier date as the Trustee may be instructed by Issuer Order, then the Trustee shall, without direction from or notice to the Issuer, transfer all such remaining moneys to the Collection Fund on such date (or if such date is not a Business Day, on the next succeeding Business Day), which will increase the principal distribution on the Notes on the succeeding Distribution Date.

A portion of the Eligible Loans to be acquired by the Issuer and the Eligible Loans to be contributed by the Depositor are presently held within a Trust Indenture, dated as of October 1, 2012 (the “Series 2012A Indenture”), between NorthStar Student Loan Trust II, a Delaware statutory trust for which the Depositor is the sole certificateholder (“NSLT II”), U.S. Bank National Association, as eligible lender trustee, and U.S. Bank National Association, as trustee, and secure Adjustable Rate Student Loan Revenue Bonds, Series 2012A (the “Series 2012A Bonds”) issued by NSLT II pursuant to the

Series 2012A Indenture. Upon the repayment of such Series 2012 Bonds, the Eligible Loans held within the Series 2012A Indenture will be released and sold to the Issuer. The remaining Eligible Loans to be acquired by the Issuer are presently held within a Credit and Trust Agreement (the “Credit and Trust Agreement”), among, NEF, U.S. Bank National Association, as trustee, and multiple lenders thereunder. Upon the issuance of the Notes, NEF will provide the required notice to terminate the Credit and Trust Agreement, and upon the repayment of the amounts due under the Credit and Trust Agreement, the Eligible Loans held under the Credit and Trust Agreement will be sold to the Issuer during the Acquisition Period.

The Issuer will acquire the Financed Eligible Loans from the Depositor pursuant to the Private Student Loan Purchase and Contribution Agreement, legal title to which will be held by the Owner Trustee pursuant to the Trust Agreement. See the caption “RELATIONSHIPS AMONG FINANCING PARTICIPANTS” herein. The Depositor will make representations and warranties with respect to the Financed Eligible Loans acquired by, or contributed to, the Issuer and has agreed to repurchase or replace any Financed Eligible Loans for which any representation or warranty is later determined to be materially incorrect. See the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III—Acquisition and Contribution of the Financed Eligible Loans” herein. The Depositor will acquire the Financed Eligible Loans from NEF pursuant to a separate Private Student Loan Purchase and Contribution Agreement, date as of September 1, 2016 (the “NEF Private Student Loan Purchase and Contribution Agreement”), between the Depositor and NEF, pursuant to which NEF makes identical representations and warranties and has an identical repurchase obligation to those contained in the Private Student Loan Purchase and Contribution Agreement. The Depositor’s rights in the NEF Private Student Loan Purchase and Contribution Agreement will be assigned to the Issuer pursuant to the Private Student Loan Purchase and Contribution Agreement.

## **DESCRIPTION OF THE NOTES**

### **General**

The Notes will be issued pursuant to the terms of an Indenture of Trust, dated as of September 1, 2016 (the “Indenture”), among the Issuer, Wilmington Trust, National Association, not in its individual capacity but solely as owner trustee (in such capacity, the “Owner Trustee”), and U.S. Bank National Association, as trustee (in such capacity, the “Trustee”). The following summary describes the material terms of the Indenture and the Notes. However, it is not complete and is qualified in its entirety by the actual provisions of the Indenture and the Notes.

Neither the Trustee nor the Owner Trustee participated in the preparation of this Offering Memorandum and neither makes any representations concerning the Notes, the collateral or any other matter stated in this Offering Memorandum. Neither the Trustee nor the Owner Trustee has any duty or obligation to pay the Notes from its own funds, assets or corporate capital or to make inquiry regarding, or investigate the use of, amounts disbursed from the Trust Estate.

### **Interest Payments**

Interest will accrue on the Notes during each Interest Accrual Period. The initial Interest Accrual Period for the Notes begins on the Closing Date and ends on October 24, 2016. For all other Monthly Distribution Dates, the Interest Accrual Period will begin on the prior Monthly Distribution Date and end on the day before such Monthly Distribution Date.

Interest on the Notes will be payable to the Noteholders on each Monthly Distribution Date commencing October 25, 2016. Subsequent Monthly Distribution Dates for the Notes will be on the

twenty-fifth day of each month, or if any such day is not a Business Day, the next Business Day. Interest accrued but not paid on any Monthly Distribution Date will be due on the next Monthly Distribution Date together with an amount equal to interest on the unpaid amount at the applicable rate per annum described below.

The interest rate on the Series 2016-A Notes for each Interest Accrual Period, other than the initial Interest Accrual Period, will be equal to One-Month LIBOR, plus 1.25%. The interest rate on the Series 2016-B Notes for each Interest Accrual Period, other than the initial Interest Accrual Period, will be equal to One-Month LIBOR, plus 1.50%.

LIBOR for the initial Interest Accrual Period will be determined by the following formula:

$$x + [(a/b) * (y-x)]$$

where: x = One-Month LIBOR;

y = Two-Month LIBOR, in each case, as of the second Business Day before the start of the initial Interest Accrual Period;

a = the actual number of days from the maturity date of One-Month LIBOR to the first Monthly Distribution Date; and

b = the actual number of days from the maturity date of One-Month LIBOR to the maturity date of Two-Month LIBOR.

Interest payments on the Series 2016-B Notes will be suspended if a Series 2016-B Note Interest Trigger is in effect. A “*Series 2016-B Note Interest Trigger*” will be in effect if, on any Monthly Distribution Date, any Series 2016-A Notes are Outstanding and (a)(i) the Pool Balance (including all accrued interest on the Financed Eligible Loans) plus the amounts on deposit in the Acquisition Fund, the Collection Fund, the Capitalized Interest Fund and the Reserve Fund, each as of the end of the related Collection Period, minus (ii) the Outstanding Amount of the Series 2016-A Notes as of the end of the related Collection Period, is less than (b) the initial aggregate principal amount of the Series 2016-B Notes.

Any interest not paid on the Series 2016-B Notes on any Monthly Distribution Date will be paid on a subsequent Monthly Distribution Date to the extent a Series 2016-B Note Interest Trigger is no longer in effect, with interest on such unpaid interest at the interest rate of the Series 2016-B Notes. Failure to pay interest on the Series 2016-B Notes is not an Event of Default so long as any of the Series 2016-A Notes remain Outstanding.

The Trustee will determine the rate of interest on the Notes on the LIBOR Determination Date described below. The amount of interest distributable to holders of the Notes for each \$1,000 in principal amount will be calculated by applying the applicable interest rate for the Interest Accrual Period to the principal amount of \$1,000, multiplying that product by the actual number of days in the Interest Accrual Period divided by 360, and rounding the resulting percentage figure to the fifth decimal point.

**Calculation of LIBOR.** For each Interest Accrual Period, LIBOR will be determined by the Trustee by reference to the London interbank offered rate for deposits in U.S. Dollars having a maturity of one month which appears on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related LIBOR determination date. The LIBOR Determination Date will be the second Business Day

before the beginning of each Interest Accrual Period. If this rate does not appear on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. Dollars, having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR Determination Date, to prime banks in the London interbank market by four major banks selected by the Trustee. The Trustee will request the principal London office of each bank to provide a quotation of its rate. If the banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York time, on that LIBOR Determination Date, for loans in U.S. Dollars to leading European banks having the relevant maturity and in a principal amount of not less than U.S. \$1,000,000. If the banks selected as described above are not providing quotations, One-Month LIBOR in effect for the applicable Interest Accrual Period will be One-Month LIBOR in effect for the previous Interest Accrual Period.

“Business Day” means:

- for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and
- for all other purposes, any day other than a Saturday, Sunday, holiday or other day on which banks located in New York, New York, Wilmington Delaware or the city in which the principal office of the Trustee or the Owner Trustee is located, are authorized or permitted by law or executive order to close.

### **Principal Payments on the Notes**

The Monthly Distribution Date on which the Series 2016-A Notes are due and payable in full is May 27, 2036. The Monthly Distribution Date on which the Series 2016-B Notes are due and payable in full is October 26, 2037. The actual date on which the final distribution on each Series of Notes will be made may be earlier than the maturity dates set forth above as a result of a variety of factors.

Payments on the Financed Eligible Loans will be allocated to pay principal on the Notes on each Monthly Distribution Date in an amount equal to the amounts remaining in the Collection Fund for distribution on such Monthly Distribution Date after the payment of fees and expenses, interests on the Notes and replenishment of the Reserve Fund. Principal will be paid, *first*, on the Series 2016-A Notes until paid in full and, *second*, on the Series 2016-B Notes until paid in full. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Flow of Funds” herein.

### **Optional Purchase**

The Depositor or its assignee may, but is not required to, repurchase the remaining Financed Eligible Loans when the Pool Balance is 10% or less of the initial Pool Balance. If this purchase option is exercised, the Financed Eligible Loans will be sold to the Depositor or its assignee and the proceeds will be used on the succeeding Monthly Distribution Date to repay Outstanding Notes, which will result in early retirement of the Notes.

If the Depositor or its assignee exercises its purchase option, the optional purchase amount will equal the greater of (a) an amount equal to the outstanding principal amount of the Financed Eligible Loans, plus accrued interest to the optional purchase date and (b) the amount that, when combined with amounts on deposit in the Funds and Accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of each Series of Notes then Outstanding on the related Monthly Distribution Date to zero;
- pay to each Series of Noteholders the interest payable on the related Monthly Distribution Date; and
- pay any unpaid administration and master servicing fees, servicing fees, backup master servicing fees, trustees' fees, trustee expenses and rating agency surveillance fees.

### **Prepayment, Yield and Maturity Considerations**

Generally, all of the Financed Eligible Loans are prepayable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower's default, death, disability or bankruptcy and subsequent liquidation. The rates of payment of principal on the Notes and the yield on the Notes may be affected by prepayments of the Financed Eligible Loans. Because prepayments generally will be paid through to Noteholders as distributions of principal, it is likely that the actual final payments on the Notes will occur prior to the Notes' final maturity date. Accordingly, in the event that the Financed Eligible Loans experience significant prepayments, the actual final payments on the Notes may occur substantially before their final maturity date, causing a shortening of the Notes' weighted average life. Weighted average life refers to the average amount of time that will elapse from the Closing Date of a Note until each dollar of principal of such Note will be repaid to the investor.

The rate of prepayments on the Financed Eligible Loans cannot be predicted and may be influenced by a variety of economic, social and other factors. Generally, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates payable on the Financed Eligible Loans. In addition, the Depositor and NEF are obligated to repurchase or replace any Financed Eligible Loan as a result of a breach of any of their respective representations and warranties relating to such Financed Eligible Loan.

However, scheduled payments with respect to, and maturities of, the Financed Eligible Loans may be extended, including pursuant to grace periods, deferral periods and forbearance periods. The rate of payment of principal on the Notes and the yield on the Notes may also be affected by the rate of defaults resulting in losses on the Financed Eligible Loans that may have been liquidated, by the severity of those losses and by the timing of those losses. In addition, the maturity of certain of the Financed Eligible Loans may extend beyond the final maturity date for the Notes.

See "APPENDIX A—WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN MONTHLY DISTRIBUTION DATES FOR THE NOTES" hereto.

## **SECURITY AND SOURCES OF PAYMENT FOR THE NOTES**

### **General**

The Notes are limited obligations of the Issuer, secured by and payable solely from the Trust Estate. The following assets serve as security for the Notes:

- revenues, consisting of all principal and interest payments, proceeds, charges and other income received by the Trustee or the Issuer, on account of any Financed Eligible Loan and investment income from all funds created under the Indenture and any proceeds from the sale or other disposition of the Financed Eligible Loans;

- the Financed Eligible Loans (other than Financed Eligible Loans released from the lien of the Trust Estate as provided in the Indenture) and all obligations of the obligors thereunder including all moneys accrued and paid thereunder on or after the Cutoff Date;
- all moneys and investments held in the funds and accounts created under the Indenture (other than the Trustee Expense Reserve Fund), including all proceeds thereof and all income thereon; and
- the rights of the Issuer and/or the Owner Trustee, as applicable, in and to the Trust Agreement, the Master Servicing Agreement, any Servicing Agreement, any Backup Master Servicing Agreement and any Private Student Loan Purchase and Contribution Agreement as the same relate to the Financed Eligible Loans.

## **Funds**

The following funds will be created by the Trustee under the Indenture for the benefit of the Noteholders:

- Acquisition Fund;
- Capitalized Interest Fund;
- Collection Fund;
- Costs of Issuance Fund; and
- Reserve Fund.

In addition, a Trustee Expense Reserve Fund will be held and maintained by the Trustee solely for the benefit of the Trustee. The Trustee Expense Reserve Fund is not part of the Trust Estate.

## **Acquisition Fund**

On the Closing Date, the Issuer will deposit into the Acquisition Fund the proceeds from the sale of the Notes (less amounts deposited into the Capitalized Interest Fund, the Reserve Fund and the Costs of Issuance Fund), which will be used to purchase a portion of the Financed Eligible Loans. An amount equal to approximately \$63,936,600 of the moneys on deposit in the Acquisition Fund will be used to acquire Eligible Loans pursuant to the Private Student Loan Purchase and Contribution Agreement on the Closing Date, and the remaining approximately \$16,387,220 of moneys on deposit in the Acquisition Fund shall be used to acquire additional Eligible Loans pursuant to the Private Student Loan Purchase and Contribution Agreement during the Acquisition Period, each at a price not in excess of 100% of the outstanding principal balance of such Eligible Loans as of the applicable Cut-Off Date plus accrued interest to and including the applicable Cut-Off Date. In addition, the Depositor will deposit approximately \$21,036,346 of Eligible Loans to the Acquisition Fund on the Closing Date pursuant to the Private Student Loan Purchase and Contribution Agreement. The “Acquisition Period” begins on the Closing Date and ends on September 29, 2016. If any moneys remain in the Acquisition Fund at the end of the Acquisition Period, or on such earlier date as the Trustee may be instructed by Issuer Order, then the Trustee will transfer all such remaining moneys to the Collection Fund on such date (or if such date is not a Business Day, on the next succeeding Business Day). See the caption “SOURCES AND USES OF FUNDS” herein.



## **Collection Fund**

The Trustee will deposit into the Collection Fund all revenues derived from the Financed Eligible Loans and all amounts transferred from the Acquisition Fund, the Capitalized Interest Fund and the Reserve Fund. Money on deposit in the Collection Fund will be used to pay the Issuer's operating expenses (which include administration and master servicing fees, servicing fees, backup master servicing fees, trustees' fees and rating agency surveillance fees) and interest and principal on the Notes. See the caption "Flow of Funds" below.

## **Capitalized Interest Fund**

The Issuer will make a deposit to the Capitalized Interest Fund from the proceeds of the sale of the Notes in the amount of \$500,000. On each Monthly Distribution Date, to the extent that money in the Collection Fund is not sufficient to pay administration and master servicing fees, servicing fees, backup master servicing fees, trustees' fees, rating agency surveillance fees and interest then due on the Notes, an amount equal to the deficiency will be transferred directly from the Capitalized Interest Fund, prior to the transfer of any amounts on deposit in the Reserve Fund. Any amount remaining in the Capitalized Interest Fund on the August 2017 Monthly Distribution Date will be transferred to the Collection Fund, which will increase the principal payments on the Notes on such Monthly Distribution Date.

## **Reserve Fund**

A deposit will be made to the Reserve Fund from the proceeds of the sale of the Notes in an amount equal to \$225,000. On each Monthly Distribution Date, to the extent that money in the Collection Fund and the Capitalized Interest Fund is not sufficient to pay certain of the Issuer's operating expenses, including administration and master servicing fees, servicing fees, backup master servicing fees, trustees' fees, rating agency surveillance fees and interest then due on the Notes, the amount of the deficiency will be paid directly from the Reserve Fund. Money withdrawn from the Reserve Fund will be restored through transfers from the Collection Fund as available. The Reserve Fund is subject to a minimum balance (the "Specified Reserve Fund Balance") equal to the greater of:

- 0.25% of the aggregate outstanding principal amount of the Notes as of the close of business on the last day of the related Collection Period; and
- 0.15% of the original aggregate outstanding principal amount of the Notes, which amount may be satisfied with cash or permitted securities.

The Specified Reserve Fund Balance may be reduced if the Issuer receives a Rating Confirmation.

The Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the Noteholders and to decrease the likelihood that the Noteholders will experience losses. In some circumstances, however, the Reserve Fund could be reduced to zero. Except on the final maturity date of a Series of Notes, amounts on deposit in the Reserve Fund, other than amounts in excess of the Specified Reserve Fund Balance that are transferred to the Collection Fund, will not be available to cover any principal payment shortfalls. On the final maturity date of a Series of the Notes, amounts on deposit in the Reserve Fund will be available to pay principal on such Series of Notes and accrued interest.

## **The Trustee Expense Reserve Fund**

The Issuer will make a deposit to the Trustee Expense Reserve Fund from its own funds in an amount equal to \$150,000. On each Monthly Distribution Date, the Issuer will make a deposit to the Trustee Expense Reserve Fund equal to the lesser of (a) \$4,167 per month and (b) the amount necessary to bring the balance of the Trustee Expense Reserve Fund to \$150,000 from funds available in the Collection Fund as described under the caption “Flow of Funds” below. Amounts on deposit in the Trustee Expense Reserve Fund will be used by the Trustee, upon written notice to the Issuer and the Administrator, to pay Trustee Expenses.

## **Costs of Issuance Fund**

The Issuer will make a deposit to the Costs of Issuance Fund from the proceeds of the sale of the Notes in an amount equal to \$1,455,100. Amounts deposited to the Costs of Issuance Fund will be used to pay the costs of issuing the Notes.

## **Flow of Funds**

On each Monthly Distribution Date, prior to an Event of Default, Available Funds in the Collection Fund (which may include under certain circumstances money deposited in the Collection Fund during the current Collection Period) will be used to make the following deposits and distributions, in the following order:

- to the Master Servicer, the Servicer, the Backup Master Servicer, Moody’s, the Trustee and the Owner Trustee, pro rata if Available Funds are not sufficient to pay such amounts in full, based on amounts owed to each such party, the administration and master servicing fees, servicing fees, backup master servicing fees, the rating agency surveillance fees and the trustees’ fees due on such Monthly Distribution Date;
- to the Trustee Expenses Reserve Fund, the lesser of (a) \$4,167 (including any prior shortfalls of such deposit) and (b) the amount necessary to bring the balance of the Trustee Expense Reserve Fund to \$150,000;
- to the Series 2016-A Noteholders, pro rata, to pay interest due on such Series 2016-A Notes;
- unless a Series 2016-B Note Interest Trigger is in effect, to the Series 2016-B Noteholders, pro rata, to pay interest due on such Series 2016-B Notes;
- to the Depositor, an amount equal to the unpaid interest accrued on the Financed Eligible Loans subsequent to the initial Cut-Off Date but prior to the Closing Date, until this amount has been paid in full;
- to the Reserve Fund, the amount, if any, necessary to restore the Reserve Fund to the Specified Reserve Fund Balance;
- to the applicable Noteholders, to pay as payments of principal, all remaining amounts in the Collection Fund available for distribution on such Monthly Distribution Date, *first*, to the Series 2016-A Noteholders until the Series 2016-A Notes have been paid in full and, *second*, to the Series 2016-B Noteholders until the Series 2016-B Notes have been paid in full;

- to pay to the appropriate Person, any unreimbursed fees and expenses or indemnification amounts owed by the Issuer to such Person; and
- to the Issuer, any remaining amounts.

Notwithstanding the foregoing, on and after the final maturity date for the Series 2016-A Notes, the Series 2016-A Notes will receive payments of principal in an amount necessary to pay the Series 2016-A Notes in full prior to the Series 2016-B Notes receiving payments of interest.

### **Investment of Funds Held by Trustee**

The Trustee will invest amounts credited to any fund established under the Indenture in investment securities described in the Indenture pursuant to orders received from the Issuer. In the absence of an order, and to the extent practicable, the Trustee will invest amounts held under the Indenture in money market funds.

The Trustee is not responsible or liable for any losses on investments made by it or for keeping all funds held by it fully invested at all times. Its only responsibility is to comply with investment instructions in a non-negligent manner.

## **BOOK-ENTRY REGISTRATION**

### **General**

Investors acquiring beneficial ownership interests in the Notes issued in book-entry form will hold their Notes through The Depository Trust Company (“DTC”). None of the Issuer, NEF, the Master Servicer, the Servicer, the Trustee or the Initial Purchaser will have any responsibility or obligation to any DTC participants or the persons for whom they act as nominees with respect to the accuracy of any records maintained by DTC or any participant, the payment by DTC or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the Notes, the delivery by any DTC participant of any notice to any beneficial owner which is required or permitted under the terms of the Indenture to be given to Noteholders or any other action taken by DTC.

In certain circumstances, the Issuer may discontinue use of the system of book-entry transfers through DTC or a successor securities depository. In that event, note certificates will be printed and delivered. DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Issuer or the Trustee. In the event that a successor securities depository is not obtained, note certificates (“Individual Notes”) are required to be printed and delivered.

### **Form, Denomination and Trading**

***Form and Denomination.*** The Notes will be issued in fully registered form. The Notes will be represented by registered notes in global form. You will not receive a certificate representing your Notes except in very limited circumstances.

The Notes will be issued in the form of global notes in definitive, fully registered form (the “Global Notes”) and will be deposited with the Trustee, as a custodian for The Depository Trust Company (“DTC”), and registered in the name of Cede & Co. (“Cede”), a nominee of DTC (or such other nominee as may be requested by an authorized representative of DTC), for credit to the respective accounts of the purchasers of such notes at DTC. The Global Notes (and any Notes issued in exchange

therefor) will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear the legend regarding such restrictions set forth under the caption “NOTICE TO INVESTORS” herein.

The Notes will be issued in minimum denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof.

**Global Notes.** DTC will record electronically the outstanding principal balance of the Notes represented by Global Notes held within its system. DTC will hold interests in the Global Notes on behalf of its account holders through customers’ securities accounts in DTC’s name on the books of its depository.

No person other than a “qualified institutional buyer” (as defined in Rule 144A) (a “QIB”) may own a beneficial interest in the Global Notes. A beneficial interest in a Global Note may be transferred upon receipt by the Trustee of a written certification by the proposed transferee to the effect that such transferee is a QIB; provided, however, that such a written certification need not be received by the Trustee if the proposed transferee is listed in the latest available Standard & Poor’s Ratings Services Rule 144A list of QIBs or other industry recognized subscriber services listing QIBs.

No holder of a beneficial interest in a Global Note will be entitled to receive an Individual Note representing its interest in a Global Note, except under the limited circumstances described under the caption “*Individual Notes*” below. Unless and until Individual Notes are issued in respect of the Global Note, all references to actions by holders of the Global Note will refer to actions taken by DTC upon instructions received from holders of beneficial interests in the Global Notes through their participating organizations (the “participants”), and all references herein to payments, notices, reports and statements to holders of Notes in global form will refer to payments, notices, reports and statements to DTC or its custodian, as the registered holder of the Global Notes, for distribution to holders of beneficial interests in the Global Note through its participants in accordance with DTC procedures.

Unless and until Individual Notes are issued in respect of the Global Notes, beneficial interests in the Global Notes will be transferred on the book-entry records of DTC and its participants. The Trustee will not record or otherwise provide or be responsible for the registration of such transfers. Transfers between DTC participants will occur in accordance with DTC rules.

**Individual Notes.** If DTC is at any time unwilling or unable to continue as a depository, Notes in definitive registered form will be issued to the beneficial owners in exchange for the Global Notes. In such event, Individual Notes delivered in exchange for the Global Notes or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

In the case of Individual Notes issued in exchange for Global Notes, such Individual Notes will bear the legend referred to under the caption “NOTICE TO INVESTORS” herein (unless the Administrator determines otherwise in accordance with applicable law). The holders of a registered Individual Note may transfer such Individual Note, subject to compliance with the provisions of such legend, by surrendering it at the office or agency maintained for such purpose, which initially will be the office of the Trustee.

#### **CUSIP Numbers and Payments on the Global Notes**

The Issuer will apply to DTC for acceptance in its book-entry settlement systems of the Notes. The Notes will have the CUSIP numbers set forth in this Offering Memorandum under the “SUMMARY

OF TERMS—CUSIP Numbers” herein. Payments of principal, interest and any other amounts payable under the Global Notes will be made to or to the order of DTC’s nominee as the registered holder of the Global Notes.

### **Depository Institution**

The Depository Trust Company, or DTC, is a limited-purpose trust company organized under the laws of the State of New York, a “banking organization” the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the Uniform Commercial Code and a “clearing agency” registered under Section 17A of the Securities Exchange Act. 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 investments (from over 100 countries) that DTC participants (the “direct participants”) deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC 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 an S&P’s rating of “AA+.” The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission.

Purchases of the Notes under the DTC system must be made by or through direct participants, which receive a credit for the Notes on DTC records. The ownership interest of each actual purchaser of the Notes, or beneficial owner, is in turn to be recorded on the direct and indirect participants’ records. Beneficial owners shall 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 Notes are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by 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 such Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of Notes; DTC’s records reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The direct and indirect participants 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 are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Principal and interest payments on Notes are to 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 Issuer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are 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 shall be the responsibility of the participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, or the Trustee. Disbursement of such payments to direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants. Under a book-entry format, Noteholders may experience a delay in their receipt of payments, since payments will be forwarded by the Trustee to Cede & Co., which will forward the payments to its participants who will then forward them to indirect participants or Noteholders.

Redemption notices shall be sent to DTC. If less than all of the Notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in the Notes to be redeemed.

DTC has advised that it will take any action permitted to be taken by a Noteholder under the Indenture only at the direction of one or more participants to whose accounts with DTC the Notes are credited.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer, or the Trustee, as appropriate, 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 Notes are credited on the record date.

## **SUMMARY OF THE INDENTURE PROVISIONS**

The following is a summary of some of the provisions contained in the Indenture. This summary is not comprehensive and reference should be made to the Indenture for a full and complete statement of its provisions.

### **Parity and Priority of Lien**

The provisions of the Indenture are for the equal benefit, protection and security of the Noteholders of all of the Notes. However, the Series 2016-A Notes have priority over the Series 2016-B Notes with respect to payments of principal and interest and the direction of certain remedies upon an Event of Default thereunder.

The revenues and other money, Financed Eligible Loans and other assets pledged under the Indenture will be free and clear of any pledge, lien, charge or encumbrance, other than that created by the Indenture. The Issuer:

- will not create or voluntarily permit to be created any debt, lien or charge on the Financed Eligible Loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture;

- will not take any action or fail to take any action that would result in the lien of the Indenture or the priority of that lien for the obligations thereby secured being lost or impaired; and
- will pay or cause to be paid, or will make adequate provisions for the satisfaction and discharge, of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the Financed Eligible Loans.

## **Representations and Warranties**

The Issuer will represent and warrant in the Indenture that:

- it is duly authorized to create and issue the Notes, to execute and deliver the Indenture and to grant the Trust Estate to the Trustee;
- all necessary action for the creation and issuance of the Notes and the execution and delivery of the Indenture has been duly and effectively taken; and
- the Notes in the hands of the Noteholders of the Notes are and will be valid and enforceable obligations of the Issuer secured by and payable solely from the Trust Estate.

## **Sale of Financed Eligible Loans Held in Trust Estate**

Except under the circumstances described in this Offering Memorandum, Financed Eligible Loans may not be sold, or otherwise disposed of, by the Trustee free from the lien of the Indenture while any Notes are Outstanding. However, the Issuer may sell Financed Eligible Loans so long as (a) the sale price for any Financed Eligible Loan is not less than the Purchase Amount of such Financed Eligible Loan, (b) the collective aggregate amount of all such sales of Financed Eligible Loans does not exceed 2% of the initial Pool Balance, and (c) such sale of Financed Eligible Loans will not cause a material change in the overall composition of the pool of Financed Eligible Loans.

## **Further Covenants**

The Issuer will cause the initial financing statements and all continuation statements with respect thereto to be filed in any jurisdiction necessary to perfect and maintain the security interest it grants under the Indenture.

Upon written request of the Trustee, the Issuer will permit the Trustee or its agents, accountants and attorneys, to examine and inspect the property, books of account, records, reports and other data relating to the Financed Eligible Loans, and will furnish the Trustee such other information as it may reasonably request. The Trustee is under no duty to make any examination unless requested in writing to do so by the Noteholders of 66-2/3% of the principal amount of the Notes, and unless those Noteholders have offered the Trustee security and indemnity satisfactory to it against any fees, costs, expenses and liabilities which might be incurred in making any examination.

The Issuer will cause an annual audit to be made by an independent auditing firm of national reputation and file one copy of the audit with the Trustee and Moody's within 150 days of the close of each fiscal year, which audit may be consolidated with those of NEF. The Trustee is not obligated to review or otherwise analyze those audits.

Each year the Issuer will deliver to the Trustee a certification of its compliance with the terms and conditions of the Indenture, and in the event of any noncompliance, a description of the nature and status thereof.

### **Statements to Noteholders**

The Issuer will provide to the Trustee, and will make available to the Noteholders on NEF's website (currently at [http://www.northstar.org/investors/investor\\_reports](http://www.northstar.org/investors/investor_reports)), a monthly statement setting forth information with respect to the Notes and the Financed Eligible Loans as of the end of such period, including the following:

- the amount of principal payments made with respect to the Notes of each Series during the preceding period;
- the amount of interest payments made with respect to the Notes of each Series during the preceding period;
- the principal balance of Financed Eligible Loans as of the close of business on the last day of the preceding period;
- the aggregate outstanding principal amount of the Notes of each Series;
- the interest rate for the Notes of each Series with respect to each Monthly Distribution Date; and
- the outstanding principal amount of the Notes of each Series as of the close of business on the last day of the preceding period.

### **Enforcement of Servicing Agreements**

The Issuer will diligently enforce all terms, covenants and conditions of the Master Servicing Agreement and any Servicing Agreement, including the prompt payment of all amounts due to the Issuer thereunder. The Issuer will not permit the release of the obligations of the Master Servicer or the Servicer under the Master Servicing Agreement or the Servicing Agreement except in conjunction with permitted amendments or modifications and will not waive any default by the Master Servicer or the Servicer under the Master Servicing Agreement or the Servicing Agreement without the approval of the Noteholders of not less than a majority of the principal amount of the Notes Outstanding under the Indenture. The Issuer will not consent or agree to or permit any amendment or modification of the Master Servicing Agreement or the Servicing Agreement which will in any manner materially adversely affect the rights or security of the Noteholders.

The Backup Master Servicer has agreed to provide backup master servicing pursuant to the terms of the Backup Master Servicing Agreement. Unless the Backup Master Servicer has become the Master Servicer, the Issuer covenants to maintain a Backup Master Servicing Agreement with a third-party Backup Master Servicer and to pay all fees of such third-party Backup Master Servicer as permitted under the Indenture. Any and all Financed Eligible Loans serviced by a Master Servicer are to be transferred for servicing by the Backup Master Servicer upon 90 days' written notice upon the occurrence of a Conversion Event with respect to that Master Servicer in accordance with the requirements contained in the Backup Master Servicing Agreement.



If the Master Servicing Agreement terminates or is terminated and the Backup Master Servicer does not become the Master Servicer, the Issuer will appoint a successor Master Servicer and provide written notice to the Trustee. If the Trustee has been notified in writing that the Master Servicing Agreement has been terminated and does not receive written notice from the Issuer that a successor Master Servicer has been appointed within 30 days of such termination, the Trustee will (a) appoint a successor Master Servicer or (b) petition a court of competent jurisdiction to name a successor Master Servicer. The Trustee will have no duty to assume any responsibilities, duties or liabilities of the Master Servicer. The Master Servicer, subject to the provisions of the Master Servicing Agreement, will continue to service the Financed Eligible Loans serviced by it until a successor Master Servicer is appointed (and has accepted its appointment) and has commenced servicing such Financed Eligible Loans. The Trustee shall have no liability with respect to any fees or expenses of, or the performance of, any successor Master Servicer appointed by the Issuer.

If the Servicing Agreement terminates or is terminated, the Issuer shall appoint a successor Servicer or direct the Trustee in writing to (a) appoint a successor Servicer or (b) petition a court of competent jurisdiction to name a successor Servicer. The Trustee will have no duty to assume any responsibilities, duties or liabilities of the Servicer. The Servicer, subject to the provisions of the Servicing Agreement, will continue to service the Financed Eligible Loans serviced by it until a successor Servicer is appointed (and has accepted its appointment) and has commenced servicing such Financed Eligible Loans. The Trustee shall have no liability with respect to any fees or expenses of, or the performance of, any successor Servicer appointed by the Issuer.

#### **Covenants with Respect to the Eligible Loans**

The Issuer is responsible for each of the following actions:

(a) the Issuer will cause to be diligently enforced, and shall cause to be taken all reasonable steps, actions and proceedings necessary or appropriate for the enforcement of all terms, covenants and conditions of all Financed Eligible Loans and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due thereunder;

(b) the Issuer will cause the Financed Eligible Loans to be serviced by entering into the Master Servicing Agreement and the Servicing Agreement for the collection of payments made for, and the administration of the accounts of, the Financed Eligible Loans;

(c) the Issuer will comply, and will cause all of its officers, directors, employees and agents to comply, with the provisions of the Program Guidelines applicable to the Financed Eligible Loans; and

(d) the Issuer will cause all Available Funds to flow to the Trustee. The Trustee will have no liability for actions taken at the direction of the Issuer, the Administrator or the Sub-Administrator, except for negligence or willful misconduct in the performance of its express duties under the Indenture. The Trustee has no obligation to administer, service or collect the loans in the Trust Estate or to maintain or monitor the administration, servicing or collection of such loans.

#### **Collection of Financed Eligible Loans; Assignment Thereof**

The Issuer, through the Master Servicer and one or more Servicers, will diligently collect all principal and interest payments on all Financed Eligible Loans, and all default claims or payments which

relate to such Financed Eligible Loans; provided, however, the Issuer may offer interest rate reductions permitted by the Indenture. The Issuer will comply with the Program Guidelines which apply to the Program and to such Financed Eligible Loans. The Issuer shall not, except as otherwise provided in the Indenture, consent or agree to or permit any amendment or modification of any Financed Eligible Loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the Noteholders.

### **Continued Existence; Successor**

The Issuer will preserve and keep in full force and effect its existence, rights and franchises as a Delaware statutory trust. The Issuer will not sell, transfer or otherwise dispose of all or substantially all of its assets, consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge with it. These restrictions do not apply to a transaction where the transferee or the surviving or resulting entity irrevocably and unconditionally assumes the obligation to perform and observe the Issuer's agreements and obligations under the Indenture and a Rating Confirmation is obtained.

### **Events of Default**

The Indenture defines the following events as Events of Default:

- default in the due and punctual payment of any interest on any Note when the same becomes due and payable and such default shall continue for a period of five days; provided, however, that a default in the due and punctual payment of any interest on any Series 2016-B Note shall not be an Event of Default if any Series 2016-A Notes are Outstanding;
- default in the due and punctual payment of the principal of any Note when the same becomes due and payable on the related final maturity date of the Note;
- default in the performance or observance of any other of the Issuer's covenants, agreements or conditions contained in the Indenture or in the Notes, and continuation of such default for a period of 90 days after written notice thereof is given to the Issuer by the Trustee, or such later time if diligent care to cure such default is being pursued and a remedy cannot reasonably be effected within 90 days; and
- the occurrence of an Event of Bankruptcy.

### **Remedies on Default**

***Possession of Trust Estate.*** Upon the happening and continuance of any Event of Default relating to the Issuer, the Trustee and the Owner Trustee, directly or by their attorneys or agents, may take possession of any portion of the Trust Estate of the Issuer that may be in the custody of others, and all property comprising the Trust Estate, and may hold, use, operate, manage and control those assets. The Trustee may also, in the name of the Issuer or otherwise, conduct the Issuer's business and collect and receive all charges, income and revenues of the Trust Estate. After deducting all expenses incurred and all other proper outlays authorized in the Indenture, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, and for indemnities payable to it pursuant to the Indenture, the Trustee will apply the rest and residue of the money received by the Trustee as follows:

- *first*, to the Trustee and the Owner Trustee, any Trustee Fee and the Owner Trustee Fee, respectively due and owing;
- *second*, to the Master Servicer, the Servicer and the Backup Master Servicer, any Administration and Master Servicing Fees, Servicing Fees or Backup Master Servicing fees due and remaining unpaid;
- *third*, to the Series 2016-A Noteholders for amounts due and unpaid on the Series 2016-A Notes for interest, pro rata, without preference or priority of any kind, according to the amounts due and payable on the Series 2016-A Notes for such interest;
- *fourth*, to the Series 2016-A Noteholders for amounts due and unpaid on the Series 2016-A Notes for principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Series 2016-A Notes for principal;
- *fifth*, to the Series 2016-B Noteholders for amounts due and unpaid on the Series 2016-B Notes for interest, pro rata, without preference or priority of any kind, according to the amounts due and payable on the Series 2016-B Notes for such interest;
- *sixth*, to the Series 2016-B Noteholders for amounts due and unpaid on the Series 2016-B Notes for principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the Series 2016-B Notes for principal; and
- *seventh*, to the Issuer.

***Sale of Trust Estate.*** Upon the happening of any Event of Default and if the principal of all of the Outstanding Notes shall have been declared due and payable, then the Trustee may sell the Trust Estate to the highest bidder in accordance with the requirements of applicable law. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee or the Noteholders in the manner as counsel for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of such other appropriate legal or equitable remedies as may in the opinion of such counsel, be more effectual to protect and enforce the rights aforesaid. The Trustee is required to take any of these actions if requested to do so in writing by the Noteholders of at least a majority of the principal amount of the Highest Priority Notes Outstanding under the Indenture.

However, the Trustee is prohibited from selling the Financed Eligible Loans following an Event of Default, other than a default in the payment of any principal or any interest on any Note, unless:

- the Noteholders of all of the Highest Priority Notes Outstanding consent to such sale;
- the proceeds of such sale are sufficient to pay in full all Outstanding Notes at the date of such sale; or
- the Issuer determines that the collections on the Financed Eligible Loans would not be sufficient on an ongoing basis to make all payments on such Notes as such payments would have become due if such Notes had not been declared due and payable, and the Trustee obtains the consent of the holders of at least 66-2/3% of the aggregate principal amount of the Highest Priority Notes Outstanding.

Such a sale, other than a sale upon a default in the payment of any principal or any interest on any Note, shall also require the consent of all the Noteholders of the Series 2016-B Notes unless the proceeds of such a sale would be sufficient to discharge all unpaid amounts on the Series 2016-B Notes.

***Appointment of Receiver.*** If an Event of Default occurs, and all of the Outstanding Notes under the Indenture have been declared due and payable, and if any judicial proceedings are commenced to enforce any right of the Trustee or of the Noteholders under the Indenture, then as a matter of right, the Trustee is entitled to the appointment of a receiver for the Trust Estate.

***Accelerated Maturity.*** If an Event of Default occurs, the Trustee at the direction of the Noteholders of a majority of the aggregate principal amount of the Highest Priority Notes then Outstanding under the Indenture will declare the principal of all Notes issued under the Indenture, and then Outstanding, and the interest thereon, immediately due and payable. A declaration of acceleration upon the occurrence of a default may be rescinded upon notice to the Issuer and the Trustee by a majority of the Noteholders of the Highest Priority Notes then Outstanding if the Issuer has paid or deposited with the Trustee amounts sufficient to pay all principal and interest due on the Notes and all other amounts due under the Indenture or upon the Notes and all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, the Master Servicer and any Servicer and their agents and counsel, and any other Event of Default has been cured or waived.

***Direction of Trustee.*** If an Event of Default occurs, the Noteholders of at least a majority of the principal amount of the Highest Priority Notes then Outstanding shall have the right to direct and control the Trustee with respect to any proceedings for any sale of any or all of the Trust Estate, or for the appointment of a receiver. The Noteholders may not cause the Trustee to take any proceedings which in the Trustee's opinion based upon an opinion of counsel would be unjustly prejudicial to non-assenting Noteholders of Notes Outstanding under the Indenture.

***Right to Enforce in Trustee.*** No Noteholder of any Note shall have any right as a Noteholder to institute any suit, action or proceedings for the enforcement of the provisions of the Indenture or for the appointment of a receiver or for any other remedy under the Indenture. All rights of action under the Indenture are vested exclusively in the Trustee, unless and until the Trustee fails to institute an action, suit or proceeding after the Noteholders:

- have given to the Trustee written notice of a default under the Indenture, and of the continuance thereof;
- shall have made written request upon the Trustee and the Trustee shall have been afforded reasonable opportunity to institute an action, suit or proceeding in its own name; and
- the Trustee shall have been offered indemnity and security satisfactory to it against the fees, costs, expenses, and liabilities to be incurred on an action, suit or proceeding in its own name.

***Waivers of Events of Default.*** The Trustee will waive an Event of Default upon the written request of the Noteholders of at least a majority of the aggregate principal amount of the Highest Priority Notes then Outstanding under the Indenture. A waiver of any Event of Default in the payment of the principal or interest due on any Note issued under the Indenture may not be made unless prior to the waiver or rescission, provision shall have been made for payment of all arrears of interest or all arrears of payments of principal, and all expenses of the Trustee in connection with such default. A waiver or

rescission of one default will not affect any subsequent or other default, or impair any rights or remedies consequent to any subsequent or other default.

## **The Trustee**

***Acceptance of Trust.*** The Trustee will accept the trusts imposed upon it by the Indenture, and will perform those trusts, but only upon and subject to the following terms and conditions:

- except during the continuance of an Event of Default, the Trustee undertakes to perform only those duties as are specifically set forth in the Indenture;
- except during the continuance of an Event of Default and in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture;
- in case an Event of Default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, will use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; and
- before taking any action under the Indenture requested by Noteholders, the Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the Noteholders for the reimbursement of all fees and expenses to which it may be put and to protect it against liability arising from any action taken by the Trustee.

***Trustee May Act Through Agents.*** The Trustee may execute any of the trusts or powers under the Indenture and perform any duty thereunder either itself or by or through its attorneys, agents, or employees. The Issuer will pay all reasonable costs incurred by the Trustee and all reasonable compensation to all such persons as may reasonably be employed in connection with the trust under the Indenture.

***Duties of the Trustee.*** The Trustee will not make any representations as to the validity or sufficiency of the agreements, the Notes or of any assets or documents. If no Event of Default has occurred, the Trustee is required to perform only those duties specifically required of it under the Indenture. Upon receipt of the various certificates, statements, reports or other instruments furnished to it, the Trustee is required to examine them to determine whether they are in the form required by the Indenture. However, the Trustee will not be responsible for the accuracy or content of any of the documents furnished to it by the Noteholders or any of the parties under the Indenture.

The Trustee may be held liable for its negligent action or failure to act, or for its misconduct. The Trustee will not be liable, however, with respect to any action taken, suffered or omitted to be taken by it in accordance with the direction of the Noteholders in an Event of Default. The Trustee is not required to expend its own funds or incur any financial liability in the performance of its duties, or in the exercise of any of its rights or powers, if repayment of those funds or adequate indemnity against risk is not reasonably assured it.

***Indemnification of Trustee.*** The Trustee is generally under no obligation or duty to perform any act at the request of Noteholders or to institute or defend any suit to protect the rights of the Noteholders under the Indenture unless properly indemnified and provided with security to its satisfaction. The

Trustee is not required to take notice of any event under the Indenture (other than a payment default on the Notes) unless and until it shall have been specifically notified in writing of the Event of Default by the Noteholders or the Issuer's authorized representative.

However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts, enforce any of its rights or powers, or do anything else in its judgment proper, without assurance of reimbursement or indemnity. In that case the Trustee will be reimbursed or indemnified by the Noteholders requesting that action, if any, or by the Issuer in all other cases, for all fees, costs and expenses, liabilities, outlays and counsel and agent fees and other reasonable disbursements properly incurred unless such fees, costs and expenses, liabilities, outlays and counsel fees and other reasonable disbursements are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. If the Issuer or the Noteholders, as appropriate, fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the Indenture, subject only to the prior lien of the Notes for the payment of the principal and interest thereon from the Collection Fund.

The Issuer agrees to indemnify the Trustee for, and to hold it harmless against, any loss, liability, damages, costs, fees or expenses (including attorney's fees) incurred without negligence or bad faith on its part (as finally adjudicated by a court of competent jurisdiction), arising out of or in connection with the acceptance or administration of the trust or trusts, including, but not limited to, the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties in relation to the Trust Estate. The Issuer will indemnify and hold harmless the Trustee against any and all claims, demands, suits, actions or other proceedings and all losses, liabilities, damages, costs, fees or expenses whatsoever caused by any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering document distributed in connection with the issuance of the Notes or caused by any omission or alleged omission from such offering document of any material fact required to be stated therein or necessary in order to make the statements made therein in the light of the circumstances under which they were made, not misleading. The Trustee will not be liable for, and will be held harmless by the Issuer from, any liability arising from following any orders, instructions or other directions upon which it is authorized to rely under the Indenture or other agreement to which it is a party.

***Compensation of Trustee.*** The Issuer will pay to the Trustee compensation for all services rendered by it under the Indenture, and also all of its reasonable expenses, charges, and other disbursements. The Trustee may not materially increase the amount of its annual compensation without giving the Issuer and each Rating Agency at least 90 days' written notice prior to the beginning of a fiscal year. If not paid by the Issuer, the Trustee will have a lien on all money held pursuant to the Indenture, subject, prior to the occurrence and continuation of an Event of Default under the Indenture, only to the prior lien of the Notes for the payment of the principal and interest thereon from the Collection Fund.

***Resignation of Trustee.*** The Trustee may resign and be discharged by giving the Issuer notice in writing specifying the date on which the resignation is to take effect. If no successor Trustee has been appointed by that date or within 60 days of the Issuer receiving the Trustee's notice, whichever is longer, then the Trustee may either (a) appoint a sufficiently qualified temporary successor Trustee; or (b) request a court to require the Issuer to appoint a successor Trustee within three days or request a court to appoint a successor Trustee itself.

***Removal of Trustee.*** The Trustee may be removed:

- with at least 30 days prior written notice by the Noteholders of a majority of the aggregate principal amount of the Highest Priority Notes then Outstanding under the Indenture;

- by the Issuer for cause if the Trustee is in material breach of the Indenture; or
- with at least 30 days prior written notice by the Issuer without cause so long as no Event of Default exists or has existed within the last 30 days.

In the event a Trustee is removed, removal shall not become effective until:

- a successor Trustee shall have been appointed; and
- the successor Trustee has accepted that appointment.

**Successor Trustee.** If the Trustee resigns, is removed, dissolved or otherwise is disqualified to act or is incapable of acting, or in case control of the Trustee is taken over by any public officer or officers, the Issuer may appoint a successor Trustee. The Issuer will cause notice of the appointment of a successor Trustee to be mailed to the Noteholders at the address of each Noteholder appearing on the Note registration books.

Every successor Trustee:

- will be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein;
- will have a reported capital and surplus of not less than \$50,000,000;
- will be authorized under the law to exercise corporate trust powers; and
- will be subject to supervision or examination by a federal or state authority.

**Merger of the Trustee.** The Trustee may merge or consolidate with any other entity so long as the surviving entity is qualified to be the Trustee under the Indenture. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee is a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, will be the successor of the Trustee under the Indenture, provided such corporation is otherwise qualified and eligible under the Indenture, without the execution or filing of any paper or any further act on the part of any other parties thereto.

**Additional Rights of the Trustee.** Each Noteholder, by acceptance of a Note, represents that it has, independently and without reliance upon the Trustee or any other person, and based on such documents and information as it has deemed appropriate, made its own investment decision. Each Noteholder also represents that it will, independently and without reliance upon the Trustee or any other person, and based on such documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under the Indenture. Except for notices, reports and other documents expressly required to be furnished to the Noteholders by the Trustee under the Indenture, the Trustee shall not have any duty or responsibility to provide the Noteholders with any other information concerning the transactions contemplated by the Indenture, any other parties to the Indenture or to any related documents which may come into the possession of the Trustee or any of its officers, directors, employees, agents, representatives or attorneys-in-fact.

## Supplemental Indentures

***Supplemental Indentures Not Requiring Consent of Noteholders.*** The Issuer may agree with the Trustee to enter into any indentures supplemental to the Indenture for any of the following purposes without notice to or the consent of the Noteholders:

- to cure any ambiguity or formal defect or omission in the Indenture or to conform to the offering memorandum related to the initial offering of the Notes;
- to grant to or confer upon the Trustee for the benefit of the Noteholders any additional benefits, rights, remedies, powers or authorities;
- to subject to the Indenture additional revenues, properties or collateral;
- to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification under the Trust Indenture Act of 1939 or any similar federal statute or to permit the qualification of the Notes for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- to evidence the appointment of a separate or co-Trustee or a co-registrar or transfer agent or the succession of a new Trustee under the Indenture or any additional or substitute Master Servicer or Servicer;
- to add provisions to or to amend provisions of the Indenture as may be necessary or desirable to assure implementation of the student loan program, if along with such supplemental indenture there is filed an opinion of counsel to the effect that the addition or amendment of such provisions will not materially impair the existing security of the Noteholders of any Outstanding Notes;
- to make any change as shall be necessary in order to obtain and maintain for any of the Notes an investment grade rating from a nationally recognized rating service, which changes, in the opinion of the Trustee, will not materially adversely impact the Noteholders of any of the Notes Outstanding under the Indenture;
- to make any changes necessary to comply with or obtain more favorable treatment under any current or future law, rule or regulation, including but not limited to the Code and the regulations promulgated thereunder;
- to create any additional funds or accounts under the Indenture deemed by the Trustee to be necessary or desirable; or
- to make any other change which, in the judgment of the Trustee, will not materially adversely impact the Noteholders of any Notes Outstanding under the Indenture.

***Supplemental Indentures Requiring Consent of Noteholders.*** Any amendment of the Indenture other than those listed above must be approved by the Noteholders of not less than a majority of the aggregate principal amount of the Notes then Outstanding under the Indenture, provided that the changes



described below may be made in a supplemental indenture only with the consent of the Noteholders of each affected Note then Outstanding,

- an extension of the maturity date of the principal of or the interest on any Note;
- a reduction in the principal amount of any Note or the rate of interest thereon;
- a privilege or priority of any Note under the Indenture over any other Note;
- a reduction in the aggregate principal amount of the Notes required for consent to such supplemental indenture; or
- the creation of any lien other than a lien ratably securing all of the Notes at any time Outstanding under the Indenture.

### **Trust Irrevocable**

The trust created by the Indenture is irrevocable until the Notes and interest thereon are fully paid or provision is made for their payment as provided in the Indenture.

### **Satisfaction of Indenture**

If the Noteholders of the Notes issued under the Indenture are paid all the principal of and interest due on their Notes at the times and in the manner stipulated in the Indenture, then the pledge of the Trust Estate will thereupon terminate and be discharged. The Trustee will execute and deliver to the Issuer instruments to evidence the discharge and satisfaction, and the Trustee will pay all money held by it under the Indenture to the party entitled to receive it under the Indenture.

Notes will be considered to have been paid if money for their payment or redemption has been set aside and is being held in trust by the Trustee. Any Outstanding Note will be considered to have been paid if the Note is to be redeemed on any date prior to its stated maturity and notice of redemption has been given as provided in the Indenture and on said date there shall have been deposited with the Trustee either money or governmental obligations the principal of and the interest on which when due will provide money sufficient to pay the principal of and interest to become due on the Note.

## **CREDIT ENHANCEMENT**

Credit enhancement for the Notes will include overcollateralization, excess interest, if any, on the Financed Eligible Loans and cash on deposit in the Capitalized Interest Fund and the Reserve Fund and, for the Series 2016-A Notes, the subordination of the Series 2016-B Notes. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES” herein. The Capitalized Interest Fund and the Reserve Fund are intended to enhance the likelihood of timely distributions of interest to the Noteholders and to decrease the likelihood that the Noteholders will experience losses. Credit enhancement will not provide protection against all risks of loss and may not guarantee payment to Noteholders of all amounts to which they are entitled. If losses or shortfalls occur that exceed the amount covered by the credit enhancement or that are not covered by the credit enhancement, Noteholders will bear their allocable share of deficiencies.

The Series 2016-B Notes are subordinate notes. The rights of the Series 2016-B Noteholders to receive payments of interest are subordinated to the rights of the Series 2016-A Noteholders to receive payments of interest and payment of principal on the Series 2016-A Notes at maturity. Similarly, the

rights of the Series 2016-B Noteholders to receive payments of principal are subordinated to the rights of the Series 2016-A Noteholders to receive payments of interest and principal. This subordination is intended to enhance the likelihood of regular receipt by the Series 2016-A Noteholders of the full amount of the payments of interest and principal due to them and to protect the Series 2016-A Noteholders against losses. See the caption “RISK FACTORS—Subordination of the Series 2016-B Notes may Result in a Greater Risk of Loss for Noteholders of Series 2016-B Notes” herein.

## ERISA CONSIDERATIONS

The following summarizes certain aspects of The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code that may affect a decision by employee benefit plans, retirement arrangements and other entities in which such plans or arrangements are invested (collectively, the “Plans”) to invest in the Notes. The following discussion is general in nature and not intended to be a complete discussion of the applicable law pertaining to a Plan’s decision to invest and is not intended to be legal advice. In addition, the following discussion is based on the law in effect as of the date of this Offering Memorandum, and neither the Issuer nor the Initial Purchaser has undertaken any obligation to update this summary as a result of any changes in the applicable law or regulations.

ERISA imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”). Section 4975 of the Code imposes substantially similar prohibited transaction restrictions on certain employee benefit plans, including tax-qualified retirement plans described in Section 401(a) of the Code (“Qualified Retirement Plans”) and on individual retirement accounts and annuities described in Sections 408(a) and (b) of the Code (“IRAs,” collectively, with Qualified Retirement Plans, “Tax-Favored Plans”). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) (“Non-ERISA Plans”), are not subject to the requirements set forth in ERISA or the prohibited transaction restrictions under Section 4975 of the Code. However, investment by Non-ERISA Plans may be subject to the provisions of other applicable federal and state law (“Similar Laws”). Any Non-ERISA Plan that is qualified under Section 401(a) and exempt from taxation under Section 501(a) of the Code is, nevertheless, subject to the prohibited transaction rules set forth in Section 503 of the Code. Further, some Plans, including certain ERISA Plans, may only be permitted to invest in certain types of investments (e.g. the Notes are not a permitted investment for Code Section 403(b) plans)

A Plan fiduciary should consider whether an investment in the Notes satisfies the requirements set forth in Part 4 of Title I of ERISA, including the requirements that (a) the investment satisfy the prudence and diversification standards of ERISA, (b) the investment be in the best interests of the participants and beneficiaries of the Plan and (c) the investment be permissible under the terms of the Plan’s investment policies and governing instruments. In determining whether an investment in the Notes is prudent for ERISA purposes, a Plan fiduciary should consider all relevant facts and circumstances, including, without limitation, the limitations imposed on transferability, whether the investment provides sufficient liquidity in light of the foreseeable needs of the Plan, and whether the investment is reasonably designed, as part of the Plan’s portfolio, to further the Plan’s purposes, taking into consideration the risk of loss and the opportunity for gain (or other return) associated with the investment. A fiduciary of a Non-ERISA Plan should consider whether an investment in the Notes satisfies its fiduciary obligations under Similar Laws.

Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include “plan assets” by reason of Plans investing in such entities with persons (“Parties in Interest” or “Disqualified Persons” as such terms are defined in ERISA and the Code, respectively) who have certain

specified relationships to the Plans, unless a statutory, class or administrative exemption is available. Parties in Interest or Disqualified Persons that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA or Section 4975 of the Code unless a statutory, class or administrative exemption is available. Section 502(l) of ERISA requires the Secretary of the U.S. Department of Labor (the “DOL”) to assess a civil penalty against a fiduciary who violates any fiduciary responsibility or commits any other violation of part 4 of Title I of ERISA or any other person who knowingly participates in such breach or violation. If the investment constitutes a prohibited transaction under Section 408(e) of the Code, an IRA may lose its tax-exempt status. If the investment constitutes a prohibited transaction under Section 503 of the Code, a Non-ERISA Plan may lose its tax exemption.

The investment in a security by a Plan may, in certain circumstances, be deemed to include an investment in the assets of the entity issuing such security, such as the Issuer. Certain transactions involving the purchase, holding or transfer of Notes may be deemed to constitute prohibited transactions if assets of the Issuer are deemed to be assets of a Plan. These concepts are discussed in greater detail below.

### **Plan Assets Regulation**

The DOL has promulgated a regulation set forth at 29 C.F.R. § 2510.3-101 (the “Plan Assets Regulation”) concerning whether or not the assets of an ERISA Plan would be deemed to include an interest in the underlying assets of an entity (such as the Issuer) for purposes of the general fiduciary responsibility provisions of ERISA and for the prohibited transaction provisions of ERISA and Section 4975 of the Code, when a Plan acquires an “equity interest” in such entity. Section 3(42) of ERISA defines the term “plan assets.” Depending upon a number of factors set forth in the Plan Assets Regulation, “plan assets” may be deemed to include either a Plan’s interest in the assets of an entity (such as the Issuer) in which it holds an equity interest or merely to include its interest in the instrument evidencing such equity interest. For purposes of this section, the terms “plan assets” (“Plan Assets”) and the “assets of a Plan” have the meaning specified in the Plan Assets Regulation and Section 3(42) of ERISA and include an undivided interest in the underlying interest of an entity which holds Plan Assets by reason of a Plan’s investment therein (a “Plan Asset Entity”).

Under the Plan Assets Regulation, the assets of the Issuer would be treated as Plan Assets if a Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Assets Regulation are applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. If the Notes are treated as having substantial equity features, a Plan (including a Plan Asset Entity) that purchases Notes could be treated as having acquired a direct interest in the Issuer. In that event, the purchase, holding, transfer or resale of the Notes could result in a transaction that is prohibited under ERISA or the Code. While not free from doubt, on the basis of the Notes as described herein, it appears that the Notes should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

In the event that the Notes cannot be treated as indebtedness for purposes of ERISA, under an exception to the Plan Assets Regulation, the assets of a Plan will not include an interest in the assets of an entity, the equity interests of which are acquired by the Plan, if at no time do Plans in the aggregate own 25% or more of the value of any class of equity interests in such entity, as calculated under the Plan Assets Regulation and Section 3(42) of ERISA. Because the availability of this exception depends upon the identity of the Noteholders at any time, there can be no assurance that the Notes will qualify for this exception and that the Issuer’s assets will not constitute a Plan Asset subject to ERISA’s fiduciary

obligations and responsibilities. Therefore, a Plan should not acquire or hold Notes in reliance upon the availability of this exception under the Plan Assets Regulation.

### **Prohibited Transactions**

The acquisition or holding of Notes by or on behalf of a Plan, whether or not the underlying assets are treated as Plan Assets, could give rise to a prohibited transaction if the Issuer or any of its respective affiliates is or becomes a Party in Interest or Disqualified Person with respect to such Plan, or in the event that a Note is purchased in the secondary market by a Plan from a Party in Interest or Disqualified Person with respect to such Plan. There can be no assurance that the Issuer or any of its respective affiliates will not be or become a Party in Interest or a Disqualified Person with respect to a Plan that acquires Notes. Any such prohibited transaction could be treated as exempt under ERISA and the Code if the Notes were acquired pursuant to and in accordance with one or more statutory exemptions, individual exemptions or “class exemptions” issued by the DOL. Such class exemptions include, for example, Prohibited Transaction Class Exemption (“PTCE”) 75-1 (an exemption for certain transactions involving employee benefit plans and broker dealers, reporting dealers and banks), PTCE 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving an insurance company’s general account) and PTCE 96-23 (an exemption for certain transactions determined by a qualifying in-house asset manager).

The Initial Purchaser, the Trustee, the Master Servicer, the Servicers, the Administrator or their affiliates may be the sponsor of, or investment advisor with respect to, one or more Plans. Because these parties may receive certain benefits in connection with the sale or holding of Notes, the purchase of Notes using plan assets over which any of these parties or their affiliates has investment authority might be deemed to be a violation of a provision of Title I of ERISA or Section 4975 of the Code. Accordingly, Notes may not be purchased using the assets of any Plan if any of the Initial Purchaser, the Trustee, the Master Servicer, the Servicers, the Administrator or their affiliates has investment authority for those assets, or is an employer maintaining or contributing to the Plan, unless an applicable prohibited transaction exemption is available and such prohibited transaction exemption covers such purchase.

### **Purchaser’s/Transferee’s Representations and Warranties**

Each purchaser and each transferee of a Note (including a Plan’s fiduciary, as applicable) is deemed to represent and warrant that (a) it is not a Plan and is not acquiring the Note directly or indirectly for, or on behalf of, a Plan or with Plan Assets, a Plan Asset Entity or any entity whose underlying assets are deemed to be Plan Assets; or (b) the acquisition and holding of the Notes by or on behalf of, or with Plan Assets of, any Plan, Plan Asset Entity or any entity whose underlying assets are deemed to be Plan Assets is permissible under applicable law, will not result in any non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 or 503 of the Code or Similar Law, and will not subject the Issuer or the Initial Purchaser to any obligation not affirmatively undertaken in writing.

### **Consultation with Counsel**

Any Plan fiduciary or other investor of Plan Assets considering whether to acquire or hold Notes on behalf of or with Plan Assets of any Plan or Plan Asset Entity, and any insurance company that proposes to acquire or hold Notes, should consult with its counsel with respect to the potential applicability of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions

of Section 406 of ERISA and Section 4975 of the Code with respect to the proposed investment and the availability of any prohibited transaction exemption. A fiduciary with respect to a Non-ERISA Plan that proposes to acquire or hold Notes should consult with counsel with respect to Similar Laws.

### **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of all material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes for the investors described below. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. Except where noted, this summary is addressed to Noteholders who are U.S. persons that acquire Notes at original issuance and beneficially own their Notes as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Code. A “U.S. person” is: (i) a citizen or resident of the United States; (ii) a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions.

This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular investor’s decision to purchase Notes. For example, this summary does not deal with individual circumstances of particular investors or all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including, but not limited to, partnerships or entities treated as partnerships, dealers in securities or currencies, financial institutions, life insurance companies, persons holding Notes as a part of a hedging, integrated, constructive sale or conversion transaction or a straddle, Noteholders whose “functional currency” is not the U.S. dollar, pension plans, foreign investors or subsequent purchasers of the Notes, except as otherwise indicated. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any aspect of the U.S. federal income tax treatment of the Issuer, the Notes or the Noteholders, including the U.S. federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions to those discussed below. In addition, this summary does not address tax and withholding considerations that may be applicable to any hedge, constructive sale, straddle or conversion transaction, debt securities that are “contingent payment” debt instruments, alternative minimum taxes, the holding of Notes through entities treated as partnerships for U.S. federal income tax purposes, the Medicare tax on net investment income or the laws of any state, locality or taxing jurisdiction other than the U.S. federal income tax laws. Any discussion of U.S. federal tax issues in this Offering Memorandum (including any attachments or enclosures) is not intended or written by us to be relied upon or used by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Code. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Notes.

#### **Characterization of the Issuer and the Notes**

Based, in part, on the facts set forth herein, additional information, certain assumptions and certain representations, Kutak Rock LLP will render on the Closing Date its opinion to the effect that, for U.S. federal income tax purposes, (a) the Notes will be characterized as debt and (b) the Issuer will not be characterized as an association or publicly traded partnership taxable as a corporation. Unlike a ruling from the Service, such opinion is not binding on the courts or the Service. Therefore, it is possible that the Service could assert that, for purposes of the Code, the transaction contemplated by this Offering Memorandum constitutes a sale of the Financed Eligible Loans (or an interest therein) to the Noteholders,

that one or both of the Series of Notes is an equity interest in the Issuer or that the relationship which will result from this transaction is that of a partnership or an association taxable as a corporation.

If, instead of treating the transaction as creating secured debt, the transaction were treated as creating a partnership among the Noteholders and the Issuer, the resulting partnership would not be subject to U.S. federal income tax. Rather, the Issuer and each Noteholder would be taxed individually on their respective distributive shares of the partnership's income, gain, loss, deductions and credits which could have adverse tax consequences to certain Noteholders. For example, the amount, character and timing of items of income and deduction of the Noteholder could differ if the Notes were determined to constitute partnership interests, rather than indebtedness. A similar result could apply if one or both of the Series of Notes were characterized as equity interests in the Issuer.

If, alternatively, it were determined that this transaction created an entity which was characterized as a corporation or a publicly traded partnership taxable as a corporation, such entity would be subject to U.S. federal income tax at corporate income tax rates on the income it derives from the Financed Eligible Loans, which would reduce the amounts available for payment to the Noteholders. Cash payments to the Noteholders treated as equity owners generally would be treated as dividends for tax purposes to the extent of such corporation's accumulated and current earnings and profits. A similar result could apply if the Issuer were characterized as a corporation or a publicly traded partnership taxable as a corporation and the Noteholders were deemed to have acquired stock or other equity interests in the Issuer.

The Issuer will express in the Indenture its intent that, for U.S. federal income tax purposes, the Notes will be indebtedness. The Issuer, and each Noteholder by accepting its Notes, agrees to treat the Notes as indebtedness for U.S. federal income tax and all applicable state and local income and franchise tax purposes in all tax filings, reports and returns and otherwise, and will not take, or participate in the taking of or permit to be taken, any action that is inconsistent with such tax treatment and tax reporting of the Notes, unless required by applicable law.

In general, the characterization of a transaction as a sale of property or a secured loan, for U.S. federal income tax purposes, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized for state law or other purposes. While the Service and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a transaction may be characterized as the form chosen by the taxpayer, even if the substance of the transaction does not accord with its form.

The Issuer believes that it has retained the preponderance of the primary benefits and burdens associated with ownership of the Financed Eligible Loans and that as a result, the Noteholders should not be treated as the owners of the Financed Eligible Loans for U.S. federal income tax purposes. If, however, the Service were successfully to assert that this transaction should be treated as a sale of the Financed Eligible Loans, the Service could further assert that the entity created pursuant to the Indenture, as the owner of the Financed Eligible Loans for U.S. federal income tax purposes, should be deemed engaged in a business and, therefore, characterized as a publicly traded partnership taxable as a corporation.

The remainder of the discussion below assumes that the Notes are characterized as debt for U.S. federal income tax purposes. Noteholders are strongly encouraged to consult with their own tax advisors

regarding the possibility that the Notes could be treated as other than debt of the Issuer and any resulting consequences to the Noteholder.

On April 8, 2016, the Secretary of Treasury published proposed regulations under Section 385 of the Code that address the debt or equity treatment of instruments held by parties related to the Issuer. If these proposed regulations are published as final in their current form, the tax treatment of Notes purchased by an investor after this initial offering from an affiliate of the Issuer may not be entirely clear. Prospective investors are urged to consult their tax advisors regarding the possible effects of these proposed regulations.

### **Taxation of Interest Income and Original Issue Discount**

If a Note is deemed to be issued with OID, the Code generally requires the current inclusion in income of OID on a constant yield basis. OID is the excess of the “stated redemption price at maturity” of a Note over its “issue price.” Generally, the issue price of a Note should be the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Notes of the same maturity are sold pursuant to the initial offering. The “stated redemption price at maturity” of a Note includes all payments with respect to the Notes other than “qualified stated interest”. For purposes of computing OID, “qualified stated interest” is stated interest that is unconditionally payable (or that will be constructively received under Section 451 of the Code) at least annually at a single fixed rate, a “qualified floating rate” or an “objective rate” at fixed intervals of one year or less (“qualified stated interest”). Interest is unconditionally payable if reasonable legal remedies exist to compel timely payment or the debt instrument otherwise provides terms and conditions that make late payment or nonpayment sufficiently remote. It is possible that some or all of the interest payments on the Notes (such as the interest that may, in certain circumstances, be deferred on the Series 2016-B Notes) will be treated as part of their “stated redemption price at maturity”, which would increase OID. Absent guidance on this point, the Issuer does not intend to report interest on the Series 2016-B Notes as other than qualified stated interest solely because of the potential interest deferral which may result from their subordination to the Series 2016-A Notes. Stated interest that is “qualified stated interest” will be taxable as ordinary income for U.S. federal income tax purposes when received or accrued in accordance with the method of tax accounting of the holder of the Notes.

OID on a Note will be treated as de minimis (and therefore as zero) if the excess of the Note’s “stated redemption price at maturity” over its issue price is less than 0.25% of the Note’s “stated redemption price at maturity” multiplied by the number of years to its maturity, based on the anticipated weighted average life of the Note, calculated using the “prepayment assumption,” if any, used in pricing the Note and weighing each payment by reference to the number of full years elapsed from the closing date prior to the anticipated date of such payment. Absent an election to accrue all income from a Note under the OID rules, any de minimis OID must be included in income in any taxable year as principal payments are received on the Notes in the proportion that each such principal payment in the taxable year bears to the original principal balance of the Note.

The annual statement regularly furnished to Noteholders for U.S. federal income tax purposes will include information regarding the accrual of payments of principal and interest with respect to the Notes. The Notes will have more than a de minimis amount of OID, and each Noteholder will be required to include OID in income in accordance with the method under the Code that applies to OID. Interest on the Notes will be included in income either in accordance with the Noteholder’s tax accounting method and the provisions of the Code or in accordance with the method under the Code that applies to OID. Notes with more than a de minimis amount of OID are referred to under this heading as “Discount Notes.”

The Issuer expects that a Noteholder of a Discount Note will be required to include some or all of any OID in gross income for U.S. federal income tax purposes under a constant yield method before the receipt of cash attributable to such income. The Noteholder generally must include in its gross income for any taxable year the sum of the “daily portions,” of the OID, if any, on its Discount Notes accrued for each day during an accrual period in which it holds the Discount Notes. Special provisions apply to the calculation and accrual of OID on the Discount Notes because payments of principal on the Discount Notes may be accelerated if the Financed Eligible Loans prepay. The legislative history of the OID provisions indicates that the calculation and accrual of OID for debt instruments such as the Discount Notes should be based on the prepayment assumption used in pricing the transaction. For purposes of computing any OID, the Issuer expects to assume the fixed percentage rates of prepayment set forth in “APPENDIX A—WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN MONTHLY DISTRIBUTION DATES FOR THE NOTES.” The Code provides a method for adjusting accruals of OID for actual prepayment experience. Under the Code, the “daily portion” of OID accruing in a full accrual period on the Discount Notes generally should be determined by allocating to each day in the accrual period the ratable portion of the excess, if any, of (a) the sum of (i) the present value of all of the remaining payments on the Discount Notes as of the close of that accrual period and (ii) the payments made on the Discount Notes during the accrual period that are included in the Discount Notes’ “stated redemption price at maturity” over (b) the adjusted issue price of the Discount Notes at the beginning of the accrual period. The present value for purposes of the OID computations is based on the original yield to maturity of the Discount Notes, events which have occurred before the close of the accrual period and the prepayment assumption. With respect to a floating rate debt security, both the yield to maturity and “qualified stated interest” will be determined solely for purposes of calculating the accrual of OID as though the debt security will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to interest payments on the debt security on its date of issue or, in the case of certain floating rate debt securities, the rate that reflects the yield to maturity that is reasonably expected for the debt security. No representation is made as to the actual rate at which the Financed Eligible Loans within the Trust Estate will prepay. Under the method described above, the daily portions of OID required to be included in income by a Noteholder of Discount Notes generally will increase to take into account payments of principal on the Financed Eligible Loans that exceed the prepayment assumption, and generally will decrease (but not below zero for any period) if the payments of principal are slower than the prepayment assumption.

In addition, OID that accrues in each year to a Noteholder of a Discount Note is included in the calculation of the distribution requirements of certain regulated investment companies and real estate investment trusts. Moreover, the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral U.S. federal income tax consequences although the Noteholder of such Discount Note has not received cash attributable to such OID in such year.

Noteholders of Discount Notes should consult their own tax advisors as to the amount, if any, calculation and treatment of any OID on, and the tax consequences of the purchase, holding and sale of, Discount Notes and as to the treatment of any OID for state tax purposes.

A purchaser (other than a person who purchases a Note upon issuance at the issue price) who buys a Note for an amount that is less than its “stated redemption price at maturity” will be treated as having purchased such Note at a “market discount,” unless the amount of such market discount is less than a de minimis amount specified in the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of the lesser of (a) the amount of such payment or realized gain or (b) the market discount which has not previously been included in income and is treated as having accrued on the debt instrument at the time of such payment or disposition. Market discount will be considered to accrue in each accrual period, at the



option of the Noteholder of such Note: (i) on the basis of a constant yield method or (ii) in an amount that bears the same ratio to the total remaining market discount as the stated interest paid in the accrual period bears to the total amount of stated interest remaining to be paid on the Note as of the beginning of the accrual period, in each case, subject to a prepayment assumption. Although the accrued market discount on debt instruments such as the Notes which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate OID should be utilized. Potential Noteholders of the Notes should consult their own tax advisors concerning the application of the market discount rules to the Notes.

In the event that the Notes are considered to be purchased by a Noteholder at a price greater than their remaining “stated redemption price at maturity”, they will be considered to have been purchased at a premium. The Noteholder may elect to amortize such premium (as an offset to interest income), using a constant yield method, over the remaining term of the Notes. Special rules apply to determine the amount of premium on a “variable rate debt instrument” and certain other debt instruments. Potential Noteholders of the Notes should consult their tax advisors regarding the amortization of bond premium.

A Noteholder may elect to include in gross income all interest with respect to Discount Notes, including stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium, using the constant yield method described above. This election will generally apply only to the specific Discount Note for which it is made, but if the Discount Note has a market discount or bond premium such election is deemed to make the market discount accrual or bond premium amortization elections discussed above. It may not be revoked without the consent of the Service. Noteholders should consult their own tax advisors before making this election.

### **Sale or Exchange of Notes**

A Noteholder generally will recognize gain or loss on the sale, exchange or retirement of its Notes equal to the difference between the amount realized on the sale, exchange or retirement and the Noteholder’s adjusted tax basis in the Notes. The adjusted tax basis of a Note to a particular Noteholder generally will equal the Noteholder’s cost for the Note, increased by any market discount, acquisition discount, OID and gain previously included by such Noteholder in income with respect to the Note and decreased by the amount of bond premium, if any, previously amortized and by the amount of principal payments previously received by such Noteholder with respect to such Note. Any such gain or loss will be capital gain or loss if the Note was held as a capital asset, except for gain representing accrued interest, accrued market discount not previously included in income and in the event of a prepayment or redemption, any not yet accrued OID, to the extent such income includes OID that was not *de minimis* under the Code. Capital gains or losses will be long-term capital gains or losses if the Note was held for more than one year. The deductibility of capital losses is subject to certain limitations.

The Indenture permits Noteholders to waive an Event of Default or rescind an acceleration of the Notes in certain circumstances upon a vote of the requisite percentage of the Noteholders. Any such waiver or rescission, or any amendment of the terms of the Notes, could be treated for U.S. federal income tax purposes as a constructive exchange by a Noteholder for a new Note, upon which deemed exchange gain or loss might be recognized for U.S. federal income tax purposes. In addition, if the terms of a Note were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Potential holders of the Notes

should consult their tax advisors concerning the circumstances in which the Notes would be deemed reissued and the likely effects, if any, of such reissuance.

### **Foreign Investors**

A Noteholder which is not a U.S. person (“foreign holder”) should not be subject to U.S. federal income tax or withholding tax in respect of interest income (including OID paid) or gain on the Notes if certain conditions are satisfied, including: (a) the foreign holder provides an appropriate statement, signed under penalties of perjury, identifying the foreign holder as the beneficial owner and stating, among other things, that the foreign holder is not a U.S. person; (b) the foreign holder is not a “10% shareholder” or “related controlled foreign corporation” with respect to the Issuer; and (c) the interest income is not effectively connected with a United States trade or business of the Noteholder. To the extent these conditions are not met, a 30% withholding tax will apply to interest income on the Notes, unless an income tax treaty reduces or eliminates such tax or the interest is effectively connected with the conduct of a trade or business within the United States by such foreign holder. In the latter case, such foreign holder will be subject to U.S. federal income tax with respect to all income from the Notes at regular rates applicable to U.S. taxpayers, and may be subject to the branch profits tax if it is a corporation. The rules governing the U.S. federal income taxation of a foreign holder are complex, and the discussion above is intended only as a brief summary of these rules. Each foreign holder should consult with its own tax advisor to determine the impact of U.S. federal, state, local, and foreign tax laws, including any tax return filing and other reporting requirements, with respect to its investment in the Notes.

### **Backup and FATCA Withholding**

Certain Noteholders may be subject to U.S. federal backup withholding at the applicable rate determined by statute with respect to interest (including OID) paid with respect to the Notes if the Noteholders, upon issuance, fail to supply the Trustee or their brokers (or other applicable intermediary) with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to U.S. federal backup withholding. Information returns will be sent annually to the Service and to each such Noteholder (except certain exempt Noteholders) setting forth the amount of interest paid with respect to the Notes and the amount of tax withheld thereon.

In addition to the U.S. income tax, withholding tax and backup withholding tax described above, the Foreign Account Tax Compliance Act (“FATCA”) could impose a withholding tax of 30% on interest income (including OID) and other periodic payments on the Notes and the gross proceeds from the sale, exchange or other disposition of the Notes on or after January 1, 2019 that is paid to certain foreign entities if the applicable foreign entity or the Noteholder receiving the payments through the foreign entity fails to satisfy the applicable information reporting, account identification, withholding, certification and other FATCA-related requirements, and is not otherwise eligible for an exemption. Noteholders should consult their own tax advisors regarding the application and impact of FATCA, and should consult their bank or broker about the likelihood that payments to it (for credit to the Noteholder) could become subject to FATCA withholding.

Each Noteholder, by acceptance of the related Note or an interest in such Note, is deemed to have agreed to provide the Issuer and the Trustee with a correct, complete and properly executed U.S. IRS Form W-9 or applicable Form W-8 (with appropriate attachments), or any successor form, as applicable, and, to the extent applicable, any documentation that is required under FATCA or is otherwise necessary (in the sole determination of the Issuer, the Trustee, or other agent of the Issuer, as applicable) to enable

the Issuer, the Trustee and any other agent of the Issuer to comply with their respective obligations under FATCA and to determine that such Noteholder (or holder of any beneficial interest in a Note) has complied with its obligations under FATCA, or to determine the amount to deduct and withhold from a payment. In addition, each holder of a Note or an interest therein will be deemed to understand that the Trustee and any other agent of the Issuer may withhold interest and principal payable with respect to a Note (without any corresponding gross up) on any Noteholder or beneficial owner of an interest in a Note that fails to comply with the foregoing requirements.

### **State, Local or Foreign Taxation**

The Issuer makes no representations regarding the tax consequences of purchase, ownership or disposition of the Notes under the tax laws of any state, locality or foreign jurisdiction. Investors considering an investment in the Notes should consult their own tax advisors regarding such tax consequences.

### **Tax-Exempt Investors**

In general, an entity which is exempt from U.S. federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. Except to the extent any Noteholder incurs acquisition indebtedness with respect to a Note, interest paid or accrued with respect to such Note may be excluded by such tax-exempt Noteholder from the calculation of unrelated business taxable income. Each potential tax-exempt Noteholder is urged to consult its own tax advisor regarding the application of these provisions.

## **CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS**

The Issuer is not registered or required to be registered as an "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to Rule 3a-7 promulgated thereunder, although there may be additional exclusions or exemptions available to the Issuer. The Issuer does not rely upon the exclusions from the definition of "investment company" set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. The Issuer does not constitute a "covered fund" for purposes of Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010), also known as the Volcker Rule. Since the Issuer has not registered, and does not intend to register, as an investment company under the Investment Company Act, Noteholders will not be afforded protections of the provisions of the Investment Company Act designed to protect investment company investors.

## **REPORTS TO NOTEHOLDERS**

Monthly reports concerning the Issuer will be made available to the Noteholders on NEF's website (currently at [http://www.northstar.org/investors/investor\\_reports](http://www.northstar.org/investors/investor_reports)). These periodic reports will contain information concerning the Financed Eligible Loans and certain activities of the Issuer during the period since the previous report, such as:

- descriptions of portfolio characteristics;
- identification of remaining Note balances;

- descriptions of amounts of the distribution allocable to principal and interest of each Series of Notes;
- changes in pool balance over the distribution period;
- fees paid by the Issuer; and
- limited descriptions of activity in the Acquisition Fund, the Capitalized Interest Fund, the Collection Fund and the Reserve Fund.

### **SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Offering Memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “project,” “predict,” “intend,” “potential,” and the negative of such terms or other similar expressions.

The forward-looking statements reflect our current expectations and views about future events. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on the forward-looking statements.

You should understand that the following factors, among other things, could cause our results to differ materially from those expressed in forward-looking statements:

- changes in terms of Financed Eligible Loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations that may reduce the volume, average term, costs and yields on education loans;
- changes in the demand for educational financing or in financing preferences of educational institutions, students and their families;
- changes in the general interest rate environment and in the securitization market for the Financed Eligible Loans, which may increase the costs or limit the marketability of financings;
- losses from loan defaults and delays in payments on Financed Eligible Loans; and
- changes in prepayment rates and credit spreads.

Many of these risks and uncertainties are discussed in greater detail under the caption “RISK FACTORS” herein.

Potential investors should read this Offering Memorandum and the documents reference in this Offering Memorandum, completely and with the understanding that actual future results may be materially different from what the Issuer expects. The Issuer may not update the forward-looking statements, even though its situation may change in the future, unless the Issuer has obligations under the

federal securities laws to update and disclose material developments related to previously disclosed information. All of the forward-looking statements are qualified by these cautionary statements.

## **RELATIONSHIPS AMONG FINANCING PARTICIPANTS**

The Depositor is the owner of the Issuer, will be the seller of the Financed Eligible Loans acquired by the Issuer with the proceeds of the Notes and will be the contributor of the remaining Financed Eligible Loans within the Trust Estate. NEF is the owner of the Depositor, will be the seller of the Financed Eligible Loans acquired by the Depositor and will be the contributor of the remaining Financed Eligible Loans to the Depositor. GLELSI, an affiliate of NEF, will be the Servicer of the Financed Eligible Loans.

The Initial Purchaser and its affiliates are full service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Initial Purchaser and its affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Initial Purchaser and its affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of NEF and its affiliates. The Initial Purchaser and its affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Initial Purchaser and its affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of NEF and its affiliates.

An affiliate of the Initial Purchaser currently provides the letter of credit securing bonds issued by NorthStar Student Loan Trust II, which bonds are being refunded with a portion of the proceeds of the Notes.

## **PLAN OF DISTRIBUTION**

Subject to the terms and conditions set forth in the Note Purchase Agreement among the Issuer, NEF and RBC Capital Markets, LLC, as Initial Purchaser, the Issuer will agree to sell to the Initial Purchaser, and the Initial Purchaser will agree to purchase from the Issuer, the principal amount of the Notes. The Initial Purchaser will use commercially reasonable efforts to find buyers for all of the Notes, but is not obligated to purchase any of the Notes. If the Initial Purchaser is not able to locate sufficient buyers for all of the Notes and does not elect to purchase the Notes itself, then none of the Notes will be sold.

The Issuer will pay fees to the Initial Purchaser in an aggregate amount equal to 0.974% of the principal balance of the Series 2016-A Notes purchased by the Initial Purchaser and 1.274% of the principal balance of the Series 2016-B Notes purchased by the Initial Purchaser. Assuming a successful placement of all of the Notes by the Initial Purchaser on the Closing Date, the proceeds to the Issuer from the sale of the Notes are expected to be \$85,662,192.

The initial offering prices are set forth on the cover page of this Offering Memorandum. After the Notes are released for sale, the Initial Purchaser may change the offering prices and other selling terms. The offering of the Notes by the Initial Purchaser is subject to receipt and acceptance and subject to the Initial Purchaser's right to reject any order in whole or in part.

The Notes are new classes of securities with no established trading market. The Initial Purchaser has advised that it presently intends to make a market in the Notes. However, it is not obligated to do so

and it may discontinue any market-making activities with respect to the Notes at any time without notice. We cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower or higher than the initial offering price or that an active trading market for the Notes will develop and continue after this offering.

In connection with the offering, the Initial Purchaser may purchase and sell Notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Initial Purchaser of a greater number of Notes than it is required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress.

The Note Purchase Agreement provides that NEF will indemnify the Initial Purchaser against certain civil liabilities, including liabilities under the Securities Act of 1933, and that NEF has agreed to reimburse the Initial Purchaser for the fees and expenses of its counsel.

### **NOTICE TO INVESTORS**

The following information relates to the form, transfer and delivery of the Notes. Because of the following restrictions, purchasers of the Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act of 1933 nor with any securities regulatory authority of any state or other jurisdiction within the United States. Accordingly, the Notes are being offered only to QIBs in transactions meeting the requirements of Rule 144A.

Each purchaser of Notes will be deemed to have represented and agreed that:

(a) in connection with the purchase of the Notes, (i) none of the Issuer, NEF, the Trustee, the Initial Purchaser or any of their respective affiliates is acting as a fiduciary or financial or investment advisor for such beneficial owner; (ii) such beneficial owner is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, NEF, the Trustee, the Initial Purchaser or any of their respective affiliates other than any statements in this Offering Memorandum relating to the Notes, and such beneficial owner has read and understands this Offering Memorandum; (iii) such beneficial owner has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary and has made its own investment decision (including decisions regarding the suitability of any transaction pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, NEF, the Trustee, the Initial Purchaser or any of their respective affiliates; and (iv) the purchaser is a QIB as defined in Rule 144A under the Securities Act, is aware (and if it is acquiring the Notes for the account of one or more QIBs, each beneficial owner of the Notes is aware) that the Issuer and the Initial Purchaser are relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A, that it is acquiring the Notes for its own account or for the account of one or more QIBs for whom it is authorized to act, in either case for investment purposes and not for distribution in violation of the Securities Act, that it is able to bear the economic risk of an investment in the Notes and that the purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the Notes;

(b) the purchaser understands that the Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will resell or transfer such Notes only so long as such Notes are eligible for resale pursuant to Rule 144A, to a person whom the seller reasonably believes is a QIB acquiring the Notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A and in accordance with any applicable United States state securities laws or other applicable securities laws of the relevant jurisdiction;

(c) unless the relevant legend set out below has been removed from the Notes, such purchaser shall notify each transferee of the Notes of the deemed representations set out above and that such transferee is deemed to have agreed to notify its subsequent transferees as to the foregoing;

(d) it is not a Plan and is not acquiring the Note directly or indirectly for, or on behalf of, or with Plan Assets of, a Plan, a Plan Asset Entity or governmental, non-U.S. or church plan that is subject to Similar Law, or the acquisition and holding of the Notes by or on behalf of, or with Plan Assets of, any Plan, any Plan Asset Entity or governmental, non-U.S. or church plan that is subject to Similar Law is permissible under applicable law, will not result in any non-exempt prohibited transaction under Section 406 of Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the Internal Revenue Code of 1986, as amended, or other applicable federal and state law, and will not subject the Issuer or the Initial Purchaser to any obligation not affirmatively undertaken in writing;

(e) the purchaser understands that each certificate representing an interest in the Notes will bear the following legend, unless determined otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES OR BLUE SKY LAW OF ANY STATE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (i) PURSUANT TO RULE 144A PROMULGATED UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB"), PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A; (ii) PURSUANT TO ANOTHER EXEMPTION AVAILABLE UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; OR (iii) PURSUANT TO A VALID REGISTRATION STATEMENT;

(f) by virtue of its acceptance of such Note or beneficial interest therein to indemnify NEF, the Administrator, the Sub-Administrator, the Master Servicer, the Trustee, the Owner Trustee and the Issuer against any and all liability that may result if any transfer of such Note is not made in a manner consistent with the applicable restrictive legend set forth above; and

(g) except for NEF and the Depositor, it acknowledges that it is not part of the Issuer's "expanded group" within the meaning of Proposed Treasury Regulation Section 1.385-1(b)(3).

Upon the transfer, exchange or replacement of a Global Note Certificate bearing the applicable legend set forth above, or upon specific request for removal of the legends, the Issuer or the Trustee will deliver only a replacement Global Note Certificate that bear such applicable legends, or will refuse to remove such applicable legends, unless there is delivered to the Issuer and the Note registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer and the Trustee that neither the applicable legends nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Transfers of interests in the Notes represented by a Global Note Certificate will be in accordance with the usual rules and operating procedures of DTC.

The laws of some states of the United States of America require that certain persons receive individual certificates in respect of their holdings of the Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited.

Because of the foregoing restrictions, purchasers are advised to consult legal counsel prior to making any resale, pledge or transfer of any of the Notes. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

## **LEGAL MATTERS**

Certain legal matters, including certain income tax matters, will be passed upon for NorthStar Student Loan Trust III by Kutak Rock LLP. Certain legal matters will be passed upon for the Depositor by Kutak Rock LLP, for NEF by Gray, Plant, Mooty, Mooty & Bennett, P.A., for NES and GLELSI by GLELSI in-house counsel and for the Initial Purchaser by Ballard Spahr LLP.

## **RATINGS**

It is a condition to the issuance of the Series 2016-A Notes that they be rated "Aa1 (sf)" by Moody's investors Service, Inc. and the issuance of the Series 2016-B Notes that they be rated "A1 (sf)" by Moody's Investors Service, Inc.

A securities rating addresses the likelihood of the receipt by owners of the Notes of payments of principal and interest with respect to their Notes from assets in the Trust Estate. The rating takes into consideration the characteristics of the Financed Eligible Loans, and the structural, legal and tax aspects associated with the rated Notes. On a monthly basis each agency rating the Notes is provided with servicing reports describing the performance of the underlying assets in the prior period.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. See the caption "RISK FACTORS—The Ratings of the Notes are Not a Recommendation to Purchase and may Change" herein.

## **GLOSSARY OF TERMS**

Some of the terms used in this Offering Memorandum are defined below. The Indenture contains the definition of other terms used in this Offering Memorandum and reference is made to the Indenture for those definitions.



“*Acquisition Period*” means the period beginning on the Closing Date and ending on September 29, 2016.

“*Administration and Master Servicing Fee*” means a monthly fee equal to 1/12 of 0.50% of the Pool Balance as of the close of business on the last day of the related Collection Period less the Servicing Fee, for the payment of fees and expenses due to the Administrator and the Master Servicer under the terms of the Master Servicing Agreement.

“*Administrator*” means Northstar Capital Markets Services, Inc., in its capacity as administrator under the Master Servicing Agreement, or any successor thereto in accordance with the Master Servicing Agreement, so long as the Issuer has received a Rating Confirmation as to each such other administrator, except that no Rating Confirmation shall be necessary for GLELSI or NES acting as a successor thereto, and the term “Administrator” shall include any Sub-Administrator.

“*Available Funds*” means, the sum of the following amounts received to the extent not previously distributed: (a) all collections received by the Servicer or any other service provider on the Financed Eligible Loans (including late fees received by the Servicer or any other service provider with respect to the Financed Eligible Loans and proceeds from the consolidation of any Financed Eligible Loan) but net of amounts to be repaid to borrowers (whether or not in the form of a principal reduction of the applicable Financed Eligible Loan) with respect to the Financed Eligible Loans; (b) all Recovered Proceeds from any Financed Eligible Loans which became Charged-Off Financed Eligible Loans in accordance with the Program Guidelines, and all other moneys collected with respect to any Charged-Off Financed Eligible Loan which was written off, net of the sum of any amounts expended by the Issuer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such Charged-Off Financed Eligible Loan; (c) the aggregate Purchase Amounts received for Financed Eligible Loans repurchased by the Seller; (d) the aggregate amounts, if any, received from the Seller, the Master Servicer or any Servicer, as the case may be, as reimbursement of principal or interest amounts with respect to the Financed Eligible Loans pursuant to a Private Student Loan Purchase and Contribution Agreement, the Master Servicing Agreement or a Servicing Agreement, respectively; (e) other amounts received by a Servicer pursuant to its role as Servicer under the related Servicing Agreement and payable to the Issuer in connection therewith; (f) all interest earned or gain realized from the investment of amounts in any Fund or Account; and (g) any other amounts deposited to the Collection Fund. Amounts required to be repaid to borrowers described in clause (a) above will be paid by the Trustee upon receipt of a written direction from the Administrator.

“*Backup Master Servicer*” means Great Lakes Educational Loan Services, Inc., its successors and assigns, or any other entity with which the Issuer maintains a Backup Master Servicing Agreement.

“*Backup Master Servicing Agreement*” means the Backup Master Servicing Agreement, dated as of September 1, 2016, among the Issuer, the Master Servicer and the Backup Master Servicer, as amended, supplemented or replaced from time to time.

“*Basic Documents*” means the Trust Agreement, this Indenture, the Note Purchase Agreement, the Master Servicing Agreement, the Subservicing Agreement, any Servicing Agreement, any Private Student Loan Purchase and Contribution Agreement, any Backup Master Servicing Agreement and any other documents and certificates delivered in connection with any thereof.

“*Book-Entry Form*” or “*Book-Entry System*” means a form or system under which (a) the beneficial right to principal and interest may be transferred only through a book-entry; (b) physical securities in registered form are issued only to a Clearing Agency or its nominee as registered owner, with

the securities “immobilized” to the custody of the Clearing Agency; and (c) the book-entry is the record that identifies the owners of beneficial interests in that principal and interest.

“*Business Day*” means (a) for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and (b) for all other purposes, any day other than a Saturday, a Sunday, a holiday or any other day on which banks located in New York, New York, Wilmington, Delaware or the city in which the principal office of the Trustee or the Owner Trustee is located, are authorized or permitted by law, regulation or executive order to close.

“*Charged-Off Financed Eligible Loan*” means any defaulted Financed Eligible Loan charged-off pursuant to the Program Guidelines.

“*Clearing Agency*” means an organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act. The initial Clearing Agency is The Depository Trust Company and its successor or assigns and the initial nominee for the Clearing Agency is Cede & Co. If (a) the then Clearing Agency resigns from its functions as depository of the Notes or (b) the Issuer discontinues use of the Clearing Agency, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Notes and which is selected by the Issuer with the consent of the Trustee.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein is deemed to include the United States Treasury Regulations, including applicable temporary and proposed regulations, relating to such section which are applicable to the Notes or the use of the proceeds thereof. A reference to any specific section of the Code is deemed also to be a reference to the comparable provisions of any enactment which supersedes or replaces the Code thereunder from time to time.

“*Conversion Event*” means the occurrence of any of the following:

(a) The Master Servicer has notified the Issuer that it will no longer perform its obligations under the Master Servicing Agreement as applied to the Issuer;

(b) The Master Servicer is in material violation of its duties under the Master Servicing Agreement and such material violation continues for a period of 30 days after the Master Servicer becomes aware of such material violation or is notified thereof;

(c) (A) The Master Servicer (I) has entered against it involuntarily an order for relief under the United States Bankruptcy Code, as amended, (II) does not pay, or admits in writing its inability to pay, its debts generally as they become due, (III) makes an assignment for the benefit of creditors, (IV) applies for, seeks, consents to, or acquiesces in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its property, (V) institutes any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, or to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (VI) takes any corporate action in furtherance of any matter described in clauses (I) through (V) above, or (VII) fails to contest in good faith any appointment or proceeding described in clause (B) below; or (B) a custodian, receiver, trustee, examiner, liquidator or similar official is appointed for the Master Servicer or any substantial part of any of

its property, or a proceeding described in clause (A)(V) above is instituted against the Master Servicer and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of sixty (60) days; or

(d) the Master Servicing Agreement terminates pursuant to its terms and the Issuer has not entered into a replacement Master Servicing Agreement with a new Master Servicer satisfying the conditions of the Indenture.

“*Eligible Loan*” means any loan made to finance post-secondary education that is made pursuant to the Total Higher Education (T.H.E.) Loan Program.

“*Event of Bankruptcy*” means (a) the Person shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding shall have been commenced against the Person seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property provided such action or proceeding is not dismissed within 60 days.

“*Event of Default*” means the “Events of Default” described under the caption “SUMMARY OF THE INDENTURE PROVISIONS—Events of Default” herein.

“*Financed*” or “*Financing*” when used with respect to Eligible Loans, means or refer to Eligible Loans acquired by the Issuer with balances in the Acquisition Fund or otherwise deposited in or accounted for in the Acquisition Fund or otherwise constituting a part of the Trust Estate, but does not include Eligible Loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

“*Funds*” means the funds created under the Indenture and held by the Trustee, including the Acquisition Fund, the Capitalized Interest Fund, the Collection Fund, the Costs of Issuance Fund and the Reserve Fund, and described under the captions “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Acquisition Fund,” “—Capitalized Interest Fund,” “—Collection Fund,” “—Costs of Issuance Fund” and “—Reserve Fund” herein.

“*GLELSP*” means Great Lakes Educational Loan Services, Inc., and its successors and assigns.

“*Highest Priority Notes*” means at any time when Series 2016-A Notes are Outstanding, the Series 2016-A Notes, and at any time when no Series 2016-A Notes are Outstanding, the Series 2016-B Notes.

“*Indenture*” means the Indenture of Trust, dated as of September 1, 2016, among NorthStar Student Loan Trust III, Wilmington Trust, National Association, not in its individual capacity but solely as owner trustee, and U.S. Bank National Association, as trustee, including all supplements and amendments thereto.

“*NCMS*” means Northstar Capital Markets Services, Inc., and any successor thereto.

“*NEF*” means NorthStar Education Finance, Inc., and any successor thereto.

“*NES*” means Northstar Education Services LLC, and any successor thereto.

“*Master Servicer*” means Northstar Capital Markets Services, Inc., and any other master servicer or successor master servicer selected by the Issuer (or the Trustee pursuant to the Indenture), including an affiliate of the Issuer, so long as the Issuer obtains a Rating Confirmation as to each such other master servicer, except that no Rating Confirmation shall be necessary for GLELSI or NES (with a guarantee or backup of its performance from GLELSI) acting as a successor thereto, and the term “Master Servicer” shall include any Sub-Master Servicer.

“*Master Servicing Agreement*” means (a) the Master Servicing Agreement, dated as of August 27, 2010, between NEF and NCMS, as previously supplemented and as further supplemented by the Supplemental Master Servicing Agreement, dated as of September 1, 2016, pursuant to which NCMS agrees to act as Administrator and Master Servicer for the Issuer, and (b) any replacement master servicing agreement between the Issuer and any other Master Servicer.

“*Moody’s*” means Moody’s Investors Service, Inc., its successors and assigns.

“*Noteholder*” means, (a) with respect to a book-entry Note, the Person who is the owner of such book-entry Note, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency); and (b) with respect to Notes held in definitive form, the Person in whose name a Note is registered in the Note registration books of the Trustee.

“*Note Purchase Agreement*” shall mean the Note Purchase Agreement, dated as of August 26, 2016, among the Issuer, NEF and RBC Capital Markets, LLC, as initial purchaser of the Notes.

“*Notes*” means, collectively, the Series 2016-A Notes and the Series 2016-B Notes.

“*Outstanding*” means, when used in connection with any Note, a Note which has been executed and delivered pursuant to the Indenture which at such time remains unpaid as to principal or interest, excluding Notes which have been replaced pursuant to the Indenture, unless provision has been made for such payment pursuant to the Indenture.

“*Owner Trustee*” means Wilmington Trust, National Association, a national banking association, not in its individual capacity, but solely in its capacity as the trustee of the Issuer and owner trustee under the Indenture and under the Trust Agreement, or any successor thereto appointed pursuant to the Trust Agreement

“*Pool Balance*” means as of any date the aggregate principal balance of the Financed Eligible Loans on such date (including accrued interest thereon to the extent such interest is expected to be capitalized), after giving effect to the following, without duplication: (a) all payments received by the Issuer through such date from or on behalf of obligors on such Financed Eligible Loans; (b) all Purchase Amounts on Financed Eligible Loans received by the Issuer through such date from the Depositor; (c) the principal balance of all Charged-Off Financed Eligible Loans through such date; and (d) the aggregate amount of adjustments to balances of Financed Eligible Loans permitted to be effected by a Servicer under its related Servicing Agreement, if any, recorded through such date.

“*Program*” means NEF’s program for the origination and the purchase of Eligible Loans, as the same may be modified from time to time.

“*Program Guidelines*” means the Program Guidelines of NEF setting forth the provisions for each of the Eligible Loans. See the caption “APPENDIX B—ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM” hereto.

“*Purchase Amount*” with respect to any Financed Eligible Loan means the amount required to prepay in full such Financed Eligible Loan under the terms thereof including all accrued interest thereon.

“*Rating Agency*” means Moody’s and its successors and assigns or any other rating agency requested by the Issuer to maintain a rating on any of the Notes.

“*Rating Confirmation*” means a written communication from the Rating Agency that a proposed action, failure to act, or other event specified therein, will not, in and of itself, result in a downgrade of any of the ratings then applicable to the Notes, or cause any Rating Agency to suspend, withdraw or qualify the ratings then applicable to the Notes.

“*Recovered Proceeds*” means, with respect to any Charged-Off Financed Eligible Loan, moneys collected in respect thereof from whatever source, net of the sum of any amounts expended by the Issuer in connection with recovering such amount and any amounts required by law to be remitted to the obligor on such Charged-Off Financed Eligible Loan.

“*Qualified Institutional Buyer*” means a “qualified institutional buyer” within the meaning of Rule 144A promulgated under the Securities Act.

“*Securities Act*” means the Securities Act of 1933, as amended.

“*Securities Depository*” means DTC and its successors and assigns, or, if (a) a then existing Securities Depository resigns from its functions as depository of the Notes; or (b) the Issuer discontinues use of a Securities Depository pursuant to the Indenture, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Notes and which is selected by the Issuer with the consent of the Trustee. The initial Securities Depository for the Notes, is DTC and the nominee for such Securities Depository is “Cede & Co.”

“*Series*” means, as appropriate, the Series 2016-A Notes or the Series 2016-B Notes.

“*Series 2016-B Note Interest Trigger*” means, on any Monthly Distribution Date, any Series 2016-A Notes are Outstanding and (a)(i) the Pool Balance (including all accrued interest on the Financed Eligible Loans) plus the amounts on deposit in the Acquisition Fund, the Collection Fund, the Capitalized Interest Fund and the Reserve Fund, each as of the end of the related Collection Period, minus (ii) the Outstanding Amount of the Series 2016-A Notes as of the end of the related Collection Period, is less than (b) the initial aggregate principal amount of the Series 2016-B Notes.

“*Servicer*” means GLELSI and any other servicer or successor servicer selected by the Issuer (or the Trustee pursuant to the Indenture), including an affiliate of the Issuer, so long as the Issuer has satisfied the requirements of a Rating Confirmation as to each such other servicer.

“*Servicing Agreement*” means (a) the Non-FFELP Loan Servicing Agreement, dated as of September 1, 2016, among the Issuer and the Servicer, as amended from time to time, and (b) any replacement servicing agreement between the Issuer and any other Servicer.

“*Servicing Fee*” means a monthly servicing fee for the payment of fees and expenses due to the Servicer under the terms of the Servicing Agreement that shall not exceed the Administration and Master Servicing Fee.

“*Sub-Administrator*” means NES, in its capacity as sub-administrator under the Subservicing Agreement, or any successor thereto, so long as the Issuer has satisfied the requirements of a Rating Confirmation as to each such other sub-administrator.

“*Sub-Master Servicer*” means NES, in its capacity as sub-master servicer under the Subservicing Agreement, or any successor thereto, so long as the Issuer has satisfied the requirements of a Rating Confirmation as to each such other sub-master servicer.

“*Subservicing Agreement*” means the Amended and Restated Subservicing Agreement, dated as of October 25, 2012, among NES, NCMS and GLELSI, as amended and supplemented pursuant to the terms thereof.

“*Trust Agreement*” means the Amended and Restated Trust Agreement, dated as of the Closing Date, between the Depositor and the Owner Trustee, as amended pursuant to the terms thereof.

“*Trust Estate*” means the property described as such in the granting clauses of the Indenture, and described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—General” herein.

“*Trust Related Agreements*” means the Basic Documents and any other documents signed by the Issuer with respect to the Financed Eligible Loans.

“*Trustee Expenses*” means the costs, expenses and indemnification amounts due to the Trustee.

**APPENDIX A**

**WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES  
AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN  
MONTHLY DISTRIBUTION DATES FOR THE NOTES**

Prepayments on pools of student loans can be calculated based on a variety of prepayment and default models.

Prepayments are calculated using a Fixed Percentage Rate or “CPR”. CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period (including accrued interest to be capitalized), after applying scheduled payments, that prepays during that period. The CPR model assumes that student loans will prepay in each month according to the following formula:

$$\text{Monthly Prepayments} = (\text{Balance (including accrued interest to be capitalized) after scheduled payments}) \times (1 - (1 - \text{CPR})^{1/12}).$$

Accordingly, monthly prepayments, assuming a \$1,000 balance after scheduled payments, would be as follows for various levels of CPR:

<b>CPR</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>6%</b>	<b>8%</b>
Monthly Prepayment	\$0.00	\$1.68	\$3.40	\$5.14	\$6.92

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The student loans will not prepay according to the CPR, nor will all of the student loans prepay at the same rate. You must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

The tables below show the weighted average remaining lives, expected maturity dates and percentages of original principal remaining of the Notes at certain Monthly Distribution Dates under various CPR scenarios.

For purposes of calculating the information presented in the tables, it is assumed, among other things, that:

- (a) the statistical Cut-Off Date for the Financed Eligible Loans is as of March 31, 2016 and all of the Financed Eligible Loans have the same characteristics on the Cut-Off Date as they have on the Statistical Cut-Off Date and no new student loans are assumed to be acquired;
- (b) the Cut-Off Date is September 7, 2016;
- (c) the Closing Date is September 7, 2016;
- (d) all Financed Eligible Loans (as grouped within the “rep lines” described below) remain in their current status until their status end date and then move to repayment, and no Financed Eligible Loan moves from repayment to any other status;
- (e) the Collection Periods will be from the second of the calendar month immediately preceding the related Monthly Distribution Date to the first day of the month of such

related Monthly Distribution Date. However, the initial Collection Period will begin on the Cut-off Date and end on October 1, 2016.

(f) no delinquencies or defaults occur on any of the Financed Eligible Loans, no repurchases for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;

(g) index levels for calculation of borrower payments are:

(i) One-month LIBOR of 0.47%; and

(ii) Three-month LIBOR of 0.66%;

(h) monthly distributions begin on October 25, 2016, and payments are made monthly on the twenty-fifth day of every month thereafter, whether or not the twenty-fifth is a Business Day;

(i) the interest rates for the Outstanding Notes at all times will be equal to 1.72% per annum for the Series 2016-A Notes and 1.97% per annum for the Series 2016-B Notes;

(j) administration and master servicing fees equal to 0.50% per annum of the aggregate balance of the Financed Eligible Loans as of the close of business on the last day of the related Collection Period, paid on a monthly basis beginning on October 25, 2016;

(k) the annual rating agency surveillance fees equal to \$15,000 per annum, paid on an annual basis beginning on October 25, 2016;

(l) trustee fees equal to 0.01% per annum of the aggregate balance of the Financed Eligible Loans as of the close of business on the last day of the related Collection Period, or a minimum of \$625 monthly, paid on a monthly basis beginning on October 25, 2016;

(m) a backup servicing fee equal to \$5,000 per annum, paid on an annual basis beginning on October 25, 2016;

(n) an Owner Trustee Fee equal to \$10,500 per annum, paid on an annual basis beginning on October 25, 2016;

(o) the Capitalized Interest Fund has an initial balance equal to \$500,000; amounts remaining in the Capitalized Interest Fund will be deposited into the Collection Fund on the August 2017 Monthly Distribution Date;

(p) the Reserve Fund has an initial balance equal to \$225,000 and at all times a balance equal to the greater of:

(i) 0.25% of the aggregate outstanding principal amount of the Notes as of the close of business on the last day of the related Collection Period; and

(ii) 0.15% of the original principal amount of the Notes;

(q) amounts on deposit in the Collection Fund, the Capitalized Interest Fund and the Reserve Fund are reinvested in eligible investments at the assumed reinvestment rate of 0.31% per annum;



(r) an optional redemption does not occur on any Monthly Distribution Date immediately following the date on which the Pool Balance is less than or equal to 10% of the initial Pool Balance;

(s) the pool of Financed Eligible Loans were grouped into 99 representative loans (“rep lines”), which have been created, for modeling purposes, from individual Financed Eligible Loans based on combinations of similar individual student loan characteristics, which include, but are not limited to, interest rate, loan type, index, margin, rate cap and remaining term;

(t) the Series 2016-A Notes and the Series 2016-B Notes will have balances as shown on the front cover of this Offering Memorandum;

(u) accrued interest is capitalized upon a Financed Eligible Loan entering repayment;

(v) all Financed Eligible Loans make monthly payments and all collections on Financed Eligible Loans are received on the first day of each month, commencing in October 2016;

(w) fees and expenses are zero except as noted in (i) through (m) above;

(x) no event of default has occurred;

(y) the Trustee Expense Reserve Fund has an initial balance of \$150,000 and there are no additional deposits or withdrawals made on any Monthly Distribution Date;

(z) initial unpaid accrued interest not to be capitalized is deposited into the Collection Fund for the October 2016 Monthly Distribution Date; and

(aa) borrower benefit interest rate reduction of 0.01% is assumed for all Financed Eligible Loans beginning in (i) the Collection Period ending on November 1, 2016 for Financed Eligible Loans that are in repayment as of the Cut-Off Date and (ii) the month after the Financed Eligible Loan enters repayment for Financed Eligible Loans in any other payment status as of the Cut-Off Date.

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**Weighted Average Lives and Expected Maturity Dates  
of the Series 2016-A Notes at Various Percentages of the CPR<sup>1</sup>**

<b>Weighted Average Life (years)<sup>2</sup></b>					
<b>Series</b>	<b>0% CPR</b>	<b>2% CPR</b>	<b>4% CPR</b>	<b>6% CPR</b>	<b>8% CPR</b>
Series 2016-A	5.66	4.98	4.41	3.94	3.54
Series 2016-B	11.23	10.50	9.77	9.05	8.40

<b>Expected Maturity Date</b>					
<b>Series</b>	<b>0% CPR</b>	<b>2% CPR</b>	<b>4% CPR</b>	<b>6% CPR</b>	<b>8% CPR</b>
Series 2016-A	August 25, 2027	November 25, 2026	February 25, 2026	May 25, 2025	September 25, 2024
Series 2016-B	February 25, 2028	June 25, 2027	September 25, 2026	January 25, 2026	May 25, 2025

<sup>1</sup>Assuming for purposes of this table that, among other things, the optional redemption does not occur on any Monthly Distribution Date immediately following the date on which the Pool Balance is less than or equal to 10% of the initial Pool Balance.

<sup>2</sup>The weighted average life of the Series 2016-A Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (a) multiplying the amount of each principal payment on the Series 2016-A Notes by the number of years from the closing date to the related Monthly Distribution Date; (b) adding the results; and (c) dividing that sum by the aggregate principal amount of the Series 2016-A Notes as of the closing date.

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**Percentages of Original Principal of the Series 2016-A Notes  
Remaining at Certain Monthly Distribution Dates at Various  
Percentages of CPR\***

<b>Monthly Distribution Dates</b>	<b>0% CPR</b>	<b>2% CPR</b>	<b>4% CPR</b>	<b>6% CPR</b>	<b>8% CPR</b>
September 7, 2016	100%	100%	100%	100%	100%
December 25, 2016	98	97	97	96	96
December 25, 2017	89	87	84	81	79
December 25, 2018	81	76	72	67	63
December 25, 2019	72	66	60	54	49
December 25, 2020	63	56	49	43	37
December 25, 2021	54	46	38	31	25
December 25, 2022	44	36	28	21	15
December 25, 2023	35	26	19	12	6
December 25, 2024	25	17	9	3	0
December 25, 2025	15	8	1	0	0
December 25, 2026	6	0	0	0	0
December 25, 2027	0	0	0	0	0

\*Assuming for purposes of this table that, among other things, the optional redemption does not occur.

The above table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of Financed Eligible Loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms and loan ages of the Financed Eligible Loans could produce slower or faster principal payments than implied by the information in this table, even if the dispersions of weighted average characteristics, remaining terms and loan ages are the same as the characteristics, remaining terms and loan ages assumed.

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**Percentages of Original Principal of the Series 2016-B Notes  
Remaining at Certain Monthly Distribution Dates at Various  
Percentages of CPR\***

Monthly Distribution Dates	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
September 7, 2016	100%	100%	100%	100%	100%
December 25, 2016	100	100	100	100	100
December 25, 2017	100	100	100	100	100
December 25, 2018	100	100	100	100	100
December 25, 2019	100	100	100	100	100
December 25, 2020	100	100	100	100	100
December 25, 2021	100	100	100	100	100
December 25, 2022	100	100	100	100	100
December 25, 2023	100	100	100	100	100
December 25, 2024	100	100	100	100	59
December 25, 2025	100	100	100	4	0
December 25, 2026	100	80	0	0	0
December 25, 2027	28	0	0	0	0
December 25, 2028	0	0	0	0	0

\*Assuming for purposes of this table that, among other things, the optional redemption does not occur.

The above table has been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of Financed Eligible Loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms and loan ages of the Financed Eligible Loans could produce slower or faster principal payments than implied by the information in this table, even if the dispersions of weighted average characteristics, remaining terms and loan ages are the same as the characteristics, remaining terms and loan ages assumed.

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## APPENDIX B

### ADDITIONAL INFORMATION REGARDING THE T.H.E. LOAN PROGRAM

#### General

NorthStar Education Finance, Inc. (“NEF”) was founded in 2000 to carry on the Total Higher Education Loan Program (the “T.H.E. Loan Program”) previously operated by NorthStar Guarantee, Inc. (“NorthStar Guarantee”). NorthStar Guarantee, Inc., which was founded in 1991 as a guarantor of Minnesota Loans under U.S. Higher Education Act, formed the T.H.E. Loan Program in 1997.

NorthStar Guarantee operated the T.H.E. Loan Program from its inception until it became affiliated with Great Lakes Higher Education Corporation (“GLHEC”) in 2000. GLHEC, one of the nation’s largest, integrated providers of student loan servicers, was founded in 1967 as a loan guarantor under U.S. Higher Education Act. Great Lakes Education Loan Services, Inc. (“GLELSI”), a wholly-owned, for-profit subsidiary of GLHEC, was founded in 1977 as a student loan servicing and administration company, and is a servicer of FFELP, Federal Direct and non-federal student loans. As of September 30, 2015 the GHELC family of companies was servicing over \$217 billion of student loans on behalf of 8.4 million borrowers, had outstanding FFELP Loan guarantees on 3.5 million FFELP Loans totaling \$31 billion and was administering \$2.35 billion of student loan-backed debt financings.

Dating back to the founding of GLHEC, the NorthStar network of companies has operated continuously for nearly 40 years. GLELSI’s 13-person senior management team has over 19 years of service, on average, and only 4 of its 13 senior management team members have fewer than 19 years of GLESI service. The 5-person senior management team of Northstar Education Services LLC, (“NES”) a wholly-owned for-profit subsidiary of GLELSI, has 31 years of professional experience, on average.

#### The Total Higher Education (T.H.E.) Loan Program

Since its inception in 1997 until lending operations were suspended in 2009, NEF and its predecessors originated approximately \$6.3 billion of FFELP and private loans under the T.H.E. Loan Program, which was marketed to graduate and professional schools and certain four-year undergraduate institutions. NEF’s mission and business strategy was to create innovative financing programs that allowed for no up-front fees on federal insured loans and a borrower benefit program funded from residual payments received after the loans are financed.

The T.H.E. Loan Program consisted of two major components:

- (a) Federal Family Education loans (FFELP or Higher Education Act loans):
  - (i) Subsidized FFELP loans;
  - (ii) Unsubsidized FFELP loans;
  - (iii) Parent Loan for Undergraduate Student (PLUS);
  - (iv) PLUS Loan for Professional and Graduate Students; and
  - (v) Consolidation Loans.
- (b) Non-FFELP loans:
  - (i) Medical Loans;

- (ii) Allied Health/Health Professionals;
- (iii) Law/MBA Loans; and
- (iv) Other Undergraduate & Graduate Loans.

The private student loans made pursuant to the T.H.E. Loan Program (the “Private Loans”) were designed to provide an additional loan to a student to cover the difference between the cost of attending the higher education institution and the federal and institutional grants and loans already provided. Higher Education Act loans and Private Loans were offered separately or as a comprehensive financing package. The T.H.E. Loan Program’s availability was as follows: (a) the federally guaranteed loan was available to any student attending an eligible four-year institution and (b) the Private Loan was available to students that met NEF’s credit underwriting requirements and were attending eligible institutions.

### **T.H.E. Loan Program Loan Origination Procedures**

NEF, or its predecessors, has been originating student loans, including private loans, since 1991. When NorthStar Guarantee, Inc. and Great Lakes Higher Education Corporation affiliated in 1997, NorthStar Guarantee, Inc.’s origination processing personnel became employees of Great Lakes Higher Education Corporation. Until April 2000, all loans originated by or on behalf of NorthStar Guarantee, Inc. were processed and serviced by Great Lakes Higher Education Corporation under contract with NorthStar Guarantee, Inc. After April 2000, Northstar Capital Markets Services, Inc. (“NCMS”) processed substantially all originations. All servicing functions have been performed by Great Lakes Educational Loan Services, Inc. (“GLELSI”). GLELSI also originated a small number of loans for NEF, and a small number of loans were originated by others. The vast majority of the Private Loans were originated by University National Bank and purchased by NEF or its affiliates shortly after origination pursuant to the terms of a purchase and sale agreement under which University National Bank offered to sell private loans to NEF or its affiliates.

NEF’s program guidelines (the “Program Guidelines”) set forth the terms under which loans were made and defined borrower and school eligibility. The T.H.E. Loan Program included discipline specific programs for law, MBA, health professionals and medical students. The T.H.E. Loan Program also included a national program generally available to other graduate students and undergraduate students who, alone or with a cosigner, met certain credit underwriting criteria. The T.H.E. Loan Program included federal guaranteed loans as well as Private Loans. All students attending a four-year institution and eligible for federal guaranteed loans were eligible for T.H.E. Loan Program federal guaranteed loans.

The Private Loans were made only to eligible borrowers at eligible schools. Borrower eligibility was determined through a proprietary credit underwriting process utilizing credit scoring models. School eligibility was determined by NEF based, in part, on the school’s historical default experience.

When applications were received, the applications were reviewed to determine that the application was complete, that the student was an eligible borrower and the school an eligible institution. Each application also included a certification from the submitting school that the student was eligible for the particular loan program and that the amount of the loan did not exceed the student’s cost of education less other financial aid. If the application was complete and consistent with the Program Guidelines, the loan was approved. If a borrower did not meet the credit requirements or an application was otherwise determined not to comply with the Program Guidelines, the applicant was sent an adverse determination letter, which included instructions on the steps to be taken to appeal the denial if the denial was based on an adverse credit determination. Detailed appeal procedures were contained in the Program Guidelines.

## T.H.E. Loan Program Eligibility and Credit Criteria

**General.** The following is a general description of some of the material terms of the Program Guidelines and the credit requirements that a student was required to meet in order to be considered an eligible borrower under the T.H.E. Loan Program.

**Credit Requirements.** Each applicant was reviewed using data provided by one of the three major credit bureaus. If the applicant's credit score met certain criteria, the applicant's credit was generally approved. The applicant's credit could have been approved if the credit score was in a lower specified range in certain instances if the applicant obtained a creditworthy cosigner meeting the requirements described under the caption "*Cosigner Credit Requirements*" below. Review in certain circumstances could have involved utilizing the criteria described in the caption "*Derogatory Review Criteria*" below. The applicant may have been required to obtain a creditworthy cosigner in certain other circumstances.

Prior to October of 2000 NorthStar used various "knockout" credit criteria to underwrite private student loans. FICO scores were not used to determine a student's eligibility for a private loan prior to October of 2002, but were used to determine a student's eligibility for lower origination fees and interest rates. A borrower could qualify for a lower origination fee and/or lower interest rate with a co-signer having a FICO score of at least 640. A summary of the basic borrower eligibility criteria used by NEF in connection with private loans originated prior to October of 2000 is provided in the chart below:

Description	Medical	Law / MBA	National Graduate	National Undergraduate
Basic Borrower Eligibility Criteria	Eligible borrowers must be: (a) enrolled in an eligible school in an eligible academic discipline on at least a half-time basis, (b) making satisfactory progress toward completion of their degree according to the eligible school's published standards, (c) is a U.S. citizen or resident alien, and (d) satisfies the applicable credit requirements or has been granted a waiver from such requirements.			
Eligible Schools	Accredited four-year and graduate degree granting institutions located in the United States (and selected, pre-approved foreign schools), approved for participation in NorthStar's T.H.E. Loan Program based upon rigorous selection criteria developed by NorthStar.			
Minimum FICO Score Requirement	FICO scores were only used to determine a borrower's eligibility for more favorable terms <sup>1</sup> .			
Minimum Credit History Requirements	<p>With respect to debts generally, a student's credit history must not show any bankruptcies, foreclosures, repossessions, wage garnishments, skips, open charge-offs, open collection accounts, unpaid tax liens, unpaid judgments or court proceedings wherein a claim was brought for failure to make payment on an obligation.</p> <p>With respect to education loans, a student's credit history must not show either: (a) any prior defaults unless the student has either repaid the loan in full or is making satisfactory progress toward repayment, meaning that no payments are past due and the student has made the last six payments on or before the due date, or (b) any prior delinquencies, unless such loans are in "deferred" status.</p>			
Maximum Allowable Prior Paid Collections and Charge-Offs	With respect to charge-offs, tax liens and collection accounts, a student's credit history must not show any single or combination of paid charge-offs, tax liens and/or collection accounts totaling more than \$150 within the immediately preceding two (2) years.			
Maximum Allowable Prior Delinquencies	With respect to prior delinquencies, a student's credit history must not show: (a) any payments more than 90-days past due within the immediately preceding year, (b) more than one payment over sixty (60) days past due within the immediately preceding year, or (c) more than three payments over thirty (30) days past due on a given trade line within the immediately preceding year.			

<sup>1</sup> A borrower could qualify for a lower origination fee and/or lower interest rate with a co-signer having a FICO score of at least 640.

NorthStar further managed default risk by making private loans available primarily to students enrolled in certain approved academic programs at a limited number of approved 4-year and graduate degree granting institutions. Only schools that met NorthStar's standards regarding academic program, student debt levels and historical default rates were approved for participation.

Beginning in October of 2000 minimum FICO scores were introduced to complement the various "knockout" criteria already being used by NorthStar to underwrite private student loans. NorthStar continued to manage default risk by making private loans available primarily to students enrolled in certain academic programs at a limited number of pre-approved schools. A summary of the basic borrower eligibility criteria used by NEF in connection with private loans originated beginning in October of 2000 is provided in the chart below:

Description	Medical Programs	Law / MBA Programs	National Graduate Programs	National Undergraduate Programs
Basic Borrower Eligibility Criteria	Eligible borrowers must be: (a) enrolled in an eligible school in an eligible academic discipline on at least a half-time basis, (b) making satisfactory progress toward completion of their degree according to the eligible school's published standards, (c) is a U.S. citizen or resident alien, and (d) satisfies the applicable credit requirements or has been granted a waiver from such requirements.			
Eligible Schools	Accredited four-year and graduate degree granting institutions located in the U.S. (and certain approved foreign schools), approved for participation in NorthStar's T.H.E. Loan Program based upon rigorous selection criteria developed by NorthStar.			
Minimum FICO Score Requirement for Applicants <sup>1</sup>	620 (co-signer not required)	620 (co-signer required unless attending a Premier School <sup>2</sup> or FICO score is at least 680)	620 (co-signer required unless FICO score is at least 680)	620 (co-signer required unless FICO score is at least 680)
Co-Signer Requirements for "Credit Ready" Applicants (i.e., no credit score is available)	Co-signer not required	Co-signer required unless student is attending an approved Premier School <sup>2</sup>	Co-signer required	Co-signer required <sup>3</sup>
Minimum FICO Score Requirement for Co-Signers <sup>4</sup>	680	680	680	680 or 700
Minimum Credit History Requirements	With respect to debts generally, a student's credit history must not show any bankruptcies, foreclosures, repossessions, wage garnishments, skips, open charge-offs, open collection accounts, unpaid tax liens, unpaid judgments or court proceedings wherein a claim was brought for failure to make payment on an obligation. With respect to education loans, a student's credit history must not show either: (a) any prior defaults unless the student has either repaid the loan in full or is making satisfactory progress toward repayment, meaning that no payments are past due and the student has made the last six payments on or before the due date, or (b) any prior delinquencies, unless such loans are in "deferred" status.			
Maximum Allowable Prior Paid Collections and Charge-Offs	With respect to paid charge-offs, tax liens and collection accounts, a student's credit history must not show more than two (2) paid charge-offs, tax liens and/or collection accounts within the preceding two (2) years.			
Maximum Allowable Prior Delinquencies	With respect to prior delinquencies, a student's credit history must not show: (a) any payments more than 90-days past due within the immediately preceding year, (b) more than one payment over sixty (60) days past due within the immediately preceding year, or (c) more than three payments over thirty (30) days past due on a given trade line within the immediately preceding year.			

<sup>1</sup> An applicant with a FICO score between 600 and 619 can be approved with a creditworthy co-signer; an applicant with a FICO score below 600 is denied regardless of the presence of a co-signer.

<sup>2</sup> Limited to the top 50 Law and M.B.A. programs as ranked by U.S. News and World Report.

<sup>3</sup> Borrower is ineligible if the school has a federal cohort default rate of 4.0% or higher.

<sup>4</sup> Prior to 2002 the required minimum FICO score for co-signers was 620 (a minimum co-signer FICO score of 700 was required at certain designated schools beginning in 2002).

***Adjustments to Underwriting Criteria.*** In March of 2002 NorthStar increased the stringency of its private loan credit underwriting criteria in an effort to obtain a higher percentage of co-signed loans. The following adjustments were made:

- Three different “school-level” credit tiers were added, with the credit tier assigned to a particular school determining whether or not a co-signer was required (credit tiers were determined based upon the type of school and historical cohort default rates);
- The minimum FICO score of 620 for borrowers was retained; and
- The co-signer minimum FICO score was increased from 640 to 680.

In 2002 NorthStar also introduced a list of approved “Premier Schools” for its Law / MBA programs based upon available statistical data. Students attending Premier Schools were not required to obtain a creditworthy co-signer if they met the minimum FICO score requirement and other underwriting criteria on their own.

In March of 2005 NorthStar reduced the minimum FICO score to from 620 to 600 for those borrowers with a creditworthy co-signer with a FICO score of at least 680. Borrowers with co-signers having a FICO score of at least 680 became eligible for a private loan notwithstanding certain minor derogatory items in their credit report. In addition, the applicable minimum FICO score for co-signers at certain schools was increased to 700.

In April of 2006 NorthStar established criteria for borrowers who exceeded annual or aggregate loan limits. Borrowers who requested loans in excess of the annual or aggregate loan limits established under the T.H.E. Loan Program were required to obtain a co-signer with a minimum FICO score of 680. Borrowers who requested loans in excess of the annual or aggregate loan limits were also required to meet a maximum projected debt-to-income ratio of 45%.

***Derogatory Review Criteria.*** The following additional requirements applied before an applicant’s credit would have been approved. The applicant’s credit history would be reviewed for



bankruptcies, foreclosures, repossessions, wage garnishments, skips, open charge-offs, open collection accounts, unpaid tax liens, unpaid judgments, or court proceedings alleging failure to make payment on an obligation. The occurrence of any of the above events generally would have resulted in a denial of credit. If the applicant's credit history showed more than two paid charge-offs, tax liens and/or collection accounts within the immediately preceding two years, credit would have generally been denied. If NCMS received written documentation that any of the credit information on the applicant's credit report was erroneous and that the error had been corrected, the erroneous credit information would not have been grounds for the denial of credit.

**Co-Signer Credit Requirements.** Cosigners for a loan under the T.H.E. Loan Program were credit scored and required to meet certain minimum criteria. Since the analysis underlying the credit scores is proprietary to the credit bureaus, the only way to override a denial was to have the cosigner correct or address any derogatory issues at the credit bureau and request a re-scoring of their application. If a student borrower was denied credit due to a credit score below certain levels, the loan would have been denied regardless of the outcome of the cosigner's credit. If the student was accepted but the cosigner was denied, the student may have accepted the loan if a cosigner was not required, resubmitted the application with an alternate cosigner or, to the extent that information on the cosigner's credit report was erroneous, had the cosigner correct the information at the credit bureau and resubmit the application.

**Appeals.** Students that failed to meet the credit requirements were able to appeal by providing documentation of extenuating circumstances. The documentation was reviewed and a final decision was made by the originator.

### T.H.E. Loan Program Origination Fees and Annual / Aggregate Loan Limits

Loan origination fees for all programs were eliminated beginning with the 2003-04 program year. In response to the rising cost of higher education and stagnant federal loan limits, NEF gradually increased the annual and aggregate loan limits for certain academic disciplines over time. Students enrolled in certain academic programs at a limited number of schools were eligible for higher annual and aggregate borrowing limits. A historical summary of origination fees and loan limits is provided below:

Description	Program Years	Medical	Medical Residency	Standard Law & MBA	Premier Law & MBA	Bar Prep <sup>2</sup>	National Graduate	Allied Health Undergraduate <sup>3</sup>	National Undergraduate <sup>3</sup>
Loan Origination Fee	1997 to 2000	4% to 6% upfront; 0% to 3% at repayment	4% to 6% upfront; 0% to 3% at repayment	4% to 6% upfront; 0% to 3% at repayment	4% to 6% upfront; 0% to 3% at repayment	4% to 6% upfront; 0% to 3% at repayment	4% to 6% upfront; 0% to 3% at repayment	4% to 6% upfront; 0% to 3% at repayment	4% to 6% upfront; 0% to 3% at repayment
	2000 to 2001								
	2002 to 2003	4% upfront; 0% to 3% at repayment	4% upfront; 0% to 3% at repayment						
	2003 to 2004	None	None	None	None	None	None	None	None
	2004 to 2005								
	2005 to 2006								
2006 to 2008									
Annual Maximum Loan Amount	1997 to 2000	COALA <sup>1</sup>	\$8,000	COALA <sup>1</sup>	COALA <sup>1</sup>	\$7,500	COALA <sup>1</sup>	COALA <sup>1</sup>	COALA <sup>1</sup>
	2000 to 2001	COALA <sup>2</sup>	\$10,000	COALA <sup>1</sup>	COALA <sup>1</sup>	\$7,500	COALA <sup>1</sup>	COALA <sup>1</sup>	COALA <sup>1</sup>
	2002 to 2003	COALA <sup>3</sup>	\$10,000	\$20,000	\$20,000	\$7,500	\$20,000	\$15,000	\$15,000
	2003 to 2004	COALA <sup>4</sup>	\$10,000	COALA <sup>1</sup>	COALA <sup>1</sup>	\$8,000	COALA <sup>4</sup>	\$15,000	\$15,000
	2004 to 2005	COALA <sup>5</sup>	\$10,000	COALA <sup>1</sup>	COALA <sup>1</sup>	\$8,000	COALA <sup>5</sup>	\$15,000	\$15,000
	2005 to 2006	COALA <sup>6</sup>	\$15,000	COALA <sup>1</sup>	COALA <sup>1</sup>	\$8,000	COALA <sup>6</sup>	\$15,000	\$15,000
2006 to 2008	COALA <sup>7</sup>	\$15,000	COALA <sup>1</sup>	COALA <sup>1</sup>	\$8,000	COALA <sup>7</sup>	\$15,000	\$15,000	
Aggregate Maximum Loan Amount	1997 to 2000	\$180,000		\$120,000	\$120,000	\$120,000	\$120,000	\$75,000	\$75,000
	2000 to 2001	\$189,125		\$120,000	\$120,000	\$120,000		\$75,000	\$75,000
	2002 to 2003	\$200,000		\$120,000	\$120,000	\$120,000		\$75,000	\$75,000
	2003 to 2004	\$235,000		\$180,000	\$120K to \$180K	\$180,000	\$120K to \$180K	\$75,000	\$75,000
	2004 to 2005	\$235,000		\$180,000	\$120K to \$180K	\$180,000	\$120K to \$180K	\$75,000	\$75,000
	2005 to 2006	\$250,000		\$180,000	\$120K to \$180K	\$180,000	\$120K to \$180K	\$75,000	\$75,000
2006 to 2008	\$250,000		\$180,000	\$120K to \$180K	\$180,000	\$120K to \$180K	\$75,000	\$75,000	

<sup>1</sup> Cost of Attendance Less Aid.

<sup>2</sup> Bar Prep loans for students attending premier schools were available in larger aggregate amounts beginning in 2002-03, and at lower interest margins of between 2.50% and 2.75% during interim and repayment status.

<sup>3</sup> Certain undergraduate programs were eligible for annual and aggregate borrowing limits in excess of those shown.

## T.H.E. Loan Program Interest Rates and Repayment Terms

Beginning with the 2002-03 program year, all new private loans originated under the T.H.E. Loan Program were indexed to 3-month LIBOR. NorthStar used risk-based pricing to set interest margins, offering the lowest margins to those borrowers deemed least likely to default. Medical, medical residency and premier law / MBA students received the lowest available interest rates, with rates for standard law / MBA students and other graduate programs being slightly higher. The highest interest rates applied for undergraduate loans, which were offered at a more limited number of schools. Repayment terms were set at either 15 or 20 years, based upon expected aggregate debt levels. A historical summary of interest rates and repayment terms is provided below:

Description	Program Years	Medical	Medical Residency	Standard Law & MBA	Premier Law & MBA	Bar Prep	National Graduate	Allied Health Undergraduate	National Undergraduate
Base Interest Index	1997 to 2001	91-Day T-Bill							
	2002 to 2008	3-Month LIBOR							
Interest Margin During Interim Status	1997 to 2000	2.50%		3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
	2000 to 2001			3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
	2002 to 2003	2.00%		2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
	2003 to 2004	2.50% - 2.75%		3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%
	2004 to 2005			3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%
	2005 to 2006			3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%
	2006 to 2008			3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%
Interest Margin During Repayment Status	1997 to 2000	2.85%		3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
	2000 to 2001			3.25%	3.25%	3.25%	3.25%	3.25%	3.25%
	2002 to 2003	2.35%		2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
	2003 to 2004	2.50% - 2.75%		3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%
	2004 to 2005			3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%
	2005 to 2006			3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%
2006 to 2008			3.50% to 3.75%	2.50% to 2.75%	3.50% to 3.75%	3.50% to 3.75%	3.50% to 3.75%	3.75% to 4.0%	
Loan Term	1997 to 2000	20 Years		15 Years	15 Years	15 Years	15 Years	15 Years	15 Years
	2000 to 2001			15 Years	15 Years	15 Years	15 Years	15 Years	15 Years
	2002 to 2003			20 Years	20 Years	15 Years	20 Years	15 Years	15 Years
	2003 to 2004			15 Years	15 Years	15 Years	15 Years	15 Years	15 Years
	2004 to 2005			15 Years	15 Years	15 Years	15 Years	15 Years	15 Years
	2005 to 2006			15 Years	15 Years	15 Years	15 Years	15 Years	15 Years
	2006 to 2008			20 Years	20 Years	15 Years	20 Years	15 Years	15 Years

**Deferment, Forbearance and Payment Plan Policies on Student Loans.** The only deferment available for a student loan is an in-school deferment, which is available if an eligible school certifies that a borrower has returned to school at least half-time. In-school deferments are now limited to a total of 3 years and the in-school period is limited to 7 years.

Forbearance is generally available on Private Loans for no more than 6 months during the first 24 months of repayment. Longer forbearance is granted only in the case of extreme hardship such as under doctor-certified care. NES also offers an interest only payment plan that is granted in 6 month increments. Beginning in December of 2008, repayment counselors were given discretion to extend the interest only payment plan term in 3 to 6 month increments to a total of 42 months. Repayment counselors were also given discretion to extend additional forbearance when needed due to unemployment and underemployment for up to 12 months. NES's objective with these policies is to get borrowers in the habit of making monthly payments on the Private Loans, especially when their FFELP loans are in forbearance and or deferment.

The program manual also provides for a graduated repayment plan, and approximately 18.2% in principal amount of the Private Loans as November 30, 2015 had elected this repayment plan. The graduated repayment plan, available upon request, provides for an interest only period for up to 24 months (but at an interest rate which is 2% per annum above then current interest rate otherwise applicable to the Private Loan), followed by amortization of principal and interest based upon the

amortization terms described under the caption “Private Loan Terms—*Loan Limits; Repayment*” below and ending on the date which was to be the original final payment date determined as described under such caption.

### **Description of the Private Loans to be Acquired by the Issuer**

The Financed Eligible Loans to be held under the Indenture consist entirely of Private Loans. Each Private Loan is unsecured and not guaranteed by any third-party, other than, in some instances, co-signers. Each such loan is required to meet the conditions of an Eligible Loan under the Indenture. In some cases, the borrower was able to obtain a reduced interest rate if he or she provided a creditworthy cosigner for the Private Loan.

Each of the Private Loans provides for the amortization of its outstanding principal balance over a series of periodic payments. Each periodic payment consists of an installment of interest which is calculated on the basis of the outstanding principal balance of the Private Loan multiplied by the applicable interest rate and further multiplied by the period elapsed (as a fraction of a calendar year) since the preceding payment of interest was made. As payments are received in respect of a Private Loan, the amount received is applied first to outstanding late fees, if collected, then to interest accrued to the date of payment and the balance is applied to reduce the unpaid principal balance. Accordingly, if a borrower pays a regular installment before its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be less than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly greater. Conversely, if a borrower pays a monthly installment after its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be greater than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly less. In either case, subject to any applicable deferment periods or forbearance periods, the borrower pays installments until the final scheduled payment date, at which time the amount of the final installment is increased or decreased as necessary to repay the then outstanding principal balance of such Private Loan.

The Private Loans were made by either PNC Bank, N.A. or University National Bank (each an “Originating Lender”) pursuant to the T.H.E. Loan Program. Approximately \$3.9 million of the Eligible Loans expected to be acquired by the Issuer were not originated under the T.H.E. Loan Program, but were originated under a loan program with substantially the same terms as the T.H.E. Loan Program. The Private Loans include loans made to graduate, professional and undergraduate students at eligible institutions. Bar examination loans were available to law students or recent law graduates to cover the cost of preparing for the bar exam and residency loans were available to medical students to finance the costs involved with obtaining and participating in required residency or postdoctoral programs.

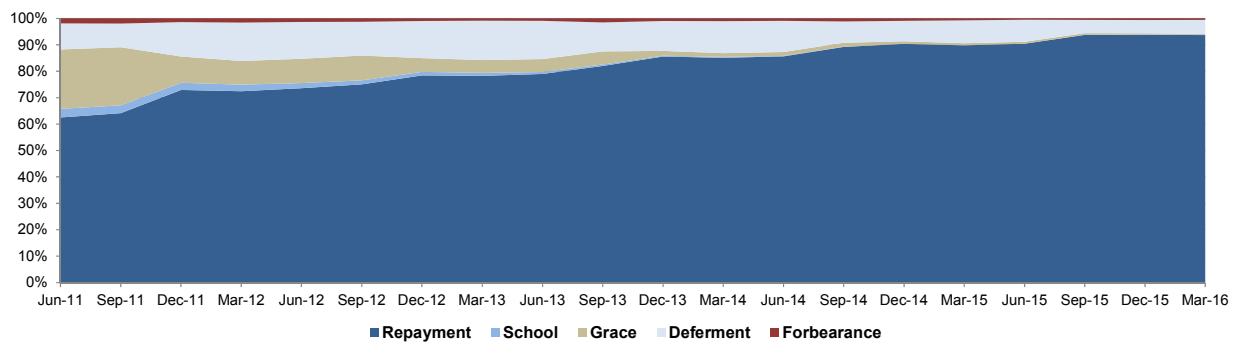
***T.H.E. Bonus Program.*** Through application of its T.H.E. Bonus Program, NEF helped borrowers reduce the cost of financing their education by providing eligible borrowers. Borrowers in active repayment and less than 60 days delinquent received a monthly credit on their loan equal to an annualized interest rate discount. The T.H.E. Bonus Program was suspended temporarily in February of 2008, and a settlement was made with borrowers, resulting in mandated, minimum benefit payments and the reinstatement of bonus benefits to eligible borrowers. The current funding source for bonus payments is from excess cash released from certain financings sponsored by NEF, which NEF is required to deposit into its Settlement Bonus Trust Account. Pursuant to the settlement, NEF reduces a qualifying borrower’s interest rate by making certain interest payments on behalf of such borrower equal to such borrower’s allocable portion of amounts in the Settlement Bonus Trust Account. The T.H.E. Bonus payment does not reduce the monthly payment otherwise required to be made by the borrower; therefore, the borrower prepays a portion of its student loan when a T.H.E. Bonus payment is made.

Other than the \$3.9 million of non-T.H.E. Loan Program loans that are eligible for an automatic debit (ACH) deposit incentive of 0.25%, there are no other payment incentives with respect to the Financed Eligible Loans. The \$3.9 million of non-T.H.E. Loan Program loans are not eligible for the T.H.E. Bonus Program. Pursuant to the T.H.E. settlement agreement, the excess cash releases to be made available for T.H.E. bonus distributions are deposited to a designated Settlement Bonus Trust Account. Such distributions will not be made from amounts pledged under the Indenture.

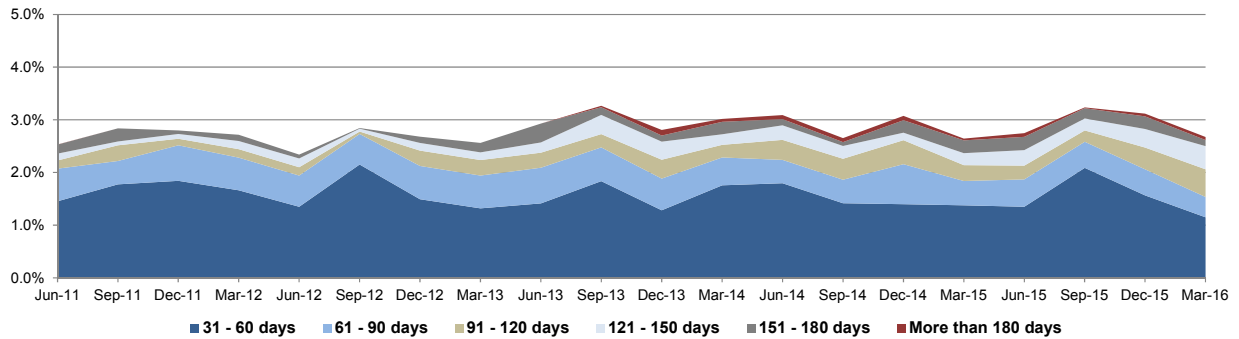
**Historical Borrower Delinquency, Borrower Status and Borrower Repayment Plan Information for NEF’s Private Loan Program**

The historical information presented immediately below with respect to borrower status history, borrower delinquency history and borrower repayment plan history is specific to the portfolio of private loans to be acquired by the Issuer in connection with the issuance of the Notes.

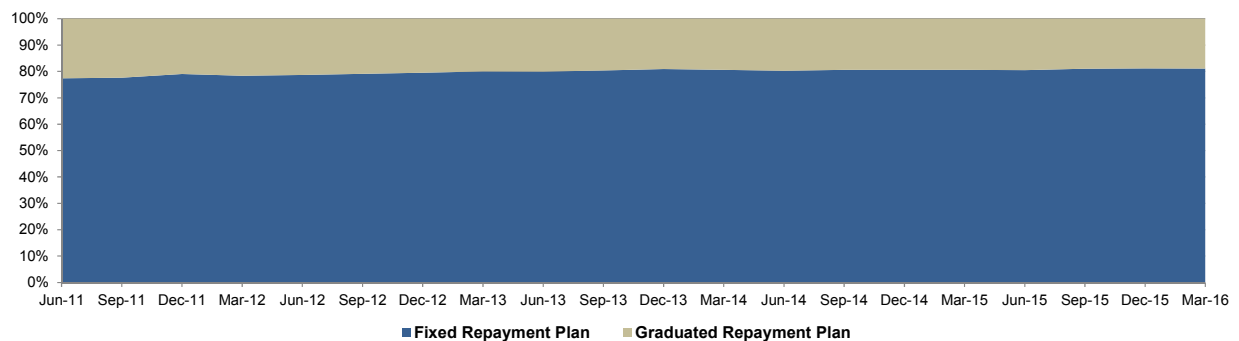
**5-Year Borrower Status History (Pledged Portfolio)**



**5-Year Delinquency History (Pledged Portfolio)**



**5-Year Borrower Repayment Plan History (Pledged Portfolio)**



## Historical Default Activity for NEF's Private Loan Program

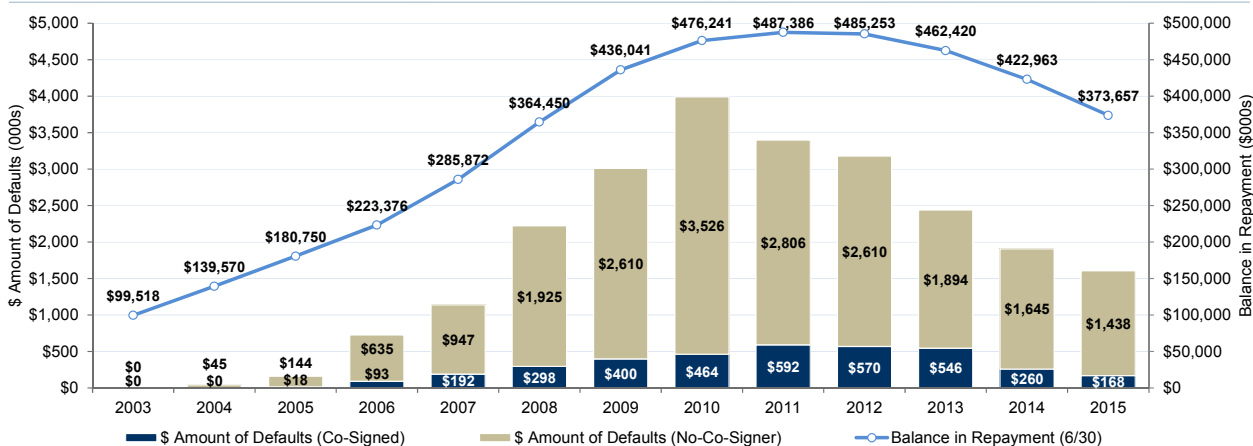
Due to various changes in eligibility and underwriting criteria over time, the historical default and recovery information presented below is based upon all private loans originated by NorthStar under its T.H.E. Loan Program beginning with the 2002-03 program year. Repayment vintages for such loans are presented for loans that entered repayment between 2004 and 2014 (calendar year basis). As shown in the charts that follow, historical default data is presented separately for co-signed and non-co-signed loans, and on a combined basis. Default rates are computed based upon the outstanding principal balance at the time the loans entered repayment status (original principal balance provided for reference only), and reflects activity through December 31, 2015. The following chart illustrates aggregate gross default activity by co-signer status for NEF's private loans originated since the 2002-03 program year:

**Cumulative Gross Default Activity: 2002-03 Program Year and Later**

Cumulative Gross Default Activity by Co-Signer Status					
Co-Signer Status	\$ Amount of Loans Entering Repayment	\$ Amount of Loans Outstanding	% of Total Loans Outstanding	Cumulative \$ Defaults Since Repayment	Cumulative % Defaults Since Repayment
Co-Signer	\$137,097,244	\$52,390,870	19.53%	\$3,601,245	2.63%
No Co-Signer	533,014,607	215,854,020	80.47%	20,361,778	3.82%
<b>Totals</b>	<b>\$670,111,851</b>	<b>\$268,244,890</b>	<b>100.00%</b>	<b>\$23,963,022</b>	<b>3.58%</b>

As shown in the chart above, the cumulative default rate to date for co-signed loans, non-co-signed loans and on a combined basis for NEF private loans originated beginning with the 2002-03 program year is 2.63%, 3.82% and 3.58%, respectively. In the chart below, aggregate gross default activity for these loans is shown on an annual basis by co-signer status:

**Annual Aggregate Gross Default History (\$000): 2002-02 Program Year and Later**

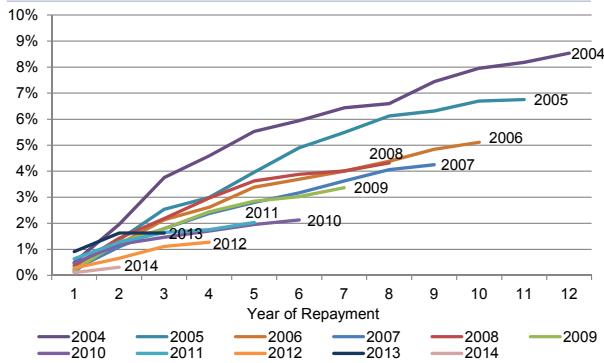


## Historical Default Activity by Repayment Vintage for NEF's Private Loan Program

In the following section additional information with respect to historical default activity is for NEF's private loans originated beginning with the 2002-03 program year is presented for all loans, co-signed loans only and non-co-signed loans only. Seasoning information for the portfolio of loans to be acquired by the Issuer in connection with the issuance of the Notes is also provided in this section. Such information provides an indication of the average length of time such loans have been in repayment.

**All Post-2002-03 Program Year Loans.** The charts below illustrate gross default activity by repayment vintage for all private loans originated by NEF beginning with the 2002-03 program year, as well as seasoning information for the portfolio of loans securing the Notes.

**Gross Default Curves by Repayment Vintage: All Post-2002 Loans**



**Loan Seasoning Study (through March 31, 2016)**

Numbers of Payments Made	Estimated Payments Made in No. of Years (based upon midpoint)	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance	Cumulative Percent of Loan by Outstanding Principal Balance
0 to 12 Payments Made	0.5	\$4,486,588	4.6%	100.0%
13 to 24 Payments Made	1.5	9,165,437	9.4%	95.4%
25 to 36 Payments Made	2.5	11,055,283	11.4%	85.9%
37 to 48 Payments Made	3.5	11,603,819	11.9%	74.6%
49 to 60 Payments Made	4.5	15,424,097	15.9%	62.6%
61 to 72 Payments Made	5.5	12,700,886	13.1%	46.7%
> 72 Payments Made	6.5	32,715,033	33.7%	33.7%
<b>Total</b>	<b>4.5</b>	<b>\$97,151,143</b>	<b>100.0%</b>	<b>N/A</b>

\*Figures are based upon loans in repayment only.

**Cumulative Gross Default Activity by Repayment Vintage and Year of Repayment: All Post-2002 Loans**

Repayment Vintage <sup>1</sup>	\$ Amount at Repayment	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Yr. 12
2004	\$6,992,029	0.49%	1.96%	3.76%	4.59%	5.53%	5.94%	6.44%	6.60%	7.44%	7.96%	8.18%	8.54%
2005	29,378,383	0.14%	1.36%	2.54%	2.99%	3.96%	4.90%	5.48%	6.13%	6.31%	6.70%	6.76%	-
2006	58,190,706	0.42%	1.20%	2.14%	2.61%	3.39%	3.69%	4.00%	4.38%	4.84%	5.11%	-	-
2007	119,906,847	0.23%	1.09%	1.80%	2.37%	2.80%	3.17%	3.63%	4.06%	4.25%	-	-	-
2008	125,088,019	0.36%	1.43%	2.18%	2.97%	3.63%	3.88%	4.01%	4.32%	-	-	-	-
2009	116,400,780	0.20%	1.28%	1.79%	2.44%	2.85%	3.03%	3.36%	-	-	-	-	-
2010	71,467,184	0.46%	1.20%	1.47%	1.70%	1.95%	2.13%	-	-	-	-	-	-
2011	65,915,500	0.64%	1.27%	1.65%	1.75%	2.03%	-	-	-	-	-	-	-
2012	43,372,826	0.28%	0.66%	1.11%	1.27%	-	-	-	-	-	-	-	-
2013	23,038,680	0.91%	1.63%	1.63%	-	-	-	-	-	-	-	-	-
2014	10,096,337	0.11%	0.31%	-	-	-	-	-	-	-	-	-	-
<b>Cumulative<sup>2</sup></b>	<b>\$669,847,291</b>	<b>0.36%</b>	<b>1.22%</b>	<b>1.83%</b>	<b>2.31%</b>	<b>2.75%</b>	<b>2.99%</b>	<b>3.21%</b>	<b>3.41%</b>	<b>3.51%</b>	<b>3.56%</b>	<b>3.57%</b>	<b>3.57%</b>
<b>\$ Wtd. Avg.<sup>3</sup></b>		<b>0.36%</b>	<b>1.22%</b>	<b>1.85%</b>	<b>2.36%</b>	<b>2.94%</b>	<b>3.36%</b>	<b>3.88%</b>	<b>4.44%</b>	<b>4.80%</b>	<b>5.81%</b>	<b>7.03%</b>	<b>8.54%</b>

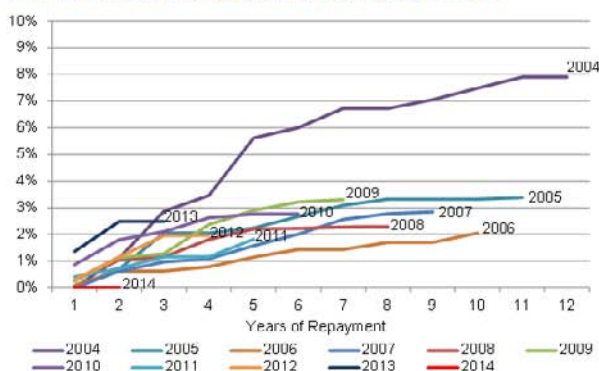
<sup>1</sup> Excludes the 2003 repayment vintage, which is less than \$300,000; <sup>2</sup> Cumulative default rate for all loans through the indicated year of repayment, as a percentage of the initial balance of all loans entering repayment. <sup>3</sup> Dollar-weighted average default rate by year of repayment, based upon those repayment vintages with applicable data.

As shown in the charts above, on an aggregate basis cumulative gross defaults since inception for NEF private loans originated beginning with the 2002-03 program year total 3.57%, as measured by cumulative dollars defaulted through December 31, 2015 divided by the aggregate principal amount that entered repayment. Cumulative default rates for individual repayment vintages, also through December 31, 2015, range from 0.31% for the 2014 repayment vintage to 8.54% for the 2004 repayment vintage. From a seasoning perspective, 62.6% of the Financed Eligible Loans have made at least 48 payments, representing an estimated weighted average seasoning level of 4.5 years.

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**Co-Signed Post-2002-03 Program Year Loans.** The charts below illustrate gross default activity by repayment vintage for co-signed loans originated by NEF beginning with the 2002-03 program year, as well as seasoning information for the co-signed portion of the portfolio of loans securing the Notes.

**Gross Default Curves by Repayment Vintage: Co-Signed Loans**



**Loan Seasoning Study (through March 31, 2016)**

Numbers of Payments Made	Estimated Payments Made in No. of Years (based upon midpoint)	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance	Cumulative Percent of Loan by Outstanding Principal Balance
0 to 12 Payments Made	0.6	\$866,886	4.3%	100.0%
13 to 24 Payments Made	1.6	1,459,948	9.0%	95.7%
25 to 36 Payments Made	2.6	1,524,181	17.7%	80.0%
37 to 48 Payments Made	3.6	1,040,417	42.0%	73.0%
49 to 60 Payments Made	4.6	2,832,335	19.1%	60.4%
61 to 72 Payments Made	6.6	2,099,741	13.9%	41.3%
> 72 Payments Made	8.6	4,164,890	27.5%	27.5%
<b>Total</b>	<b>4.3</b>	<b>\$15,150,936</b>	<b>100.0%</b>	<b>N/A</b>

<sup>1</sup> Figures are based upon a loan in repayment only.

**Cumulative Gross Default Activity by Repayment Vintage and Year of Repayment: Post-2002 Co-Signed Loans**

Repayment Vintage <sup>1</sup>	\$ Amount at Repayment	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Yr. 12
2004	\$1,590,283	0.00%	1.12%	2.87%	3.45%	5.61%	6.00%	6.72%	6.72%	7.04%	7.48%	7.90%	7.90%
2005	7,039,707	0.00%	0.71%	2.05%	2.05%	2.24%	2.67%	3.09%	3.32%	3.32%	3.38%	3.38%	-
2006	16,411,321	0.09%	0.63%	0.63%	0.78%	1.15%	1.44%	1.44%	1.70%	1.70%	2.05%	-	-
2007	30,233,452	0.00%	0.62%	0.97%	1.08%	1.57%	2.00%	2.56%	2.77%	2.84%	-	-	-
2008	26,776,502	0.28%	1.04%	1.16%	1.81%	2.20%	2.22%	2.28%	2.29%	-	-	-	-
2009	19,997,429	0.24%	1.13%	1.28%	2.37%	2.89%	3.21%	3.29%	-	-	-	-	-
2010	12,172,656	0.86%	1.80%	2.11%	2.62%	2.76%	2.76%	-	-	-	-	-	-
2011	10,165,812	0.41%	0.73%	1.16%	1.16%	1.82%	-	-	-	-	-	-	-
2012	7,168,202	0.30%	1.16%	1.95%	1.95%	-	-	-	-	-	-	-	-
2013	3,230,647	1.36%	2.48%	2.48%	-	-	-	-	-	-	-	-	-
2014	1,220,348	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-
<b>Cumulative<sup>2</sup></b>	<b>\$137,007,358</b>	<b>0.26%</b>	<b>0.98%</b>	<b>1.29%</b>	<b>1.67%</b>	<b>2.08%</b>	<b>2.28%</b>	<b>2.46%</b>	<b>2.55%</b>	<b>2.57%</b>	<b>2.62%</b>	<b>2.63%</b>	<b>2.63%</b>
<b>\$ Wtd. Avg.<sup>3</sup></b>		<b>0.26%</b>	<b>0.98%</b>	<b>1.30%</b>	<b>1.67%</b>	<b>2.09%</b>	<b>2.37%</b>	<b>2.55%</b>	<b>2.52%</b>	<b>2.68%</b>	<b>2.75%</b>	<b>4.21%</b>	<b>7.90%</b>

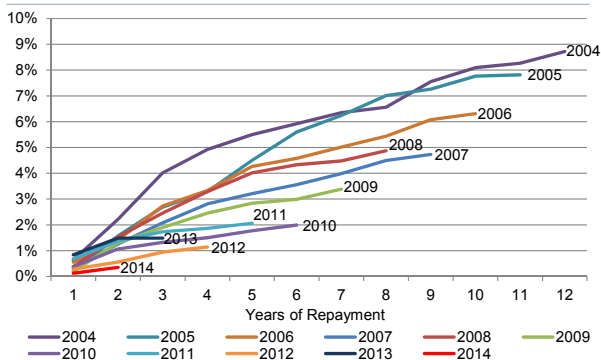
<sup>1</sup> Excludes the 2003 repayment vintage, which is less than \$100,000; <sup>2</sup> Cumulative default rate for all loans through the indicated year of repayment, as a percentage of the initial balance of all loans entering repayment. <sup>3</sup> Dollar-weighted average default rate by year of repayment, based upon those repayment vintages with applicable data.

As shown in the charts above, on an aggregate basis cumulative gross defaults since inception for co-signed NEF private loans originated beginning with the 2002-03 program year total 2.63%, as measured by cumulative dollars defaulted through December 31, 2015 divided by the aggregate principal amount that entered repayment. Cumulative default rates for individual repayment vintages, also through December 31, 2015, range from 0.0% for the 2014 repayment vintage to 7.90% for the 2004 repayment vintage. From a seasoning perspective, 60.4% of the Financed Eligible Loans have made at least 48 payments, representing an estimated weighted average seasoning level of 4.3 years.

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**Non-Co-Signed Post-2002-03 Program Year Loans.** The charts below illustrate gross default activity by repayment vintage for non-co-signed loans originated by NEF beginning with the 2002-03 program year, as well as seasoning information for the non-co-signed portion of the portfolio of loans securing the Notes.

**Gross Default Curves by Repayment Vintage: Non-Cosigned Loans**



**Loan Seasoning Study (through March 31, 2016)**

Numbers of Payments Made	Estimated Payments Made in No. of Years (based upon midpoint)	Outstanding Principal Balance	Percentage of Loans by Outstanding Principal Balance	Cumulative Percent of Loan by Outstanding Principal Balance
0 to 12 Payments Made	0.5	\$3,830,922	4.7%	100.0%
13 to 24 Payments Made	1.5	7,705,489	9.4%	95.3%
25 to 36 Payments Made	2.5	9,125,677	11.1%	85.9%
37 to 48 Payments Made	3.5	9,654,702	11.8%	74.8%
49 to 60 Payments Made	4.5	12,531,759	15.3%	63.0%
61 to 72 Payments Made	5.5	10,601,175	12.9%	47.7%
> 72 Payments Made	6.5	28,550,422	34.8%	34.8%
<b>Total</b>	<b>4.5</b>	<b>\$82,000,146</b>	<b>100.0%</b>	<b>N/A</b>

\*Figures are based upon loans in repayment only.

**Cumulative Gross Default Activity by Repayment Vintage and Year of Repayment: Post-2002 Non-Co-Signed Loans**

Repayment Vintage <sup>1</sup>	\$ Amount at Repayment	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Yr. 12
2004	\$5,401,747	0.64%	2.21%	4.02%	4.92%	5.50%	5.92%	6.35%	6.56%	7.55%	8.10%	8.27%	8.72%
2005	22,338,676	0.19%	1.57%	2.69%	3.29%	4.50%	5.60%	6.24%	7.01%	7.26%	7.76%	7.82%	-
2006	41,779,385	0.55%	1.43%	2.73%	3.33%	4.27%	4.58%	5.01%	5.44%	6.08%	6.31%	-	-
2007	89,673,395	0.31%	1.25%	2.08%	2.81%	3.21%	3.56%	3.99%	4.49%	4.73%	-	-	-
2008	98,311,517	0.38%	1.53%	2.46%	3.29%	4.02%	4.33%	4.48%	4.87%	-	-	-	-
2009	96,403,351	0.19%	1.31%	1.90%	2.45%	2.84%	2.99%	3.38%	-	-	-	-	-
2010	58,293,528	0.38%	1.06%	1.32%	1.50%	1.77%	1.99%	-	-	-	-	-	-
2011	55,749,688	0.68%	1.37%	1.74%	1.86%	2.07%	-	-	-	-	-	-	-
2012	36,204,623	0.28%	0.56%	0.94%	1.14%	-	-	-	-	-	-	-	-
2013	19,808,034	0.84%	1.49%	1.49%	-	-	-	-	-	-	-	-	-
2014	8,875,989	0.12%	0.35%	-	-	-	-	-	-	-	-	-	-
<b>Cumulative<sup>2</sup></b>	<b>\$532,839,933</b>	<b>0.38%</b>	<b>1.29%</b>	<b>1.97%</b>	<b>2.47%</b>	<b>2.92%</b>	<b>3.17%</b>	<b>3.40%</b>	<b>3.63%</b>	<b>3.76%</b>	<b>3.80%</b>	<b>3.81%</b>	<b>3.81%</b>
<b>\$ Wtd. Avg.<sup>3</sup></b>		<b>0.38%</b>	<b>1.29%</b>	<b>1.99%</b>	<b>2.55%</b>	<b>3.17%</b>	<b>3.63%</b>	<b>4.26%</b>	<b>5.05%</b>	<b>5.53%</b>	<b>6.92%</b>	<b>7.91%</b>	<b>8.72%</b>

<sup>1</sup> Excludes the 2003 repayment vintage, which is less than \$200,000; <sup>2</sup> Cumulative default rate for all loans through the indicated year of repayment, as a percentage of the initial balance of all loans entering repayment. <sup>3</sup> Dollar-weighted average default rate by year of repayment, based upon those repayment vintages with applicable data.

As shown in the charts above, on an aggregate basis cumulative gross defaults since inception for co-signed NEF private loans originated beginning with the 2002-03 program year total 3.81%, as measured by cumulative dollars defaulted through December 31, 2015 divided by the aggregate principal amount that entered repayment. Cumulative default rates for individual repayment vintages, also through December 31, 2015, range from 0.35% for the 2014 repayment vintage to 8.72% for the 2004 repayment vintage. From a seasoning perspective, 63.0% of the Financed Eligible Loans have made at least 48 payments, representing an estimated weighted average seasoning level of 4.5 years.

### Historical Prepayment Information for NEF's Private Loan Program

Both the FFELP Loan and Private Loan components of NEF's student loan portfolio have experienced higher prepayments during the past several years. Based on NEF's internal analysis of borrowers prepayment activity, NEF discovered that many borrowers had begun to make payments significant higher than required under their applicable repayment plan. NEF observes that the population of borrowers making significant prepayments is heavily weighted toward those who attended medical school. NEF believes this behavior is consistent with the natural cycle of medical school borrowers, who generally defer interest during the relative low-income residency period and experience a significant increase in annual income upon entering professional practice.

In addition, amounts credited to borrower accounts under the T.H.E. Bonus Program have been increasing due to an increase in excess spread released from NEF's FFELP Master Trust. Since T.H.E.



Bonus payments do not reduce the monthly payment otherwise required to be made by the borrower, the borrower effectively prepays a portion of its loan whenever a T.H.E. Bonus payment is made.

NEF currently finances Private Loans under three separate financing trusts as follows: (i) the Series 2006-A Trust, (ii) the Series 2011-A-L Trust, and (iii) the Series 2012A Trust. The Private Loans currently financed under the Series 2011-A-L Trust and the Series 2012A Trust will be acquired by the Issuer in connection with the issuance of the Notes, and represent the Financed Eligible Loans. None of the Private Loans currently financed under the Series 2006-A Trust will become Financed Eligible Loans.

Prepayment data for the Private Loan financed under the Series 2011-A-L Trust and Series 2012A Trust (on a combined basis), for the Series 2006-A Trust and for all of NEF's Private Loans on a combined basis is presented below:

NEF Series 2011-A-L Trust and Series 2012A Trust (on a combined basis)														
	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16
Outstanding Principal Balance (\$)	\$143,080,646	\$140,406,456	\$137,898,630	\$136,060,270	\$134,434,454	\$131,663,341	\$128,641,204	\$126,244,126	\$123,510,405	\$120,328,833	\$117,185,217	\$114,178,490	\$110,619,003	\$106,968,499
Weighted Average Coupon (%)	3.26%	3.17%	3.13%	3.11%	3.11%	3.11%	3.09%	3.09%	3.07%	3.07%	3.12%	3.12%	3.15%	3.15%
Weighted Average Maturity (months)	208	206	204	202	199	197	195	193	190	188	185	183	180	178
Periodic Decline in Outstanding Principal Balance (\$)		\$2,674,190	\$2,507,826	\$1,838,360	\$1,625,815	\$2,771,114	\$3,022,137	\$2,397,076	\$2,733,721	\$3,181,572	\$3,143,616	\$3,006,727	\$3,559,487	\$3,650,504
Scheduled Outstanding Principal Balance from Prior Quarter	\$141,538,287	\$138,851,267	\$136,346,318	\$134,505,810	\$132,878,497	\$130,119,819	\$127,100,926	\$124,712,281	\$121,989,193	\$118,816,718	\$115,699,679	\$112,700,591	\$109,170,757	
Estimated Prepayments (\$)	\$1,131,831	\$952,637	\$286,049	\$71,356	\$1,215,156	\$1,478,615	\$856,800	\$1,201,876	\$1,660,360	\$1,631,501	\$1,521,189	\$2,081,588	\$2,202,258	
Periodic Prepayment Rate (%) <sup>1</sup>		3.16%	2.72%	0.84%	0.21%	3.61%	4.47%	2.67%	3.90%	5.33%	5.38%	5.16%	7.19%	7.83%
Months Since December 31, 2012		3	6	9	12	15	18	21	24	27	30	33	36	39
Scheduled Decline in Outstanding Balance Since 12/31/12	\$141,538,287	\$139,983,329	\$138,415,670	\$136,835,206	\$135,241,833	\$133,635,443	\$132,015,933	\$130,383,194	\$128,737,117	\$127,077,596	\$125,404,518	\$123,717,775	\$122,017,253	
Cumulative Prepayment Rate Since 12/31/12 (%) <sup>1</sup>		3.16%	2.96%	2.26%	1.75%	2.12%	2.51%	2.52%	2.67%	2.96%	3.19%	3.35%	3.66%	3.97%

NEF Series 2006-A Trust														
	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16
Outstanding Principal Balance (\$)	\$359,742,363	\$348,611,530	\$338,723,558	\$329,368,747	\$318,552,572	\$307,639,292	\$296,785,271	\$286,907,637	\$276,558,104	\$265,466,130	\$254,820,282	\$244,112,565	\$233,025,400	\$222,069,885
Weighted Average Coupon (%)	3.31%	3.23%	3.20%	3.17%	3.17%	3.16%	3.15%	3.14%	3.12%	3.12%	3.17%	3.16%	3.19%	3.20%
Weighted Average Maturity (months)	167	165	164	162	161	159	157	156	154	152	151	150	148	147
Periodic Decline in Outstanding Principal Balance (\$)		\$11,130,833	\$9,887,972	\$9,354,811	\$10,816,175	\$10,913,280	\$10,854,021	\$9,877,633	\$10,349,533	\$11,091,974	\$10,645,848	\$10,707,717	\$11,087,165	\$10,955,514
Scheduled Outstanding Principal Balance from Prior Quarter	\$354,630,897	\$343,554,876	\$333,723,241	\$324,460,632	\$313,731,332	\$302,910,777	\$292,182,310	\$282,385,978	\$272,159,535	\$261,175,206	\$250,648,409	\$240,082,655	\$229,154,287	
Estimated Prepayments (\$)	\$6,019,367	\$4,831,318	\$4,354,494	\$5,908,061	\$6,092,040	\$6,125,506	\$5,274,672	\$5,827,873	\$6,693,405	\$6,354,924	\$6,535,844	\$7,057,255	\$7,084,402	
Periodic Prepayment Rate (%) <sup>1</sup>		6.62%	5.81%	5.12%	7.09%	7.54%	7.85%	7.03%	8.00%	9.48%	9.38%	10.03%	11.25%	11.80%
Months Since December 31, 2012		3	6	9	12	15	18	21	24	27	30	33	36	39
Scheduled Decline in Outstanding Balance Since 12/31/12	\$354,630,897	\$349,477,044	\$344,280,451	\$339,040,764	\$333,757,627	\$328,430,677	\$323,059,553	\$317,643,888	\$312,183,312	\$306,677,453	\$301,125,936	\$295,528,382	\$289,884,408	
Cumulative Prepayment Rate Since 12/31/12 (%) <sup>1</sup>		6.62%	6.06%	5.73%	6.04%	6.31%	6.53%	6.56%	6.69%	6.95%	7.14%	7.35%	7.62%	7.87%

All NEF Private Loans														
	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16
Outstanding Principal Balance (\$)	\$502,823,008	\$489,017,986	\$476,622,188	\$465,429,016	\$452,987,026	\$439,302,833	\$425,426,475	\$413,151,763	\$400,068,509	\$385,794,963	\$372,005,499	\$358,291,055	\$343,644,403	\$329,038,385
Weighted Average Coupon (%)	3.29%	3.21%	3.18%	3.15%	3.15%	3.15%	3.13%	3.12%	3.10%	3.10%	3.15%	3.15%	3.18%	3.18%
Weighted Average Maturity (months)	179	177	175	174	172	170	168	167	165	163	162	160	158	157
Periodic Decline in Outstanding Principal Balance (\$)		\$13,805,023	\$12,395,798	\$11,193,171	\$12,441,990	\$13,684,393	\$13,876,158	\$12,274,712	\$13,083,254	\$14,273,546	\$13,789,464	\$13,714,444	\$14,646,652	\$14,606,018
Scheduled Outstanding Principal Balance from Prior Quarter	\$496,221,354	\$482,464,136	\$470,170,782	\$459,025,917	\$446,708,248	\$433,124,407	\$419,346,886	\$407,201,741	\$394,212,578	\$380,061,351	\$366,413,171	\$352,082,280	\$338,367,541	
Estimated Prepayments (\$)	\$7,203,368	\$5,841,949	\$4,741,765	\$6,038,891	\$7,405,615	\$7,697,932	\$6,195,122	\$7,133,232	\$8,417,615	\$8,055,853	\$8,122,116	\$9,217,877	\$9,329,157	
Periodic Prepayment Rate (%) <sup>1</sup>		5.68%	4.76%	3.97%	5.16%	6.47%	6.92%	6.78%	6.83%	8.27%	8.21%	8.58%	10.05%	10.58%
Months Since December 31, 2012		3	6	9	12	15	18	21	24	27	30	33	36	39
Scheduled Decline in Outstanding Balance Since 12/31/12	\$496,221,354	\$489,565,187	\$482,854,050	\$476,087,514	\$469,265,096	\$462,386,343	\$455,450,790	\$448,457,968	\$441,407,404	\$434,298,622	\$427,131,139	\$419,904,473	\$412,618,134	
Cumulative Prepayment Rate Since 12/31/12 (%) <sup>1</sup>		5.68%	5.22%	4.78%	4.85%	5.14%	5.40%	5.42%	5.55%	5.81%	6.01%	6.19%	6.46%	6.73%

<sup>1</sup> Single Month Mortality (SMM) method.

As shown in the tables above, periodic prepayment rates for the Private Loans financed under the Series 2011-A-L Trust and Series 2012A Trust (on a combined basis) have ranged between 0.21% and 7.83% between January 1, 2013 and March 31, 2016. The average periodic prepayment rate during this period is 4.03%, and the cumulative prepayment rate during this period is 3.97%. Also as shown above, periodic prepayment rates for the Private Loans financed under the Series 2006-A Trust have ranged between 5.12% and 11.80% during this same period. The average periodic prepayment rate for the Series 2006-A Private Loans during this period is 8.21%, and the cumulative prepayment rate during this period is 7.87%. The higher observed prepayment rates for the Series 2006-A pool compared to the Series 2011/2012 pool is to be expected, since the 2006-A pool is more seasoned, and borrowers are more likely to be in a position to make larger payments.

On an aggregate basis, taking into account all NEF Private Loans financed under the aforementioned financing Trusts, periodic prepayment rates have ranged from 3.97% to 10.58% between January 1, 2013 and March 31, 2016. The average periodic prepayment rate during this period is 7.02%, and the cumulative prepayment rate during this period is 6.73%.

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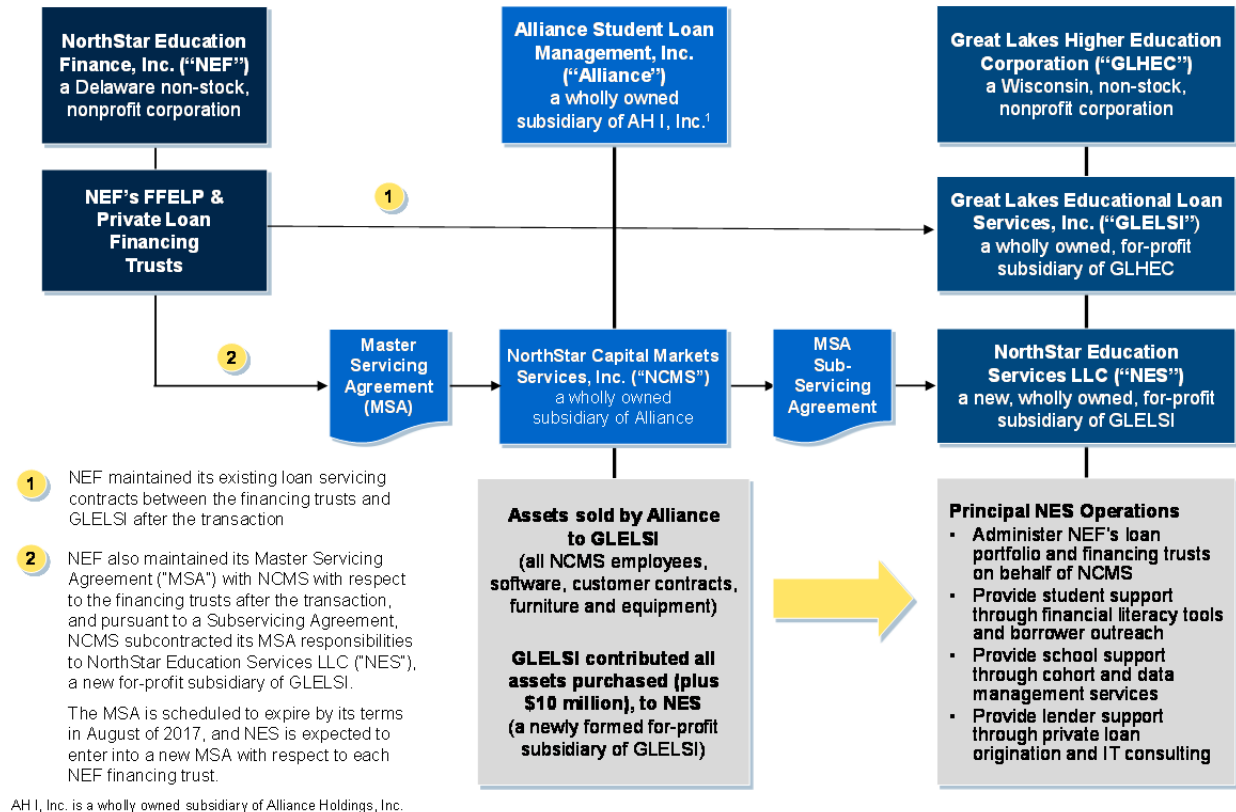
## APPENDIX C

### ADDITIONAL INFORMATION REGARDING THE SUB-MASTER SERVICER AND SUB-ADMINISTRATOR

*The following information has been furnished by Northstar Education Services LLC (“NES”) for use in this Offering Memorandum. The Issuer does not guarantee or make any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of NES subsequent to the date hereof.*

Pursuant to the terms of a Master Servicing Agreement between NEF and Northstar Capital Markets Services, Inc. (“NCMS”) dated August 27, 2010 (the “Master Servicing Agreement”), NCMS will maintain such agreement with NEF and the Issuer, and remain responsible for its obligations thereunder, but will subcontract all of its duties and obligations thereunder to NES, who will act as the Sub-Master Servicer and Sub-Administrator for the Issuer and the Notes.

NES is a Wisconsin limited liability company, and wholly-owned subsidiary of GLELSI, the initial Servicer of the Financed Eligible Loans. On October 1, 2012, NCMS sold a majority of its intellectual property, existing customer contacts, furniture and equipment to NES. In conjunction with the sale, all of the employees of NCMS became employees of NES. A summary of the transaction that led to the creation of NES and its agreement to administer NEF and its financing activities follows:



NEF formed Northstar Capital Markets Services, Inc. (“NCMS”), a Delaware for-profit business corporation, as a wholly owned subsidiary in January of 2000, and thereupon transferred substantially all of its employees to NCMS to carry out the affairs of NEF. In August of 2010 NEF sold all of its interests

in NCMS to Alliance Student Loan Management, Inc., a subsidiary of Alliance Holdings, and simultaneously entered into a 7-year agreement with NCMS to manage its student loan business. In October of 2012 NCMS sold a majority of its intellectual property, existing customer contacts, furniture and equipment to GLELSI. In connection with the sale, NCMS executed a subservicing agreement with GLELSI, which GLELSI transferred to NES, a newly formed for-profit subsidiary. In connection with the sale, all NCMS employees became employees of NES.

In addition to performing its master servicing and administration responsibilities under the Subservicing Agreement, NES offers consulting services for loan origination systems, a variety of financial literacy and debt management products and services using a combination of web-based technologies, proven processes and experienced loan professionals working to support the needs of student-borrowers. NES’s proprietary web-based financial literacy products include FinancialAidReady, GradReady and RepayReady, which provide end-to-end solutions that improve cohort default rates by offering outreach services to schools and tools and support to students to successfully finance and repay their education debt.

NES currently has 38 employees (FTE’s), all of whom are located at GLELSI’s call center location in Eagan, MN. A breakdown of NES’s employees by function is provided below:

- 16 master servicing and administration;
- 11 customer service;
- 8 technology and product development; and
- 3 administration

Each member of the NES senior management team listed below held the equivalent position at NCMS prior to its sale to GLELSI.

**NES Senior Management Team**

Name	Title / Position	Age	Experience
Taige P. Thornton	President and Chief Executive Officer	63	38 years
Kate Seifert	Vice President of Finance and Controller	53	28 years
Thomas Dixon	Chief Information Officer	56	33 years
Robert C. Forbrook	Vice President, Default Aversion & Collections	52	27 years
Lisa R. Parker	Assistant Vice President, Customer Service	53	27 years

As shown in the table above, the members of the NES senior management team have 31 years of relevant experience, on average.

**Master Servicing and Administration Duties Performed by NES**

Pursuant to the terms of an Amended & Restated Subservicing Agreement dated as of October 25, 2012 among NCMS, NES and GLELSI (the “Subservicing Agreement”), NES is responsible for performing all of the obligations of NCMS under the Master Servicing Agreement. Pursuant to the Subservicing Agreement, GLELSI guarantees the performance of the duties of NES. Pursuant to a First Supplement to the Subservicing Agreement by and among NES, NCMS and GLELSI to be entered into in connection with the issuance of the Notes, NES will be appointed as Sub-Master Servicer and Sub-Administrator with respect to the Notes. Pursuant to the First Supplement to the Subservicing Agreement, GLELSI’s obligation to guaranty the performance of the duties of NES thereunder be extended to include the duties and responsibilities of NES with respect to the Notes.

Pursuant to the Master Servicing Agreement and Subservicing Agreement, NES (on behalf of NCMS) will oversee the servicing of NEF's student loan portfolio by GLELSI, and in connection therewith perform the following duties:

- Provide both monthly and quarterly information and reports on the performance of the NEF loan portfolio (including defaults, consolidations, prepayments and similar performance data) and general student loan industry opportunities and considerations;
- Answer questions regarding, and provide support for, the accounting and finance operations of NEF;
- Provide such information and reports related to NES's performance under the MSA as NEF may deem necessary or helpful in connection with providing oversight and supervision of NES's performance;
- Participate in quarterly conference calls to review performance of the NEF Loan Portfolio and to discuss certification activities;
- Provide NCMS with copies of all reports and documentation submitted by NES to NEF; and
- Provide a quarterly Executive Officer's certification that all duties under the Master Servicing Agreement are being met.

Pursuant to the Master Servicing Agreement and Subservicing Agreement, NES (on behalf of NCMS) will provide administration and support for NEF's student loan program as follows:

- Collection, deposit, investment, disbursement and reporting of cash generated or used in the operation of NEF's student loan programs and the investment and management of all funds;
- Collection of delinquent and defaulted private student loan accounts in compliance with all applicable law, including commencement and prosecution of litigation, which may include the use of third party agencies or outside counsel;
- Processing, storing and safekeeping of student loan documents and electronic data related thereto, maintenance of a disaster recovery plan with remote storage of computer software, data and student loan documents, and provision for offsite computer services;
- Overseeing and managing NEF's servicing relationship and contract with GLELSI;
- Making reasonable efforts to assist in obtaining funding for NEF's student lending program, through securitization or otherwise and if such funding is obtained, assisting in implementing such funding arrangements;
- Managing NEF's loan portfolio and other expenses of NEF in a manner designed to maximize the amount of the T.H.E. Bonus payments;
- Developing and maintaining advanced information technology platforms to comprehensively administer NEF's student loans, protect the confidentiality of customer information and facilitate student borrower repayment and other interactions with NEF;
- Providing to borrowers with education programs aimed at increasing financial literacy and reducing the burden of student loan debt;
- Providing staffing to counsel borrowers about managing their student loan debt and assisting borrowers of private loans that become delinquent in bringing their loans current;
- Providing comprehensive default aversion and collection services for NEF private student loans;
- Performing all of NEF's obligations under all of its agreements related to its student loan program.

## **Debt Management/Default Aversion Program**

Pursuant to the Subservicing Agreement, additional collection activities are undertaken by NES and a third-party collection agency. NCMS began in-house collection activities on Private Loans in July of 2003 to supplement the efforts of GLELSI with the creation of the Debt Management Department. Pursuant to the Subservicing Agreement, NCMS has delegated its duties and responsibilities under the Master Servicing Agreement to NES, including the additional collection activities. See the caption “THE STUDENT LOAN OPERATIONS OF NORTHSTAR STUDENT LOAN TRUST III” in this Official Statement. NES’s Debt Management Department is comprised of six employees, all of whom were part of the NCMS Debt Management Department. The following description of the collection activities of NES and the third-party collection agency is NEF’s policy as of the date of this Offering Memorandum and is subject to change over time.

***Default Aversion/Default Management Procedures.*** NES’s pre- and post-default activities are generally divided into three phases, generally based on the payment status of the student loan. The phases include (a) student loans that have not entered into repayment; (b) student loans that are delinquent, but have not reached 180 days delinquency, and (c) defaulted student loans.

***Student Loans Prior to Repayment.*** NES has created a web-based debt management tool, RepayReady, which is made available to borrowers to organize their debt and adopt repayment strategies. Borrowers are contacted 60 days prior to the beginning of repayment and encouraged to use RepayReady. NES personnel take a financial counseling approach to assist borrowers by helping them to use all the tools available to be able to consistently make monthly payments on their student loans.

***Student Loans Between One and 180 Days Delinquent.*** Delinquent student loan accounts are referred to the Default Aversion/Default Management Department beginning on the first day of delinquency. Attempts to contact these borrowers are generally made before the 16th day through a series of letters, email and telephone calling campaigns. The telephone calls are placed during normal business hours, evening hours, and on Saturdays. The letters are all personalized with hand addressed and stamped envelopes and specific information about the borrower’s loan. If the Debt Management Department does not have good address or telephone information for the borrower, NES utilizes a subscription skip-tracing service to attempt to find the borrower. GLELSI reports a loan as delinquent to all three credit bureaus when it becomes 60 or more days delinquent.

***Student Loans that become 180 Days Delinquent.*** GLELSI provides NES a list of loans which reach 180 days past due. Based on an agreed-upon arrangement, NES reviews the list and instructs GLELSI which loans to default. Defaulted student loans are placed with the litigation department of a collection agency, and if the borrower’s location is known, a collection lawsuit is commenced as soon as possible. For loans held back from default status, additional default aversion activities are performed by NES, which may include compromising negotiations with the borrower (and cosigner, if applicable). Any subsequent collections or recoveries are delivered to the Trustee for deposit in the Collection Fund under the Indenture.

All requests from borrowers for compromise where NEF is asked to accept less than the full amount owing as payment in full must be submitted to NES for consideration. All such requests are reviewed by the head of the Debt Management Department. New credit reports are pulled for review. As a matter of general policy, requests for compromise at less than 80% of the full amount owing are rejected. If the borrower has seriously derogatory credit such that recovery of 80% is unlikely, efforts will be made to recover at least the amount advanced on the loan and the situation will be reviewed on a case-by-case basis.

**Basic and Supplemental Due Diligence Schedules.** In connection with the loan servicing procedures performed by GLELSI and the default aversion / default management procedures performed by NES, the following operations are conducted by GLELSI and NES:

- Once a loan becomes delinquent, GLELSI performs the minimum due diligence procedures set forth in the table below (see table below, left side); and
- Simultaneously, NES performs the additional, minimum due diligence procedures set forth in the table below (see table below, right side)

GLELSI Due Diligence Procedures			NES Supplemental Due Diligence Procedures		
Days Delinquent	Borrower Due Diligence Activity	Co-Signer (if any) Due Diligence Activity	Days Delinquent	Borrower Due Diligence Activity	Co-Signer (if any) Due Diligence Activity
Days 1 - 15	One Past Due Letter	N/A	Days 1 - 15	One Past Due Letter	N/A
Days 16 to 60	One Past Due Letter Two Phone Contacts (Four Attempts)	One Phone Contact Attempt	Days 16 to 29	Two Past Due Letters Two Phone Contact Attempts	Two Past Due Letters Two Phone Contact Attempts
Days 61 to 90	One Past Due Letter	N/A	Days 30 to 59	Two Past Due Letters Two Phone Contact Attempts	Two Past Due Letters Two Phone Contact Attempts
Days 91 to 120	One Past Due Letter	One Past Due Letter	Days 60 to 89	Two Past Due Letters Two Phone Contact Attempts One E-Mail	Two Past Due Letters Two Phone Contact Attempts
Days 121 to 150	One Past Due Letter	One Past Due Letter	Days 90 to 119	Two Past Due Letters Two Phone Contact Attempts One E-Mail	Two Past Due Letters Two Phone Contact Attempts
Day 151	Final Demand Letter	Final Demand Letter	Days 120 to 149	Two Past Due Letters Two Phone Contact Attempts One E-Mail	Two Past Due Letters Two Phone Contact Attempts
Day 180	<i>GLELSI provides NES with a list of loans which have reached 180 days past due. NES reviews such list and instructs GLELSI which loans to place into default. Loans in default status are placed with a collection agency, and if the borrower's location is known, a collection lawsuit is commenced as soon as possible</i>		Days 150 - 180	Two Past Due Letters Two Phone Contact Attempts One E-Mail	Two Past Due Letters Two Phone Contact Attempts
As Necessary	Skiptracing activities for the Borrower are commenced	Skiptracing activities for the Co-Signer are commenced	Days 181+	For loans held back from default status by GLELSI, additional default aversion activities are performed by NES, which may include compromise negotiations with the Borrower (and Co-Signer, if applicable).	
As Necessary	Skiptracing activities for the Borrower are commenced	Skiptracing activities for the Co-Signer are commenced	As Necessary	Skiptracing activities for the Borrower are commenced	Skiptracing activities for the Co-Signer are commenced

NES utilizes Accruint<sup>®</sup> on-line skip-tracing technology, credit bureau reports and real time access to GLELSI's system as its primary tools in conducting its collection activities.

### Backup Loan Servicing and Backup Master Servicing

**Backup Loan Servicing.** The Indenture for the Notes will provide that, upon the occurrence of an event of default with respect to the Servicer (or if the Servicer notifies the Issuer that it will no longer perform the duties of Servicer), the Trustee shall either: (i) appoint a successor Servicer based upon objective standards; or (ii) petition a court of competent jurisdiction to name a successor Servicer.

**Backup Master Servicing.** Pursuant to the terms of a Backup Master Servicing Agreement by and among the Issuer, NCMS and GLELSI to be entered into in connection with the issuance of the Notes (the "Backup Master Servicing Agreement"), GLELSI will be appointed as Backup Master Servicer with respect to the Notes. The Indenture pursuant to which the Notes will be issued requires a Backup Master Servicer and Administrator to be in place at all times.

The Backup Master Servicing and Administration Agreement will provide for the immediate replacement of NCMS as Master Servicer, upon the occurrence of a Master Servicer Transition Event (as defined in the Indenture). Upon a Master Servicer Transition Event, GLELSI will immediately assume the duties of Master Servicer and Administrator under the Master Servicing Agreement, and will begin receiving the Master Servicer's compensation set forth therein. The Backup Master Servicing and Administration Agreement will have an initial term of five (5) years.

## **Trust Monitoring and Reporting**

Pursuant to the Subservicing Agreement, NES will provide information with respect to the Notes and the Financed Eligible Loans on a monthly basis, in both Excel and PDF format. Such information, which can be accessed at [http://www.northstar.org/investors/investor\\_reports](http://www.northstar.org/investors/investor_reports), will include:

- Distribution of financed student loans by loan type, school type, repayment status, delinquency status, interest rate, academic discipline and FICO score at origination'
- Loan portfolio cash and non-cash activity;
- Collection fund waterfall details;
- Principal and interest distributions;
- Note interest payment details;
- Schedule of notes outstanding;
- Indenture account balances and parity ratios; and
- Portfolio summary statistics.

Other information available will include indenture documents, offering documents, annual financial statements of NEF, reports on servicer controls, static pool default data, press releases and notices to Noteholders.



## APPENDIX D

### ADDITIONAL INFORMATION REGARDING THE SPONSOR

*The following information has been furnished by NorthStar Education Finance, Inc. (“NEF”) for use in this Offering Memorandum. The Issuer does not guarantee or make any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of NEF subsequent to the date hereof.*

#### **History of the NorthStar Student Loan Companies**

In 1991 NorthStar Guarantee, Inc. (“NorthStar Guarantee”) began operations as the State of Minnesota’s designated guarantor for student loans originated under the U.S. Higher Education Act, and became the originator and guarantor for Law Loans<sup>TM</sup>, Med Loans<sup>TM</sup>, Med Cap Loans<sup>TM</sup> and MBA Loans<sup>TM</sup>. In 1997 NorthStar Guarantee became a direct lender, and launched the Total Higher Education Loan Program (the “T.H.E. Loan Program”), a federal and private loan program marketed primarily to graduate and professional students. In 1998 NorthStar Guarantee established the first of four bank-sponsored asset-backed commercial paper warehouse facilities that would ultimately total \$2.15 billion, enabling it to temporarily fund and warehouse FFELP and Private Loans originated under the T.H.E. Loan Program.

In 2000 NorthStar Guarantee became affiliated with Great Lakes Higher Education Corporation, and NorthStar Education Finance, Inc. (“NEF”) was founded to carry on the T.H.E. Loan Program. Later that year NEF formed Northstar Capital Markets Services, Inc. (“NCMS”) as a for-profit student loan program management and administration company, and completed its first FFELP and private student loan-backed financing, a \$110 million issuance of senior (“Aaa”) and subordinate (“A2”) auction rate notes. In 2002 NEF completed its second student-loan backed financing, a \$430 million issuance of senior (“Aaa”) and subordinate (“A2”) auction rate notes to refinance warehoused FFELP and Private Loans. Between 2004 and 2007 NEF completed six more term financings totaling \$5.1 billion to finance warehoused FFELP or Private Loans. Three of these issues were for \$1.0 billion or more in par amount, and all were structured to achieve “Aaa” senior debt ratings and “A2” or “A3” subordinate debt ratings.

In the wake of the financial crisis and impending termination of the Federal Family Education Loan Program by Congress, NEF suspended lending operations under the T.H.E. Loan Program. Approximately \$1.9 billion of student loans remained in warehouse facilities as of December 31, 2009. In August of 2010 NEF sold all of its interests in NCMS to Alliance Student Loan Management, Inc., a subsidiary of Alliance Holdings, and entered into a 7-year Master Servicing Agreement with NCMS to manage its student loan business. NEF also sold \$483 million of warehoused FFELP loans to a 3<sup>rd</sup> party.

In 2011 NEF completed the refinancing of one of its outstanding warehouse facilities by privately placing \$18.75 million of “A”-rated, LIBOR-indexed floating rate notes, structured as loan participation promissory notes secured solely by the private loans. In 2012 NEF refinanced its remaining warehouse facilities, through a \$686.6 million student loan ABS issue for its remaining warehoused FFELP loans and a \$98.7 million, LOC-backed variable rate demand bond issue for its remaining warehoused private loans.

Over \$6.3 billion of loans were originated under the T.H.E. Loan Program between 1997 and 2010, and over \$65 million of borrower benefits have been provided to students, excluding loan origination fees paid by NEF on behalf of borrowers. As of the end of its most recent fiscal year, NEF owned a portfolio of federal and private student loans totaling \$3.25 billion, and had net assets of approximately \$225 million.

## Legal Structure and Governance

NEF is a Delaware, non-stock nonprofit corporation whose current members are its Board of Directors, which is self-perpetuating and consists of six (6) directors and two (2) non-voting members. NEF is not a special purpose corporation, and can generally take all actions permitted under Delaware Law. As a non-moneyed corporation, NEF is not subject to involuntary action for relief under bankruptcy or insolvency laws, but it does have the right to file a voluntary bankruptcy petition. NEF's certificate of incorporation may be amended in whole or in part by a majority vote of its directors (who are also its members) and upon the adoption of a resolution relating thereto, each in accordance with Delaware law. NEF's bylaws may also be amended in whole or in part by a majority vote of its directors

NEF has one affiliate, NorthStar Education Funding I, L.L.C. ("NEF I"). NEF I is a Delaware limited liability company that will be the depositor of NorthStar Student Loan Trust III (the "Issuer"). NEF I was also the depositor for, and is the sole certificate holder of, NorthStar Student Loan Trust I and NorthStar Student Loan Trust II. A listing of NEF's current Board of Directors, along with their position and their principal (or prior) occupation, is provided below (there is currently one vacancy on the Board):

NEF Board of Directors and Officers (\* denotes a non-voting member)

Name	Position	Principal or Prior Occupation
Anita Pampusch	Chairman of the Board	President, Bush Foundation (Retired)
Richard Nigon	President & Director	Senior Vice President, Cedar Point Capital, Inc.
Clyde Nelson	Treasurer & Director	Mortgage Banker (Retired)
Sarah Duniway*	Secretary	Attorney, Gray Plant Mooty
Jayne B. Khalifa	Director	Deputy City Coordinator, City of Minneapolis (Retired)
The Honorable Timothy Penny	Director	President, The Southern Minnesota Initiative Foundation and former U.S. Congressman
Charles Osborne*	Chief Financial Officer	Consultant and Retired Chief Financial Officer, FICO and Deluxe Corp.

Each of NEF's directors and officers holds his or her position until death, resignation, removal or until his or successor is elected and qualified.

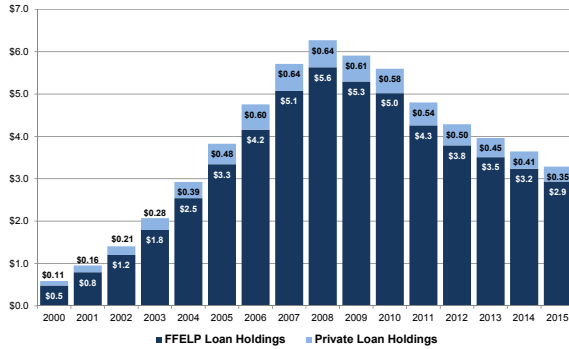
## Overview of Current Loan Program Operations

NEF financed its T.H.E. Loan Program through the issuance of various forms of indebtedness, including through the use of commercial paper conduit borrowing facilities and through the issuance of LIBOR-indexed floating Rate Notes, LIBOR-Indexed Reset Rate Notes, Fixed-Rate Reset Rate Notes, Auction Rate Notes and Variable Rate Demand Notes. As of September 30, 2015, the end of its most recent fiscal year, NEF owned a portfolio of federal and private student loans totaling \$3.25 billion, comprised of \$2.93 billion FFELP loans and \$359.0 million private loans. Such loans were financed under five separate debt financing trusts, as summarized below:

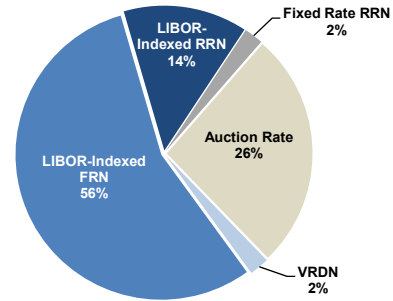
- 2000 FFELP master trust, with \$2.4 billion of outstanding notes;
- 2006 private loan trust, with \$230.4 million of outstanding notes;
- 2011 private loan trust, with \$11.5 million of outstanding notes;
- 2012 private loan trust, with \$69.3 million of outstanding notes; and
- 2012 FFELP trust, with \$413.9 million of outstanding notes.

As of September 30, 2015 NEF had total assets of \$3.47 billion, total liabilities of \$3.25 billion and net assets of \$225.3 million. NEF has no employees. The chart below left provides a historical illustration of NEF's FFELP and Private Loan holdings since its inception, and the chart below right provides an illustration of NEF's outstanding debt instruments by type:

NEF Loan Portfolio Holdings (\$ millions)<sup>1</sup>



NEF Current Debt Profile (as of 11/30/15)



### Additional Information Regarding NEF's Debt Issuance Activities

NEF and its predecessors issued term debt to refinance warehoused FFELP and Private Loans on 11 different occasions between 2000 and 2012. Of the \$6.4 billion of term debt issued by NEF and its predecessors since 2000, \$3.2 billion was outstanding as of November 30, 2015. The table below, which is continued on the following page, provides a complete history of the term debt issuance activities of NEF and its predecessors.

NorthStar Education Finance, Inc.   Debt Issuance History											
Date of Issuance	Indenture	Series	Original Amount	Amount O/S at 11/30/15	Interest Mode	Spread or Margin	Collateral Type	Final Maturity	3rd Party Credit Support	Initial Ratings (M/S/F)	Current Ratings (M/S/F)
11/10/2000	Nov. 2000	2000A-1	\$50,250,000	\$0	Auction	N/A	80% FFELP / 20% Private	11/1/2040	None	Aaa/NR/AAA	Retired
11/10/2000	Nov. 2000	2000A-2	50,250,000	--	Auction	N/A	80% FFELP / 20% Private	11/1/2040	None	Aaa/NR/AAA	Retired
11/10/2000	Nov. 2000	2000B	9,500,000	9,500,000	Auction	N/A	80% FFELP / 20% Private	11/1/2040	None	A2/NR/A	A2/NR/A
<b>Subtotal 2000 A&amp;B Issue</b>			<b>\$110,000,000</b>	<b>\$9,500,000</b>							
4/18/2002	Nov. 2000	2002A-1	\$65,500,000	\$0	Auction	N/A	84% FFELP / 16% Private	4/1/2042	None	Aaa/NR/AAA	Retired
4/18/2002	Nov. 2000	2002A-2	65,500,000	51,250,000	Auction	N/A	84% FFELP / 16% Private	4/1/2042	None	Aaa/NR/AAA	Aaa/NR/AAA
4/18/2002	Nov. 2000	2002A-3	65,500,000	65,500,000	Auction	N/A	84% FFELP / 16% Private	4/1/2042	None	Aaa/NR/AAA	Aaa/NR/AAA
4/18/2002	Nov. 2000	2002A-4	65,500,000	65,500,000	Auction	N/A	84% FFELP / 16% Private	4/1/2042	None	Aaa/NR/AAA	Aaa/NR/AAA
4/18/2002	Nov. 2000	2002A-5	65,500,000	51,250,000	Auction	N/A	84% FFELP / 16% Private	4/1/2042	None	Aaa/NR/AAA	Aaa/NR/AAA
4/18/2002	Nov. 2000	2002A-6	65,500,000	--	Auction	N/A	84% FFELP / 16% Private	4/1/2042	None	Aaa/NR/AAA	Retired
4/18/2002	Nov. 2000	2002B-1	37,000,000	37,000,000	Auction	N/A	84% FFELP / 16% Private	4/1/2042	None	A2/NR/A	A2/NR/A
<b>Subtotal 2002 A&amp;B Issue</b>			<b>\$430,000,000</b>	<b>\$270,500,000</b>							
2/26/2004	Feb. 2004	2004A-1	\$88,000,000	\$0	Auction	N/A	100% Private	12/1/2044	Ambac Ins.	Aaa/AAA/AAA	Retired
2/26/2004	Feb. 2004	2004A-2	72,000,000	--	Auction	N/A	100% Private	12/1/2044	Ambac Ins.	Aaa/AAA/AAA	Retired
2/26/2004	Feb. 2004	2004A-3	88,000,000	--	Auction	N/A	100% Private	12/1/2044	Ambac Ins.	Aaa/AAA/AAA	Retired
2/26/2004	Feb. 2004	2004A-4	72,000,000	--	Auction	N/A	100% Private	12/1/2044	Ambac Ins.	Aaa/AAA/AAA	Retired
<b>Subtotal 2004A Issue</b>			<b>\$320,000,000</b>	<b>--</b>							
3/30/2004	Nov. 2000	2004-1A-1	\$100,000,000	\$0	LIBOR FRN	0.05%	100% FFELP	1/28/2011	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1A-2	225,000,000	--	LIBOR FRN	0.12%	100% FFELP	1/28/2014	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1A-3	200,000,000	--	LIBOR FRN	0.17%	100% FFELP	4/28/2017	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1A-4	225,000,000	--	LIBOR FRN	0.19%	100% FFELP	4/29/2019	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1A-5	66,000,000	--	Auction	N/A	100% FFELP	12/1/2044	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1A-6	66,000,000	--	Auction	N/A	100% FFELP	12/1/2044	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1A-7	44,000,000	--	Auction	N/A	100% FFELP	12/1/2044	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1A-8	44,000,000	--	Auction	N/A	100% FFELP	12/1/2044	None	Aaa/AAA/AAA	Retired
3/30/2004	Nov. 2000	2004-1B-1	30,000,000	30,000,000	Auction	N/A	100% FFELP	12/1/2044	None	A2/A/A	A2/A/A
<b>Subtotal 2004-1 Issue</b>			<b>\$1,000,000,000</b>	<b>\$30,000,000</b>							
12/15/2004	Nov. 2000	2004-2A-1	295,000,000	--	LIBOR FRN	0.12%	100% FFELP	4/28/2016	None	Aaa/AAA/AAA	Retired
12/15/2004	Nov. 2000	2004-2A-2	150,000,000	--	LIBOR FRN	0.14%	100% FFELP	1/30/2017	None	Aaa/AAA/AAA	Retired
12/15/2004	Nov. 2000	2004-2A-3	280,000,000	206,787,000	LIBOR FRN	0.17%	100% FFELP	7/30/2018	None	Aaa/AAA/AAA	Aaa/AAA/AAA
12/15/2004	Nov. 2000	2004-2A-4	249,500,000	249,500,000	LIBOR FRN	0.23%	100% FFELP	7/28/2021	None	Aaa/AAA/AAA	Aaa/AAA/AAA
12/15/2004	Nov. 2000	2004-2B-1	25,500,000	25,500,000	Auction	N/A	100% FFELP	12/28/2044	None	A2/A/A	A2/A/A
<b>Subtotal 2004-2 Issue</b>			<b>\$1,000,000,000</b>	<b>\$481,787,000</b>							

NorthStar Education Finance, Inc.   Debt Issuance History											
Date of Issuance	Indenture	Series	Original Amount	Amount O/S at 11/30/15	Interest Mode	Spread or Margin	Collateral Type	Final Maturity	3rd Party Credit Support	Initial Ratings (M/S/F)	Current Ratings (M/S/F)
10/25/2005	Nov. 2000	2005-1A-1	193,100,000	--	LIBOR FRN	0.10%	100% FFELP	10/28/2026	None	Aaa/AAA/AAA	Retired
10/25/2005	Nov. 2000	2005-1A-2	118,300,000	47,700,000	LIBOR FRN	0.13%	100% FFELP	7/28/2027	None	Aaa/AAA/AAA	Aaa/AAA/AAA
10/25/2005	Nov. 2000	2005-1A-3	227,900,000	227,900,000	LIBOR FRN	0.17%	100% FFELP	10/30/2030	None	Aaa/AAA/AAA	Aaa/AAA/AAA
10/25/2005	Nov. 2000	2005-1A-4	210,700,000	210,700,000	LIBOR FRN	0.23%	100% FFELP	4/28/2032	None	Aaa/AAA/AAA	Aaa/AAA/AAA
10/25/2005	Nov. 2000	2005-1A-5	250,000,000	67,342,000	Fixed Rate <sup>1,2</sup>	4.74%	100% FFELP	10/30/2045	None	Aaa/AAA/AAA	Aaa/AAA/AAA
10/25/2005	Nov. 2000	2005-1B-1	20,000,000	20,000,000	Auction	N/A	100% FFELP	10/30/2045	None	A2/A/A	A2/A/A
<b>Subtotal 2005-1 Issue</b>			<b>\$1,020,000,000</b>	<b>\$573,642,000</b>							
5/11/2006	May 2006	2006-A1	155,063,000	--	LIBOR FRN	0.04%	100% Private	11/30/2020	None	Aaa/AAA/AAA	Retired
5/11/2006	May 2006	2006-A2	111,290,000	--	LIBOR FRN	0.19%	100% Private	11/28/2023	None	Aaa/AAA/AAA	Retired
5/11/2006	May 2006	2006-A3	112,931,000	--	LIBOR FRN	0.21%	100% Private	5/28/2026	None	Aaa/AAA/AAA	Retired
5/11/2006	May 2006	2006-A4	208,056,000	193,514,612	LIBOR FRN	0.35%	100% Private	8/28/2035	None	Aaa/AAA/AAA	Aa3/AAA/AAA
5/11/2006	May 2006	2006-AB1	65,260,000	36,888,803	Auction	0.55%	100% Private	11/28/2035	None	A3/A/A	A3/A/A
<b>Subtotal 2006-A Issue</b>			<b>\$652,600,000</b>	<b>\$230,403,415</b>							
3/13/2007	Nov. 2000	2007-1A-1	\$193,000,000	\$193,000,000	LIBOR FRN	0.10%	100% FFELP	4/28/2030	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1A-2	200,000,000	200,000,000	LIBOR FRN <sup>2</sup>	0.02%	100% FFELP	1/29/2046	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1A-3	235,000,000	235,000,000	LIBOR FRN <sup>2</sup>	0.06%	100% FFELP	1/29/2046	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1A-4	82,050,000	82,050,000	Auction	N/A	100% FFELP	1/29/2046	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1A-5	82,025,000	82,025,000	Auction	N/A	100% FFELP	1/29/2046	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1A-6	82,025,000	82,025,000	Auction	N/A	100% FFELP	1/29/2046	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1A-7	82,025,000	82,025,000	Auction	N/A	100% FFELP	1/29/2046	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1A-8	82,025,000	82,025,000	Auction	N/A	100% FFELP	1/29/2046	None	Aaa/AAA/AAA	Aaa/AAA/AAA
3/13/2007	Nov. 2000	2007-1B-1	32,200,000	32,200,000	Auction	N/A	100% FFELP	1/29/2047	None	A2/A/A	A2/A/A
<b>Subtotal 2007-1 Issue</b>			<b>\$1,070,350,000</b>	<b>\$1,070,350,000</b>							
5/25/2011	May 2011	2011-A-L	\$18,750,000	\$11,458,754	LIBOR FRN	4.00%	100% Private	10/1/2034	None	NR/A/NR	NR/AA/NR
<b>Subtotal 2011-A-L Issue</b>			<b>\$18,750,000</b>	<b>\$11,458,754</b>							
10/25/2012	Oct. 2012-A	2012A	\$98,700,000	\$69,319,000	VRDN <sup>3</sup>	N/A	100% Private	10/1/2042	RBC LOC	NR/AA-/AA	NR/AA-/AA
<b>Subtotal 2012A Issue</b>			<b>\$98,700,000</b>	<b>\$69,319,000</b>							
10/25/2012	Oct. 2012-B	2012-1A	674,600,000	411,917,739	LIBOR FRN	0.70%	100% FFELP	12/26/2031	None	NR/AA+/AAA	NR/AA+/AAA
10/25/2012	Oct. 2012-B	2012-1B	12,000,000	1,984,562	LIBOR FRN	5.00%	100% FFELP	1/25/2032	None	NR/NR/NR	NR/NR/NR
<b>Subtotal 2012-1 Issue</b>			<b>\$686,600,000</b>	<b>\$413,902,301</b>							
<b>NEF Grand Total</b>			<b>\$6,407,000,000</b>	<b>\$3,160,862,470</b>							

<sup>1</sup> An interest rate swap was executed simultaneous with the issuance of the Series 2005-1A-5 Notes to convert the interest payments thereon to a LIBOR basis.

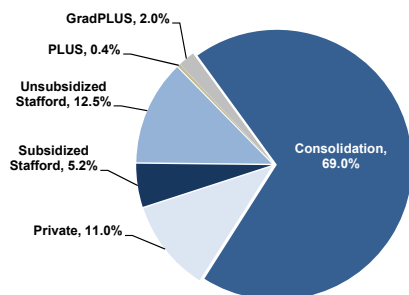
<sup>2</sup> The Series 2005-1A-5 Notes, Series 2007-1A-2 Notes and Series 2007-1A-3 Notes were structured as Rate Reset Notes with initial reset dates of Oct. 1, 2008, Jan. 28, 2010 and Jan. 28, 2014, respectively.

<sup>3</sup> The Series 2012A variable rate demand notes also carry short-term debt ratings of "A-1" and "F 1" from Standard & Poor's and Fitch, respectively.

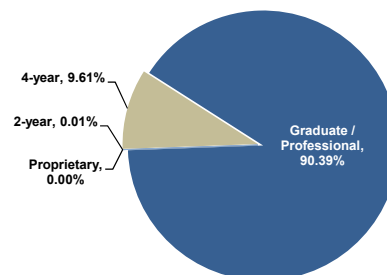
## Additional Information Regarding NEF's Loan Portfolio Holdings

**NEF's Aggregate Loan Portfolio Holdings.** As of November 30, 2015 NEF's student loan portfolio holdings totaled \$3.25 billion, and consisted of \$2.93 billion of FFELP Loans and \$359.0 million of Private Loans. The charts below provide an illustration of NEF's aggregate FFELP Loan and Private Loan holdings as of such date by loan type, school type, program of study or discipline and repayment status.

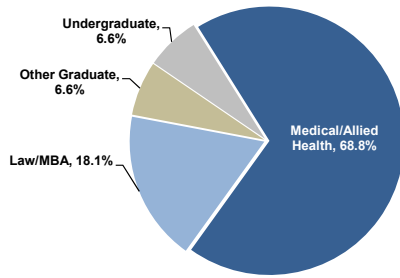
All NEF Loans by Loan Type



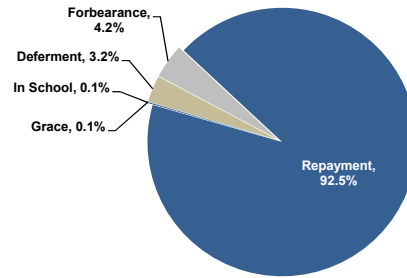
All NEF Loans by School Type



All NEF Loans by Program / Discipline

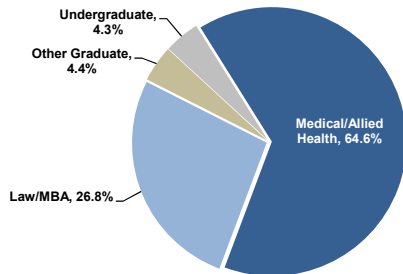


All NEF Loans by Repayment Status

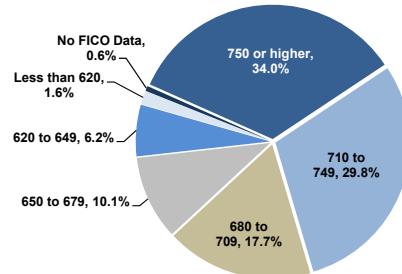


**NEF's Private Loan Portfolio Holdings.** As of November 30, 2015 NEF's Private Loan portfolio holdings totaled \$359.0 million. The charts below provide an illustration of NEF's Private Loan holdings as of such date by program of study or discipline, FICO score at origination, repayment status and delinquency status.

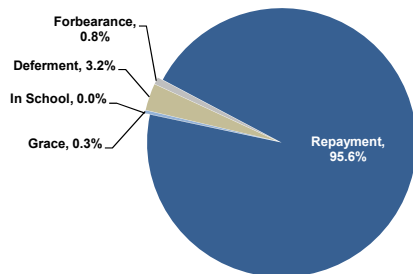
NEF Private Loans by Program / Discipline



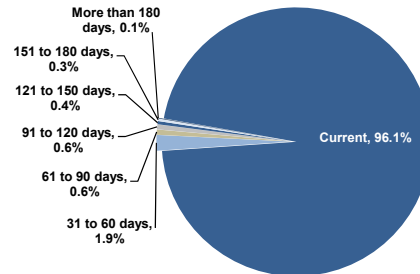
NEF Private Loans by FICO Score at Origination



NEF Private Loans by Repayment Status



NEF Private Loans by Delinquency Status



All student loans owned by NEF are serviced by Great Lakes Education Loan Services, Inc. ("GLELSI"), and pursuant to the terms of the Subservicing Agreement among NCMS, NES and GLELSI (the "Subservicing Agreement"), NES is responsible for the administration of NEF's loan portfolio and debt financings.

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**\$90,000,000**

**Private Education Loan Asset-Backed Notes**

**NorthStar Student Loan Trust III**  
*Issuer*

**NorthStar Education Finance, Inc.**  
*Sponsor*

**Northstar Capital Markets Services, Inc.**  
*Master Servicer and Administrator*

**OFFERING MEMORANDUM**

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**RBC Capital Markets**

You should rely only on the information provided in this Offering Memorandum. We have not authorized anyone to provide you with different information.

We are not offering the Notes in any state or other jurisdiction where the offer would not be permitted or which would require us to register or qualify the Notes.

August 26, 2016



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