

**ARKANSAS STUDENT LOAN AUTHORITY**  
**("ASLA")**  
**Revised Plan of Restructuring - 2010**

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**Previous Official**

**Action:** The State of Board of Finance previously approved the Plan of Restructuring, 2009 by its resolution dated October 8, 2009.

The Legislative Counsel previously gave its favorable advice regarding the Plan of Restructuring, 2009 on October 16, 2009.

The Plan of Restructuring, 2009 plan was substantively similar to the Revised Plan of Restructuring – 2010 described below. Changes in the capital markets caused a delay in issuing bonds pursuant to the Plan of Restructuring, 2009; however, market conditions may now permit implementation of this Revised Plan of Restructuring – 2010. Pursuant to Revised Plan of Restructuring – 2010, ASLA would issue floating rate notes rather than variable rate demand bonds which were previously approved.

Pursuant to the Plan of Restructuring, 2009, ASLA previously retired approximately \$242,000,000 of its auction rate bonds by transferring eligible student loans to Straight-A Funding, a conduit warehousing facility sponsored by the U.S. Department of Education in June 2010. There remains approximately \$280,000,000 in auction rate bonds to be restructured.

**Purposes of  
Restructuring:**

The purpose of the Restructuring is to respond to the collapse of the auction rate bond market and mitigating the risk associated with the auction rate bond market. Most of the ASLA's bonds have been issued in auction rate mode, which was the favored mode for the student loan industry for many years.

The auction rate market collapsed in early 2008 and shows no signs of recovery. The auction rate bond market experienced this collapse due to a lack of demand from investors for auction rate bonds. The primary reason for the troubled auction rate market was the crisis experienced in the sub-prime mortgage lending business. There is not a direct relationship between the sub-prime mortgage lending business and the student loan industry; however, since much of the sub-prime mortgage lending was also issued in auction rate paper, the difference in loan quality has largely been ignored by investors. Consequently, ASLA has experienced a lack

of liquidity for its bonds with consequent risk of increase in interest cost to maintain its bonds in the current auction rate mode.

There remains approximately \$280,000,000 in outstanding auction rate bonds that ASLA contemplates converting its current outstanding issues to floating rate notes (the "Refunding Notes").

Proceeds for the Refunding Notes will retire all outstanding auction rate bonds and the outstanding balance of the line of credit extended to ASLA by the State Board of Finance.

**Amount of Debt to**

**Be Restructured:** Approximately \$300,000,000

**Restructuring  
Elements:**

The restructuring is expected to involve the refinancing of approximately \$280,000,000 of outstanding auction rate bonds and approximately \$24,000,000 of the line of credit extended by the State Board of Finance with the issuance of the Refunding Notes.

The Plan of Restructuring anticipates the proceeds of the Refunding Notes will be used (i) to refund certain prior outstanding obligations of the Authority, (ii) if necessary, to fund a debt service reserve and/or capitalized interest account, and (iii) to pay the costs of issuance associated with the Refunding Notes.

**Estimated  
Timing:**

The Restructuring is anticipated to be completed by September 30, 2010.

**Security for the**

**Refunding Notes:** The Refunding Notes will be secured by and payable solely from the financed student loans and moneys in the accounts held under the indenture. Neither the faith and credit of the State nor any of its revenues will be pledged to or used for repayment of the Refunding Notes.

**Security**

**Documents:** The Refunding Notes will be issued under a new Indenture of Trust.