**Rule 15c2-12 Filing Cover Sheet**

This cover sheet is being sent with the submissions made through the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB") pursuant to Securities and Exchange Commission (SEC) rule 15c2-12.

**Issuer Name:** Brazos Student Finance Corporation
**Issue(s):** See Attachments 1, 2, 3, and 4

**Filing Format:** _X_ electronic __ paper; if available on the Internet, give URL: http://www.brazos.us.com/

**CUSIP Numbers to which the information filed relates** (optional):
_X_ Nine-digit number(s) (attach additional sheet if necessary):

___ Six-digit number if information filed relates to all securities of the issuer:

* * *

A. _X_ **Annual Financial Information and Operating Data pursuant to Rule 15c2-12**
**Fiscal Period Covered 7/1/2018 – 6/30/2019**
__ Monthly __Quarterly _X_Annual __Other:______

B. X **Audited Financial Statements or CAFR pursuant to Rule 15c2-12**
**Fiscal Period Covered 7/1/2018 – 6/30/2019**

C. __ **Notice of Material Event pursuant to Rule 15c2-12**

1.__ Principal and interest payment delinquencies
2.__ Non-payment related defaults
3.__ Unscheduled draws on debt service reserves reflecting financial difficulties
4.__ Unscheduled draws on credit enhancements reflecting financial difficulties
5.__ Substitution of credit or liquidity providers, or their failure to perform
6.__ Adverse tax opinions or events affecting the tax-exempt status of the security
7.__ Modifications to rights of security holders
8.__ Bond calls
9.__ Defeasances
10.__Release, substitution, or sale of property securing repayment of the securities
11.__Rating changes

D. __ **Notice of Failure to Provide Annual Financial Information as Required**

E. __ **Notice of change of fiscal year end**

F. __ **Other Secondary Market Information**

* * *

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: /s/ Ricky Turman
Name: Ricky Turman
Title: Chief Financial Officer
Employer: The Brazos Higher Education Service Corporation, Inc.
Address: 2600 Washington Avenue, Waco, Texas 76710
Telephone: (254) 753-0915
Email Address: ricky.turman@brazos.us.com

MUNICIPAL SECONDARY MARKET DISCLOSURE
ATTACHMENT TO COVER SHEET

**BRAZOS STUDENT FINANCE CORPORATION**

## 1999 Indenture of Trust

| YEAR | SERIES | CUSIP # |
|---|---|---|
| 1999 | A-2 | 10623PBF6 |
| 2000 | A-13 | 10623PBV1 |

**BRAZOS STUDENT FINANCE CORPORATION**

**Annual Continuing Disclosure Statement Regarding the 1999 Indenture of Trust, including:**

**STUDENT LOAN ASSET-BACKED NOTES**
**Senior Series 1999A-2 (Auction Rate Securities)**
**Senior Series 2000A-13 (Auction Rate Securities)**

**Dated as of October 24, 2019**

## INTRODUCTION

The terms of the Indenture provide that Brazos Student Finance Corporation (the "Corporation") will provide updated information in connection with its continuing disclosure obligation within six months after the end of each fiscal year.

The Corporation submits this Continuing Disclosure Statement (the "Statement") in compliance with the agreement set forth in the Indenture for the Notes covered by this Statement. In the Indenture the Corporation agreed to provide updates of certain quantitative financial information and operating data regarding "The Student Loans" and "The Master Servicer". In addition, the Corporation agreed to provide updated information regarding the Corporation including audited financial statements. The Indenture also provided that the Corporation would provide updated information relating to the Subservicers and the significant Guarantee Agencies to the extent such information is reasonably available to the Corporation.

This Statement relates only to the Notes indicated on the cover of the Statement and not any other notes which have been or may be issued by the Corporation. The Notes covered by this Statement are payable solely from and secured solely by the Trust Estate created under the Indenture. The Notes are not general obligations of the Corporation. Capitalized terms used herein but not defined shall have the meaning given such terms in the offering memorandum relating to each Series of Notes.

## DEFINITIONS

"Indenture" means, for the purpose of this Statement, the Indenture of Trust, dated as of February 1, 1999, as amended and supplemented to date, including all of the appendices and exhibits thereto as may be amended and restated from time to time.

"Notes" means, for the purpose of this Statement, the Student Loan Asset Backed Notes issued pursuant to the Indenture and identified on the cover page of this Statement.

## THE CORPORATION

The Corporation is a nonprofit corporation organized in 1985 under the Texas Nonprofit Corporation Law and is exempt from the payment of federal income taxation as a "501(c)(3)" non-profit corporation. The Corporation is located at 2600 Washington Avenue, P.O. Box 1308, Waco, Texas 76703, Telephone (254) 753-0915.

The Corporation's fiscal year ends June 30 of each year. The Corporation's audited financial statements as of June 30, 2019, are attached to this Statement as Appendix A.

### Outstanding Revenue Notes

The Corporation, as of June 30, 2019, had outstanding Notes issued under the Indenture in the respective principal amounts as follows:

| SERIES OF NOTES | ORIGINAL PRINCIPAL AMOUNT | OUTSTANDING PRINCIPAL AMOUNT | FINAL MATURITY |
|---|---|---|---|
| 1999A-2 | $73,800,000 | $ 6,900,000 | 12/1/2033 |
| 2000A-13 | 100,000,000 | 22,400,000 | 12/1/2033 |
| Total | $173,800,000 | $29,300,000 | |

The Notes issued under the Indenture are secured by the Trust Estate established under the Indenture. The Corporation also has issued student loan asset-backed notes pursuant to other indentures, which notes are secured by separate and distinct trust estates. The assets of each trust estate are not cross-collateralized or cross-defaulted with the assets of any other trust estate. The total aggregate outstanding principal amount of all of the student loan asset-backed notes issued by the Corporation as of June 30, 2019, was $170,429,298.

## THE STUDENT LOANS

PARITY RATIO. The ratio of assets in the Indenture to liabilities represented by the principal amount of the Notes on June 30, 2019, was equal to approximately 135.15%. For purposes of this calculation, the value of the pledged student loan assets in the Trust Estate under the Indenture are calculated as 100% of the unpaid principal amount of the pledged student loans, plus any accrued but unpaid interest thereon. The Notes were issued as auction rate securities and, since the first calendar quarter of 2008, have been subject to failed auctions. In general, failed auctions occur when there are not sufficient clearing bids submitted on behalf of bidders during the auction process established under the Indenture, with the result that existing owners of Notes are unable to transfer or dispose of their Notes in an auction. Under the terms of the Indenture, auction failures also have resulted in the payment of interest on the Notes at the contractually stipulated rates set forth in the Indenture. The payment of interest at these contractually stipulated rates may erode parity ratios and, if continued, may result in the impairment of payments in respect of principal of the Notes.

CHARACTERISTICS OF THE STUDENT LOANS. The total principal amount of Student Loans on deposit in the Trust Estate, as of June 30, 2019, was approximately $36,894,182. Set forth below in the following tables is a description of certain characteristics of the Student Loans held in the Trust Estate as of June 30, 2019.

## Distribution of Student Loans by Loan Type

| Loan Type | | Balance (1) | Percent of Loan Type By Balance |
|---|---|---|---|
| Consolidation | $ | 9,951,545 | 17.95% |
| EIC | | 15,393 | 0.03% |
| Heal | | 636,278 | 4.10% |
| Plus | | 51,321 | 0.52% |
| Resource | | 950,721 | 7.03% |
| Stafford Sub | | 781,279 | 3.62% |
| Stafford UnSub | | 678,855 | 2.02% |
| TERI* | | 4,794,537 | 16.24% |
| TuitionGard | | 19,034,253 | 48.49% |
| Total | $ | 36,894,182 | 100.00% |

## Distribution of Student Loans by Guarantee Agency

| Insurer or Guarantor | | Balance (1) | Percent of Loan Type By Balance |
|---|---|---|---|
| PHEAA | $ | 7,385,943 | 20.02% |
| GLHEC | | 3,135,087 | 8.50% |
| Other | | 941,971 | 2.55% |
| Total | | 11,463,001 | 31.07% |
| US Dept of HHS | | 636,278 | 1.72% |
| TERI* | | 4,794,537 | 13.00% |
| TuitionGard | | 17,525,818 | 47.50% |
| None | | 2,474,548 | 6.71% |
| Total Private | | 24,794,903 | 67.21% |
| Total | $ | 36,894,182 | 100.00% |

*See "TERI LOAN" below. ***The TERI Loans are no longer guaranteed by TERI or any other guarantor.***

## Distribution of Student Loans by Borrower Payment Status

| Loan Status | | Balance (1) | Percent of Loan Type By Balance |
|---|---|---|---|
| School | $ | 2,024 | 0.01% |
| Grace | | 9,972 | 0.03% |
| Deferment | | 854,247 | 2.32% |
| Forbearance | | 770,200 | 2.09% |
| Repayment | | 35,113,103 | 95.17% |
| Claims | | 144,636 | 0.38% |
| Total | $ | 36,894,182 | 100.00% |

## Distribution of Student Loans by Federal Reinsurance or Private Reinsurance

| Federal or Private Reinsurance | | Balance (1) | Percent of Loans by Balance |
|---|---|---|---|
| 4yr | $ | 24,677,592 | 66.89% |
| 2yr | | 1,259,055 | 3.41% |
| Prop. | | 1,005,990 | 2.73% |
| Consol. | | 9,951,545 | 26.97% |
| | $ | 36,894,182 | 100.00% |

## Distribution of Student Loans by Subservicer

| Subservicer | | Balance (1) | Percent of Loans By Balance |
|---|---|---|---|
| AES (PHEAA) | $ | 14,619,653 | 39.63% |
| NELNET | | 2,479,911 | 6.72% |
| NAVIANT | | 19,794,618 | 53.65% |
| | $ | 36,894,182 | 100.00% |

(1) In each case, includes current principal balance due from the borrowers, but does not include accrued interest thereon to be capitalized upon commencement of repayment.

## THE MASTER SERVICER

The Master Servicer, The Brazos Higher Education Service Corporation, Inc., is a private non-profit corporation organized on September 18, 1980, under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to provide or cause to be provided student loan servicing and administrative support services. The Master Servicer can be contacted at 2600 Washington Avenue, P.O. Box 1308, Waco, Texas 76703, or by telephone at (254) 753-0915.

The Master Servicer has served as master servicer on over 100 student loan securitizations that have total in excess of $29 billion of student loan backed notes.

The Master Servicer is headquartered in Waco, Texas and is governed by a ten-member board of directors. The members of the Board of Directors serve without compensation, except for the payment of expenses in connection with the business of the Master Servicer.

As of June 30, 2019, the total number of borrowers managed by the Master Servicer was approximately 313,573 aggregating approximately $4,521,207,108 in principal amounts.

The Master Servicer has entered into separate subservicing agreements with several separate Subservicers for the performance of servicing duties for student loans held under the Indenture. As a result, servicing duties relating to student loans held under the Indenture are performed by the Subservicers.

## THE SUBSERVICERS

The following general information concerning each Subservicer was supplied to the Corporation by each Subservicer and has not been verified by the Corporation. No representation is made by the Corporation as to the accuracy or completeness of such information.

***Conduent Education Services, Inc.*** Conduent Education Services, LLC (formerly known as Xerox Education Services, LLC and doing business as ACS Education Services) ("Conduent Education") is a for-profit limited liability company and an indirect wholly-owned subsidiary of Conduent. Conduent (formerly known as Xerox Business Services, LLC) was spun off from Xerox Corporation as an independent company on January 3, 2017. Headquartered in Florham Park, New Jersey, Conduent is a Fortune 500-scale company providing document technology, services, software and supplies for production and office environments, as well as business process and technology outsourcing solutions to world-class commercial and government clients. Conduent's common stock trades on the New York Stock Exchange under the symbol "CNDT." Conduent Education has its headquarters at 2277 E. 220th Street, Long Beach, CA 90810, and has domestic regional processing centers in Long Beach, California, and Utica, New York.

The Guaranteed Loan Servicing Group ("Group") is operated by Conduent Education as a third party education loan servicer. As of August 31, 2017, the Group had approximately 450 employees providing loan origination and servicing for the Federal Stafford, PLUS and Consolidation education loan programs and many alternative/private loan programs, as well as post-origination conversion and private loan origination. As of August 31, 2017, the Guaranteed Loan Servicing Group of Conduent Education was servicing approximately 900 thousand education loan accounts with an outstanding balance of approximately $13.7 billion.

Origination services include receipt and validation of application data, underwriting (if required), school and borrower customer service and loan disbursement. A wide range of schools are supported, as well as a variety of different disbursement methods, including: check, master check, automated clearinghouse (ACH), and disbursement via national disbursing agents.

Conversion services include set-up of new accounts to the servicing platform from the origination system or a lender's system. This area also supports transfer of existing education loan portfolios from other servicers' systems, as well as loan sales and securitizations.

Loan servicing includes lender and borrower services, payment and transaction processing, due diligence activities as required by federal regulations or private/alternative loan program requirements, and communications with schools, guarantors, the National Student Loan Clearing House, and others. In the event of a borrower default on a federal education loan, among other things, Conduent prepares and submits a claim package on the lender's behalf to the appropriate guaranty agency for review and guarantee payment, if applicable.

The ultimate corporate parent of Conduent Education Services Company, LLC, Conduent Incorporated, is a public corporation that files periodic reports with the SEC as required by the Securities Exchange Act of 1934, as amended. Reports filed with the SEC are available for inspection without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information as to the operation of the public reference facilities is available by calling the SEC at 1-800-SEC-0330. Information filed with the SEC can also be inspected at the SEC's site on the World Wide Web at "http://www.sec.gov." Conduent Incorporated also currently provides information through the Conduent website at "http://www.conduent.com." Information filed by Conduent with the SEC or contained on the

Conduent website is not intended to be incorporated as part of this Official Statement and information contained on Conduent website is not a part of the documents that Conduent files with the SEC. As of 7/10/2018, all Brazos loan volume has been moved off the Conduent Servicing system.

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

As of June 30, 2019, PHEAA had approximately 2,900 employees and contractors. PHEAA services student loans through its Commercial Servicing line of business, FedLoan Servicing ("FLS") line of business and Remote Servicing line of business. The Commercial Servicing line of business services private student loans and Federal Family Education Loan ("FFEL") program loans for customers which consist of national and regional banks and credit unions, secondary markets, and government entities. The FLS line of business services federally owned FFEL and William D. Ford ("Direct Loan") program loans. The Remote Servicing line of business provides PHEAA's systems to guarantors, other servicers and Not-for-Profit ("NFP") servicers, who were awarded servicing contracts under the Direct Loan program for use in servicing borrowers.

As of June 30, 2019, PHEAA serviced approximately 8.8 million student borrowers representing an aggregate of approximately $373 billion outstanding principal amount under its Commercial Servicing and FLS lines of business.

Through its Commercial Servicing line of business, PHEAA serviced $32.5 billion for lenders as of June 30, 2019, with an approximately $8.7 billion principal balance of private student loans outstanding, which makes PHEAA one of the nation's largest servicers of private student loans.

PHEAA is also one of four primary servicers that were awarded a contract to service Title IV loans owned by the Department of Education. The initial phase of the Title IV Servicing Management contract involved FFEL program loans, which were sold to the Department of Education under the Ensuring Continued Access to Student Loans Act ("ECASLA"). ECASLA gave the Department of Education authority to purchase FFELP Loans from private lenders. In addition, PHEAA began servicing student loans originated under the FDSL Program during the 2010-2011 academic year. PHEAA's FLS line of business services the federally owned program loans, and as of June 30, 2019, the portfolio balance of loans and grants serviced by FLS was $340.4 billion.

Under PHEAA's Remote Servicing line of business, the remote clients service approximately 3.8 million student loan borrowers representing an approximately $81.1 billion outstanding principal amount, including $57.6 billion owned by the Department of Education.

*FFELP Net Reject Rate*

As a servicer, PHEAA works to minimize the net reject rate, which is the amount of claims submitted for payment that are rejected by the guarantor and are subsequently unable to be cured. The net reject rate for both the number and dollar value of PHEAA's FFELP loans for the last three calendar years is listed below.

| | **FFELP Net Reject Rate** | |
|---|---|---|
| **Year** | **Loans** | **Dollars** |
| 2018 | 0.008% | 0.008% |
| 2017 | 0.005% | 0.006% |
| 2016 | 0.005% | 0.006% |

The net reject rate is calculated based on claims submitted three years prior which were unable to be cured during the three year cure period which ended during the calendar years noted above. The number and dollar value of rejected claims not cured is divided by the total claims filed during that same period three years prior.

PHEAA's most recent audited financial reports are available from PHEAA.

*Litigation and Inquiries*

PHEAA is subject to various claims, lawsuits and other actions that arise in the normal course of business. PHEAA believes that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on its business, financial condition or results of operations. Most of these matters are claims against its servicing and collection operations by borrowers and debtors alleging the violation of state or federal laws in connection with servicing or collection activities on such borrower's or debtor's student loans. In addition, PHEAA is routinely named in lawsuits in which the plaintiffs allege that PHEAA has violated a federal or state law in the process of collecting their accounts.

In the ordinary course of its business, it is common for PHEAA to receive information and document requests and investigative demands from legislative committees and administrative and enforcement agencies. These requests may be informational or regulatory in nature and may relate to PHEAA's business practices, the industries in which it operates, or other companies with whom it conducts business. PHEAA's practice has been, and currently is, to cooperate with these bodies and to be responsive to any such requests. However, PHEAA may find it necessary to initiate litigation to enforce its rights, to protect its business operations and practices or to determine the scope and validity of the rights of such bodies. Litigation is costly and time-consuming, and there can be no assurance that PHEAA's litigation expenses will not be significant in the future or that it will prevail in any such litigation.

Such inquiries and related information demands increase costs and resources PHEAA must dedicate to timely respond to these requests and may, depending on their outcome, result in payments of additional amounts of restitution, fines and penalties in addition to those described below under "Consumer

Protection and Similar Laws".

*Commonwealth of Massachusetts*

As a larger participant defined by the Consumer Financial Protection Bureau ("CFPB") in the market for student loan servicing, PHEAA is the subject of various subpoenas, requests, and actions by various state and federal regulatory bodies. On August 23, 2017, the Commonwealth of Massachusetts ("Massachusetts"), by and through its Attorney General, brought enforcement action pursuant to the Massachusetts Consumer Protection Act, and the Consumer Financial Protection Act against Pennsylvania Higher Education Assistance Agency, d/b/a Fedloan Servicing ("PHEAA"). PHEAA does not agree with the allegations made by the Massachusetts Attorney General's Office with regards to their findings. However, PHEAA remains committed to appropriately resolving any outstanding borrower issues while following the U.S. Department of Education's policies, procedures, and regulations as mandated by the PHEAA's federal contracts. PHEAA will continue working with the U.S. Department of Education's Office of Federal Student Aid ("FSA") to help resolve any issue identified by the Massachusetts Attorney General. On January 8, 2018, the United States Department of Justice submitted a Statement of Interest on this case stating that Massachusetts claims were preempted by Federal law. PHEAA filed a motion to dismiss, which was argued before the trial court on January 10, 2018. The motion to dismiss was denied, and PHEAA continues to actively engage in the discovery process. As of June 30, 2019, and through the date of this disclosure, PHEAA believes it is remote that a loss contingency exists, and will continue to contest this matter vigorously.

*Consumer Protection and Similar Laws*

The CFPB has issued regulations subjecting PHEAA to the supervision of the CFPB as a "larger participant" (as defined for purposes of the Dodd-Frank Act). Applicable regulations provide for the examination and monitoring by the CFPB of larger participants in student loan servicing, such as PHEAA, thus giving the CFPB broad authority to examine, investigate, supervise, and otherwise regulate PHEAA's business, including the authority to impose fines and require changes with respect to any requirements that the CFPB finds to be unfair, deceptive or abusive. The CFPB seeks to make sure that all relevant federal consumer financial laws are followed by nonbank student loan servicers, such as PHEAA, and that such rules are applied to both federal and private student loans, from origination through servicing to debt collection. The CFPB has substantial power and discretion to define the rights of consumers and the responsibilities of certain entities, such as PHEAA. There is continuing uncertainty regarding how the CFPB's strategies and priorities will impact PHEAA's, and other large nonbank student loan servicers', business and results of operations going forward. Additionally, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings and litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from $5,000 per day for minor violations of federal consumer financial laws (including the CFPB's own rules) to $25,000 per day for reckless violations and $1 million per day for knowing violations. Also, where an entity has violated Title X of the Dodd-Frank Act (the Consumer Financial Protection Act of 2010) or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). If the CFPB or one or more state or other federal officials find that PHEAA or its affiliates have violated the foregoing or other laws, they could exercise their enforcement powers in ways that may have a material adverse effect on PHEAA.

In addition to enforcing consumer financial laws directed at specific loan origination and servicing functions, such as loan disclosures and debt collection procedures, the CFPB is directed to prohibit "unfair, deceptive or abusive" acts or practices, and to ensure that all consumers have access to fair, transparent and competitive markets for consumer financial products and services. The review of services and practices to prevent unfair, deceptive or abusive conduct will be a continuing focus of the CFPB, as well as PHEAA's own internal reviews. Such ongoing internal and regulatory reviews are likely to result in changes in PHEAA's policies and practices, increased costs related to regulatory oversight, compliance, supervision and examination and may result in regulatory actions, including civil monetary penalties.

Since 2013, the CFPB has been a party to numerous public enforcement actions, either independently or in conjunction with other federal and state enforcement agencies, to enforce consumer protection laws within its jurisdiction or to support consumer protection efforts nationwide. The CFPB has also been investigating, based on potentially problematic practices identified by the CFPB or reported by consumers or others or investigations transferred to the CFPB by regulators or other federal agencies, potential violations of federal consumer financial laws. Potential penalties are significant, and several large settlements have been entered into by the CFPB and/or other federal and state agencies with, among others, consumer loan originators, servicers and other consumer credit businesses.

Because such supervision and enforcement authority continues to be subject to intensive rulemaking and public comment, which may result in further regulations and/or regulatory interpretations, PHEAA is unable to predict the final form that this regulatory regime will take or the ultimate effect such supervision or required examinations or enforcement actions, if any, could have on PHEAA's operations. PHEAA's operational expenses will likely increase to address new or additional compliance requirements that could be imposed on PHEAA's operations as a result of these developments and CFPB supervision and examination and, depending on their outcome, result in payments of additional amounts of restitution, fines and penalties in addition to those described above.

In response to the evolving regulatory environment, PHEAA has enhanced its compliance management system, has conducted and continues to conduct internal reviews, and has engaged outside firms to assist in compliance and risk assessments. This initiative has enabled PHEAA to better identify deficiencies in its existing processes, policies and procedures. PHEAA has made a commitment to continue to dedicate significant resources to address and remediate any deficiencies it has identified as well as those which may be identified as a result of future reviews and assessments. Notwithstanding such efforts, it is possible that PHEAA may be found to be out of compliance with certain laws applicable to servicing or originating student loans, including the Financed Student Loans. Although management of PHEAA does not believe any such deficiencies would materially and adversely affect the ability of PHEAA to perform its obligations as a servicer, such an outcome cannot be assured.

***Navient Solutions, Inc.*** Navient Solutions, LLC (formerly known as Sallie Mae, Inc. and Navient Solutions, Inc.) is a wholly owned subsidiary of Navient Corporation and acts as the principal management company for most of Navient Corporation's business activities. Navient Solutions, LLC's servicing division manages and operates the loan servicing functions for Navient Corporation and its affiliates, including providing servicing for third parties.

As of June 30, 2019, Navient Solutions, LLC serviced over $300 billion in student loans. Navient Solutions, LLC is a Delaware limited liability company and its principal executive offices are at 2001 Edmund Halley Drive, Reston, Virginia 20191. Its telephone number is (703) 810-3000. Its loan servicing centers are located in Indiana and Pennsylvania. Navient Solutions, LLC (in its various forms) has serviced student loans for over 20 years.

***Nelnet Loan Servicing, Inc.*** Nelnet, Inc. began its education loan servicing operations on January 1, 1978, and provides, through its subsidiaries, student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing, payment processing, default aversion, claim filing and delinquency servicing services. These activities are performed internally for Nelnet, Inc.'s portfolio and for third party clients. Nelnet, Inc. has offices located in, among other cities, Aurora, Colorado, and Lincoln, Nebraska. On February 7, 2018, Nelnet, Inc. acquired 100 percent of the outstanding stock of Great Lakes Educational Loan Services, Inc. (Great Lakes). Our combined organization is made up of approximately 6,200 associates. As of December 31, 2018, the Company serviced $464.6 billion of loans for 15.6 million borrowers. Nelnet Servicing's due diligence schedule is conducted through automated letter generation. Telephone calls are made using automatic dialing systems where available and appropriate pursuant to applicable law. All functions are monitored by an internal quality control system to ensure their performance. Compliance training is provided on both centralized and unit level basis. In addition, Nelnet Servicing has distinct compliance and internal auditing departments whose functions are to advise and coordinate compliance issues.

## THE GUARANTEE AGENCIES

The Corporation has requested information regarding the Guarantee Agencies from each Guarantor that guarantees greater than ten percent (10%) of all Student Loans in the Trust Estate (collectively, the "Significant Guarantors"). The following general information concerning each of the Significant Guarantors was supplied to the Corporation by each Significant Guarantor and has not been verified by the Corporation. The Corporation makes no representation as to the accuracy or completeness of such information.

**Ascendium Education Solutions Inc.**

Ascendium Education Solutions, Inc. f/k/a Great Lakes Higher Education Guaranty Corporation ("Ascendium") is a Wisconsin nonstock, nonprofit corporation, the sole member of which is Ascendium Education Group, Inc. f/k/a Great Lakes Higher Education Corporation ("Ascendium Education Group"). Ascendium's predecessor organization, Ascendium Education Group, was organized as a Wisconsin nonstock, nonprofit corporation and began guaranteeing student loans under the Higher Education Act in 1967. Ascendium is the designated guaranty agency under the Higher Education Act for Wisconsin, Arkansas, Iowa, Minnesota, Montana, North Dakota, Ohio, South Dakota, Puerto Rico and the Virgin Islands. On January 1, 2002, Ascendium Education Group (and Ascendium directly and through its support services agreement with Ascendium Education Group), outsourced certain aspects of its student loan program guaranty support operations to Great Lakes Educational Loan Services, Inc. ("GLELSI"). Ascendium continues as the "guaranty agency" as defined in Section 435(j) of the Higher Education Act and continues its default aversion, claim purchase and compliance, collection support and federal reporting responsibilities as well as custody and responsibility for all revenues, expenses and assets related to that status. The primary operations center for Ascendium Education Group and its affiliates (including Ascendium) is in Madison, Wisconsin, which includes operational staff offices for guaranty functions. Ascendium also maintain offices in; Eagan, Minnesota; Aberdeen, South Dakota; and Indianapolis, Indiana. Ascendium will provide a copy of Ascendium Education Group's most recent consolidated financial statements on receipt of a written request directed to 2501 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

The information in the following tables has been provided to the Issuer from reports provided by or to the U.S. Department of Education and has not been verified by the Issuer, Ascendium or the initial purchasers. No representation is made by the Issuer, Ascendium or the initial purchasers as to the accuracy or completeness of this information. Prospective investors may consult the U.S. Department of Education Data Books and Web sites http://www2.ed.gov/finaid/prof/resources/data/opeloanvol.html and http://www.fp.ed.gov/pubs.html for further information concerning Ascendium or any other guaranty agency.

***Guaranty Volume***. Pursuant to the SAFRA Act, part of the Health Care and Education Reconciliation Act of 2010, Ascendium ceased issuing new loan guarantees on June 30, 2010. The most recent year for which the U.S. Department of Education has issued guaranty volume information is 2009. GLHEGC issued $7.0 billion in new loan guarantees in that year.

***Reserve Ratio***. Following are Ascendium's reserve fund levels as calculated in accordance with 34 CFR 682.410(a)(10) for the last five federal fiscal years:

| Federal Fiscal Year | Federal Guaranty Reserve Fund Level [1/] |
|---|---|
| 2014 | 0.94% |
| 2015 | 1.05% |
| 2016 | 1.37% |
| 2017 | 1.80% |
| 2018 | 2.21% |

The U.S. Department of Education's website at http://www.fp.ed.gov/pubs.html has posted reserve ratios for Ascendium for federal years 2014, 2015, 2016, 2017 and 2018 of 0.699%, 0.648% 0.608%, 0.827%, 1.000% and 01.480%, respectively. Ascendium believes the Department of Education has not calculated the reserve ratio in accordance with the Act and the correct ratio should be 0.94%, 1.05%, 1.37%, 1.80 and 2.21% respectively, as shown above and as explained in the following footnote. On November 17, 2006, the U.S. Department of Education advised Ascendium that beginning in Federal Fiscal Year 2006 it will publish reserve ratios that include loan loss provision and deferred revenues. Ascendium believes this change more closely approximates the statutory calculation. According to the U.S. Department of Education, available cash reserves may not always be an accurate barometer of a guarantor's financial health.

[1/] In accordance with Section 428(c)(9) of the Higher Education Act, does not include loans transferred from the former Higher Education Assistance Foundation, Northstar Guarantee Inc., Ohio Student Aid Commission or Puerto Rico Higher Education Assistance Corporation. (The minimum reserve fund ratio under the Higher Education Act is 0.25%.)

***Claims Rate***. For the past five federal fiscal years, Ascendium's claims rate has not exceeded 5%, and, as a result, the highest allowable reinsurance has been paid on all Ascendium's claims. The actual claims rates are as follows:

| Federal Fiscal Year | Claims Rate |
|---|---|
| 2014 | 2.05% |
| 2015 | 0.96% |
| 2016 | 1.00% |
| 2017 | 0.35% |
| 2018 | 0.35% |

As a result of various statutory and regulatory changes over the past several years, historical rates may not be an accurate indicator of current delinquency or default trends or future claims rates.

**Pennsylvania Higher Education Assistance Agency**

Pennsylvania Higher Education Assistance Agency ("PHEAA") is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to the Pennsylvania Act of August 7, 1963, P.L. 549, as amended (the "Pennsylvania Act").

PHEAA has been guaranteeing student loans since 1964. As of June 30, 2019, PHEAA has guaranteed a total of approximately $48.8 billion principal amount of Stafford Loans, $7.9 billion principal amount of PLUS and SLS Loans, and $52.1 billion principal amount of Consolidation Loans under the Higher Education Act. PHEAA initially guaranteed loans only to residents of the Commonwealth of Pennsylvania (the "Commonwealth") or persons who planned to attend or were attending eligible education institutions in the Commonwealth. In May 1986, PHEAA began guaranteeing loans to borrowers who did not meet these residency requirements pursuant to its national guarantee program. Under the Pennsylvania Act, guarantee payments on loans under PHEAA's national guarantee program may not be paid from funds appropriated by the Commonwealth.

Effective April 1, 2013, PHEAA was designated as the guarantor for the State of Georgia. PHEAA accepted the transfer and assignment of the rights, duties and responsibilities as a Guaranty Agency under the Federal Family Education Loan Program from the Georgia Higher Education Assistance Corporation's (GHEAC), the previous designated guarantor for the State of Georgia. As a result PHEAA accepted the transfer and assignment of student loans with an aggregate of $687.8 million in original principal, net of cancellations. All percentages and results for PHEAA in the charts below for periods of activity after April 1, 2013, include the impact of the additional guaranty volume received in the transfer.

PHEAA has adopted a default prevention program consisting of (i) informing new borrowers of the serious financial obligations incurred by them and stressing the financial and legal consequences of failure to meet all terms of the loan, (ii) working with institutions to make certain that student borrowers are enrolled in sound education programs and that the proper individual enrollment records are being maintained, (iii) assisting lenders with operational programs to ensure sound lending policies and procedures, (iv) maintaining up-to-date student status and address records of all borrowers in the guaranty program, (v) initiating prompt collection actions with borrowers who become delinquent on their loans, do not establish repayment schedules or "skip," (vi) taking prompt action, including legal action and garnishment of wages, to collect on all defaulted loans, and (vii) adopting a general policy that no loan will be automatically "written off." Since the loan servicing program was initiated in 1974, PHEAA has never exceeded an annual default claims percentage of 5 percent and, as a result, federal reimbursement for default claims has thus far been at the maximum federal reimbursement level.

For the last five federal fiscal years (ended September 30), the annual default claims percentages have been as follows:

| Fiscal Year | Annual Default Claims |
|---|---|
| 2014 | 2.06 |
| 2015 | 1.16 |
| 2016 | 0.46 |
| 2017 | 0.59 |
| 2018 | 1.10 |

As of June 30, 2019, PHEAA had total federal reserve fund assets of approximately $84.0 million. Through June 30, 2019, the outstanding amount of original principal on loans that had been directly guaranteed by PHEAA and loans transferred from GHEAC under the Federal Family Education Loan Program was approximately $20.5 billion. In addition, as of June 30, 2019, PHEAA had total assets of $4.8 billion, which does not include Federal Reserve Fund assets.

*Guarantee Volume.* PHEAA's new origination guaranty volume (the approximate aggregate principal amount of federally reinsured education loans, including PLUS Loans but excluding federal consolidation loans) was zero for each of the last five federal fiscal years (ended September 30).

*Reserve Ratio.* Under current law, PHEAA is required to manage the Federal Fund so net assets are greater than 0.25% of the original principal balance of outstanding guarantees. The table below shows the reserve ratio for PHEAA for the last five federal fiscal years (ended September 30):

| Fiscal Year | Reserve Ratio |
|---|---|
| 2014 | 0.34 |
| 2015 | 0.35 |
| 2016 | 0.37 |
| 2017 | 0.50 |
| 2018 | 0.60 |

The table displays PHEAA's calculation of the reserve ratio on a regulatory basis of accounting. Each year the reserve ratio includes an adjustment for gain contingencies not recognized under generally accepted accounting principles.

*Recovery Rates.* A guarantor's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined for each year by dividing the current year collections by the total outstanding claim portfolio for the prior fiscal year. The table below shows the cumulative recovery rates for PHEAA for the five federal fiscal years (ended September 30):

| Fiscal Year | Recovery Rates |
|---|---|
| 2014 | 25.84 |
| 2015 | 25.39 |
| 2016 | 28.35 |
| 2017 | 28.96 |
| 2018 | 25.82 |

**United Student Aid Funds, Inc.**

United Student Aid Funds, Inc. ("USA Funds") was organized as a private, nonprofit corporation under the General Corporation Law of the State of Delaware in 1960. In accordance with its Certificate of Incorporation, USA Funds: (i) maintains facilities for the provision of guarantee services with respect to approved education loans made to or for the benefit of eligible students attending approved educational institutions; (ii) guaranteed education loans made pursuant to certain loan programs under the Higher Education Act, as well as loans made under certain private loan programs; and (iii) serves as the designated guarantor for education-loan programs under the Higher Education Act of 1965, as amended ("the Act") in Arizona, Hawaii and certain Pacific Islands, Indiana, Kansas, Maryland, Mississippi, Nevada and Wyoming.

USA Funds is the sole member of the Northwest Education Loan Association, a guarantor serving the states of Washington, Idaho and the Northwest. Ascendium Education Group became a member of USAF effective January 1, 2017. USAF was merged into Ascendium on December 31, 2018.

Following are USAF's reserve fund levels as calculated in accordance with 34 CFR 682.410(a)(10) for the last five federal fiscal years:

| | Reserve Ratio | | | | |
|---|---|---|---|---|---|
| | Federal Fiscal Year | | | | |
| **Guarantor** | **2014** | **2015** | **2016** | **2017** | **2018** |
| United Student Aid Funds, Inc. | 0.277% | 0.251% | 0.308% | 0.350% | 0.363% |

For the past five federal fiscal years, USAF's claims rate has not exceeded 5%, and, as a result, the highest allowable reinsurance has been paid on all USAF's claims. The actual claims rates are as follows:

| Guarantor | Claims Rate Federal Fiscal Year 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| United Student Aid Funds, Inc. …………….. | 4.73% | 4.71% | .60% | .67% | 2.15% |

## TERI LOANS

**The Education Resources Institute, Inc. ("TERI").** Certain of the existing student loans consist of loans previously guaranteed by The Education Resources Institute, Inc. ("TERI", with each such loan referred to herein as a "TERI Loan"). Upon default of a TERI Loan, TERI had previously guaranteed 100% of the principal (including capitalized interest) plus accrued interest by purchasing the defaulted loan from the Corporation pursuant to a guaranty agreement between the Corporation and TERI. On April 7, 2008, TERI announced that it filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Massachusetts. The United States Bankruptcy Court for the Eastern Division of the District of Massachusetts rejected and terminated the guaranty agreement relating to the TERI Loans held in the Trust Estate. ***As a result of this bankruptcy, the TERI Loans are no longer guaranteed by TERI or any other guarantor. The Bankruptcy Court has approved a plan of reorganization***.

## ALTERNATIVE GUARANTOR

A portion of the Student Loans currently held in the Trust Estate consist of Alternative Student Loans that are insured under the TUITIONGard® student loan insurance program ("Landmark Loans"). The following general information concerning the alternative guarantor has not been verified by the Corporation and the Corporation makes no representation as to the accuracy or completeness of such information.

**LANDMARK AMERICAN INSURANCE COMPANY (LANDMARK)** *THE FOLLOWING DESCRIPTION OF LANDMARK AND THE TUITIONGARD™ PROGRAM IS BASED SOLELY ON INFORMATION PROVIDED BY ARROWOOD INDEMNITY COMPANY, AND HAS NOT BEEN INDEPENDENTLY VERIFIED BY THE CORPORATION. THE INCLUSION OF THIS INFORMATION IS NOT, AND SHOULD NOT BE CONSTRUED AS, A REPRESENTATION BY THE CORPORATION AS TO ITS ACCURACY OR COMPLETENESS OR OTHERWISE.*

Prior to September 2, 2003, Landmark was an indirect wholly owned subsidiary of OrionAuto, Inc. ("Orion Auto"), an indirect wholly owned subsidiary of Royal Group, Inc. ("RGI"). OrionAuto's ten insurance subsidiaries, including Landmark, were authorized as multiple-line insurance carriers and could insure most types of property and casualty risks. Landmark began insuring student loans through the TUITIONGard® program in April 1997. On September 2, 2003, Landmark was sold to RSUI Indemnity Company. In connection with that, Landmark ceded 100% of all its liabilities and obligations arising out of all insurance policies issued in its name prior to September 2, 2003, including the insurance policy referenced herein, to Royal Indemnity Company ("RIC"). RIC is now known as Arrowood Indemnity Company, a wholly owned subsidiary of Arrowpoint Group, Inc.

Under the TUITIONGard® program, Landmark insured, subject to a 5% deductible, the principal, accumulated interest and lost interest during the 150-day delinquency period for insured loans, as defined in the insurance policy form. Default of the student loans is the failure by the borrower to make monthly principal and/or interest payments on a student loan when due, provided such failure continues for a period of one hundred fifty (150) consecutive days. Landmark's insurance applies to all claims for any default by the borrower so long as such claims do not result in whole or in part from:

(a) War, insurrection, rebellion or revolution of any kind;
(b) Nuclear energy liability; or
(c) Any actual or alleged failure, malfunction or inadequacy of:

1) Any of the following, regardless of who owns them:
   a) Computer hardware, including microprocessors;
   b) Computer application software;
   c) Computer operating systems and related software;
   d) Computer networks;
   e) Microprocessors (computer chips) not part of any computer system; or
   f) Any other computerized or electronic equipment or components; or

2) Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any matter, any of the items listed in subsection 1) above due to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times, including, but not limited to, the year 2000.

Landmark's obligation to honor its insurance for any loan is conditioned upon the origination, disbursement, servicing and timely filing of the claim for insurance in accordance with program requirements. The above summary of terms of the insurance policy is for information purposes only. If any of the summary differs from the actual policy terms, the policy terms will prevail.

# Appendix A

## Audited Financial Statements of the Corporation

# Financial Statements

Brazos Student Finance Corporation
Years Ended June 30, 2019 and 2018
With Independent Auditor's Report

Brazos Student Finance Corporation

Financial Statements

Years Ended June 30, 2019 and 2018

## Contents

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Brazos Student Finance Corporation

We have audited the accompanying financial statements of Brazos Student Finance Corporation (a not-for-profit organization), which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of changes in fund balance and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
of Brazos Student Finance Corporation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brazos Student Finance Corporation, as of June 30, 2019 and 2018, and the changes in its fund balance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described in Note 2 to the financial statements, in 2019, Brazos Student Finance Corporation adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Dallas, Texas
October 7, 2019

Brazos Student Finance Corporation
Balance Sheets
*(In Thousands)*

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **Assets** | | |
| Cash and short-term investments | $ 4,604 | $ 9,089 |
| Interest receivable: | | |
| Student loan notes receivable | 3,208 | 4,843 |
| Investments | 18 | 18 |
| Student loan notes receivable, net | 168,890 | 267,893 |
| Accounts receivable | 2 | 7 |
| Restricted student loan assets, net | - | 1,723 |
| Prepaid expense | 15 | 17 |
| Total assets | $ 176,737 | $ 283,590 |
| | | |
| **Liabilities and fund balance** | | |
| Liabilities: | | |
| Notes payable, net | $ 127,371 | $ 226,237 |
| Accrued interest payable | 97 | 152 |
| DOE rebate fees payable | 92 | 160 |
| Administrative and loan servicing fees payable | 38 | 54 |
| Long term payable to affiliate | - | 1,723 |
| Total liabilities | 127,598 | 228,326 |
| | | |
| Fund balance: | | |
| With restrictions | 33,783 | 55,264 |
| Without restrictions | 15,356 | - |
| Fund Balance | 49,139 | 55,264 |
| | | |
| Total liabilities and fund balance | $ 176,737 | $ 283,590 |

*The accompanying notes are an integral part of these financial statements.*

Brazos Student Finance Corporation
Statements of Changes in Fund Balance
*(In Thousands)*

| | For the Years Ended June 30, 2019 | For the Years Ended June 30, 2018 |
|---|---|---|
| **Interest revenue:** | | |
| Student loan notes receivable | $ 9,504 | $ 10,919 |
| Investments | 216 | 154 |
| | 9,720 | 11,073 |
| **Interest expense:** | | |
| Notes payable | 8,577 | 8,561 |
| Net interest revenue before provision for loan losses | 1,143 | 2,512 |
| Negative provision for loan losses | 363 | 459 |
| Net interest revenue after provision for loan losses | 1,506 | 2,971 |
| **Noninterest revenue:** | | |
| Gain on extinguishment of debt | 82 | 114 |
| Other | 59 | 142 |
| Total noninterest revenue | 141 | 256 |
| **Noninterest expense:** | | |
| Administrative and loan servicing fees | 1,095 | 1,324 |
| Auction agent and broker-dealer fees | 10 | 25 |
| Loss on sale of student loan notes receivable | 3,531 | - |
| Other | 93 | 118 |
| Total noninterest expense | 4,729 | 1,467 |
| Revenue over (under) expenses | (3,082) | 1,760 |
| Estate contributions | 9,297 | - |
| Estate distributions | (12,340) | (525) |
| Fund balance, beginning of year | 55,264 | 54,029 |
| Fund balance, end of year | $ 49,139 | $ 55,264 |

*The accompanying notes are an integral part of these financial statements.*

Brazos Student Finance Corporation
Statements of Cash Flows
*(In Thousands)*

| | For the Years Ended June 30, 2019 | For the Years Ended June 30, 2018 |
|---|---|---|
| **Operating activities** | | |
| Revenue over (under) expenses | $ (3,082) | $ 1,760 |
| Adjustment to reconcile revenue over (under) expenses to net cash provided by (used in) operating activities: | | |
| Student loan interest capitalized | (1,146) | (1,379) |
| Amortization of loan purchase premium | 63 | 180 |
| Amortization of note discount | 603 | 291 |
| Amortization of debt issue costs | 576 | 232 |
| Reduction for loan losses | (363) | (459) |
| Loss on sale of student loan notes receivable | 3,531 | - |
| Gain of early extinguishment of debt | (82) | (114) |
| Changes in assets and liabilities: | | |
| Decrease (increase) in assets: | | |
| Interest receivable | 1,635 | (1,014) |
| Accounts receivable | 5 | (2) |
| Prepaid expense | 2 | 2 |
| Restricted student loan assets, net | 1,723 | 1,328 |
| Increase (decrease) liabilities: | | |
| Administrative and loan servicing fees payable | (16) | (13) |
| Accrued interest payable | (55) | 20 |
| Long term payable to affiliate | (1,723) | (1,328) |
| DOE rebate fees payable | (68) | (22) |
| Net cash provided by (used in) operating activities | 1,603 | (518) |
| **Investing activities** | | |
| Principal collected on student loan note receivable | 41,604 | 51,154 |
| Proceeds from sale of student loan notes receivable | 58,830 | 48 |
| Purchase of student loan notes receivable | (3,516) | (1,465) |
| Net cash provided by investing activities | 96,918 | 49,737 |
| **Financing activities** | | |
| Repayment of notes payable | (99,963) | (49,812) |
| Estate contributions | 9,297 | - |
| Estate distributions | (12,340) | (525) |
| Net cash used in financing activities | (103,006) | (50,337) |
| Net change in cash and short-term investments | (4,485) | (1,118) |
| Cash and short-term investments, beginning of year | 9,089 | 10,207 |
| Cash and short-term investments, end of year | $ 4,604 | $ 9,089 |
| **Supplemental disclosure** | | |
| Cash paid during the year for interest | $ 7,411 | $ 8,019 |

*The accompanying notes are an integral part of these financial statements.*

## 1. Organization

Brazos Student Finance Corporation (the Company) is a Texas not-for-profit public benefit corporation, which was incorporated in February 1985 for the purpose of providing funds for the acquisition and servicing of student loans that are: (1) insured by the U.S. Department of Education (DOE) and guaranteed by various national guarantors under the Federal Family Education Loan Program (FFELP) as provided for in the Higher Education Act of 1965, as amended, (2) guaranteed by the Secretary of Health and Human Services pursuant to the Health Education Assistance (HEAL) Program, or (3) uninsured and nonguaranteed alternative student loans. To maintain such insurance and guarantee of student loans, the Company must comply with the servicing, collecting, accounting and reporting requirements of the FFELP and HEAL programs. The Company has contracted with Brazos Higher Education Service Corporation, Inc. (BHESC) to serve as master servicer. BHESC by contract and for compensation, provides headquarter facilities, management, administrative support, marketing and accounting services. BHESC also oversees the sub-contracting of servicing, and collection activities. Funding for the Company has been provided by the issuance of asset-backed notes and, periodically, by advances from affiliates.

The Company's primary source of revenue is interest on student loans. All borrowings on the notes payable are expected to be repaid solely from funds derived from student loan principal repayments, interest, special allowance payments, interest subsidy payments, guarantee payments on defaulted notes, proceeds from sales of student loan notes, and investment revenue.

### Interest Rate Environment

The Company's student loan revenue note portfolio is comprised of $29,300 of Auction Rate Securities (ARS) and $98,806 of LIBOR-based Floating Rate Notes (FRNs) as of June 30, 2019. In February 2008, an imbalance of supply and demand in the ARS market as a whole led to failures of the auctions pursuant to which certain of the Company's ARS interest rates are set.

The failed auctions have continued through 2019. As a result, at June 30, 2019, $29,300 of the Company's ARS bore interest at the maximum rate allowable under the indenture estate provisions which govern the determination of the interest rate in the event of a failed auction.

The Company's taxable ARS has provisions which, during a period of auction failure, limit the interest rate on the ARS to the lesser of the Maximum Rate or the Net Loan Rate. The Company's Maximum Rate applied to taxable ARS is defined as the lesser of the 30-day LIBOR plus 150 basis points for Senior debt or the 30-day LIBOR plus 250 basis points for Subordinate debt. Each of the individual indenture estates within the Company has provisions for calculation of a Net Loan Rate for taxable ARS. This effectively increased the interest expense incurred by the Company. However, each of these issues was limited by the Net Loan Rate discussed below. Therefore, the overall cash flows of the indenture estates which hold these respective issues were not adversely impacted.

The Net Loan Rate is intended to protect each indenture estate from incurring cash outflows that the cash inflows cannot sustain. The Net Loan Rates of the Company's respective indenture estates range from 3.48% to 3.92% as of June 30, 2019. During 2019, the Net Loan Rate was invoked for most taxable note issues.

The market disruption experienced in the ARS market, and discussed above, did not have a significant impact upon the Company's FRNs, primarily because the Company's FRNs reset quarterly. The FRNs are fixed for three months; therefore, prior to any resets, spreads on student loans financed with FRNs are generally not affected to the extent of those financed with ARS notes.

**2. Significant Accounting Policies**

**Basis of Presentation**

The financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States and, accordingly, reflect all significant receivables, payables and other liabilities. The accounts of the Company are maintained in accordance with the principles of fund accounting in compliance with the debt instruments. This is a system under which resources are classified for accounting purposes into funds established for specific purposes. The Company aggregates its funds into general groups by the source of funding. The fund balance related to specific financings is with restrictions by the credit agreement and, as such, is shown as with restrictions on the balance sheets. The non-debt related fund deficit, if any, is shown as without restrictions on the balance sheets.

**Affiliated Entities**

The Company is affiliated with the following entities, which are required to be audited due to federal program requirements, or which are audited due to the significance of their activities and operations:

- Brazos Higher Education Authority, Inc. (BHEA)

- Bosque Higher Education Authority, Inc. (Bosque)
- Federated Student Finance Corporation (FSFC)
- Acapita Education Finance Corporation (AEFC)
- Brazos Higher Education Service Corporation, Inc. (BHESC)
- Brazos Education Loan Authority, Inc. (BELA)

All of the entities operate in the student loan higher education industry and are controlled by common officers and directors with the ability to influence the business performed by each entity. BHESC, by contract and for compensation, serves as Master Servicer and provides headquarter facilities, management, administrative support, marketing and accounting services. BHESC also oversees the subcontracting of servicing and collection activities.

Estate distributions are a release of excess funds to another Brazos affiliate, allowed by Indenture. Estate contributions are receipt of excess funds from Brazos affiliates.

**Debt Issue Costs and Note Discount**

The Company capitalizes debt issue costs incurred when issuing debt. Debt issue costs include costs related directly to the issuance of notes payable and consist primarily of filing fees, trustee fees and expenses, document reproduction costs, legal fees, costs of credit ratings, underwriter's fees, and other costs. The Company also issues notes at a discount and records the discount as an adjustment to notes payable, net, on the balance sheet. Debt issue costs and note discounts are amortized over the terms of the notes using a method that approximates the effective interest method. The amortization of the debt issue costs and note discount is included within interest expense on notes payable in the statement of changes in fund balance.

**Interest Receivable**

Interest receivable on student loan notes receivable includes: special allowance payments receivable from or payable to the DOE, government subsidy interest, and borrower interest on all student loans outstanding.

*(In Thousands)*

**Cash and Short-Term Investments**

Cash and short-term investments consist of money market funds and guaranteed investment contracts with original maturities of 90 days or less. Cash and short-term investments are held in indenture with U.S. Bank, N.A. (the Trustee) under various contractual indentures, subject to certain limitations (see Note 2 – Trustee), and are pledged to secure related notes payable. Guaranteed investment contracts and money market funds are stated at fair value and represent unsecured investments. Any realized or unrealized changes in fair value are recorded through the statements of changes in fund balance. Interest revenue from these investments is recorded on an accrual basis.

Cash and short-term investments are comprised of the following:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Money market funds | $ 4,604 | $ 8,808 |
| Guaranteed investment contracts | - | 281 |
| Total cash and short-term investments | $ 4,604 | $ 9,089 |

As of June 30, 2019 and 2018, the Company had $1,960 and $3,545, respectively, in cash and short-term investment reserves in compliance with the note indenture requirements.

**Student Loan Notes Receivable, Net**

Student loans are stated at the principal amount outstanding, plus unamortized purchase premiums, net of the allowance for loan losses. All student loan notes receivable are pledged to secure related notes payable.

There was no impairment of student loan notes receivable during the years ended June 30, 2019 and 2018. A loan is considered past due or delinquent when it becomes 31 days past due. Alternative loans are written off and placed with a collection agency at 120 days past due. Delinquent FFELP loans cannot be submitted to the guarantor for payment until the loan is 270 days past due, but before 330 days past due. The guarantor pays interest accrued through the date of the claim payment. At June 30, 2019 and 2018, there are no loans placed in nonaccrual status.

**Premiums on Loans Purchased**

The Company defers premiums paid on those student loan notes purchased and used to secure long-term financings, and amortizes such premiums over the estimated life of the student loan notes as an adjustment to the yield of the related loans utilizing a method which approximates the effective interest rate method. Amortization of the premiums is included within the statements of changes in fund balance in interest on student loan notes receivable. The unamortized loan purchase premium is included on the balance sheet within the student loan notes receivable.

**Income Taxes**

The Company is a not-for-profit public benefit corporation which is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Company is also exempt from state income tax. Income which is not related to its exempt purposes, less applicable deductions, is subject to federal income taxes. The Company had no net unrelated business income for the years ended June 30, 2019 and 2018. As such, no provision for federal or state income taxes has been provided in the accompanying financial statements.

The Company files federal information returns in the United States. The Company may be subject to examinations for the tax years ended June 30, 2016 and later by the Internal Revenue Service. The Company is not currently under examination for any open tax year.

The Company follows the accounting standard related to the accounting for uncertainty in income taxes recognized in the Company's financial statements. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company currently does not have any positions reserved.

**Trustee**

The Company contracts certain services to the Trustee. The Trustee holds the pledged student loan notes receivable and other invested assets in the Company's name, and invests and disburses funds as directed by the Company pursuant to requirements of the indenture and note agreements. The trustee also monitors the invested assets of the Company and the related cash flows of the loans and other assets pledged under the indenture to secure the related debt.

**Concentration Risk**

The Company's credit risk is inherent principally in its student loan notes receivable. It is impossible to predict the status of the economy or unemployment levels, which could significantly affect the Company's credit risk exposure. However, the credit risk of the Company is substantially decreased by the guaranteed nature of its investment in guaranteed and insured student loan notes receivable.

The Company's loan portfolio is also concentrated in FFELP loans. Approximately 71% and 76% of the portfolio is comprised of FFELP loans, 1% and 1% is comprised of HEAL loans and the remaining 28% and 23% of the loan portfolio is comprised of alternative private loans for the years ended June 30, 2019 and 2018, respectively. Any changes in legislation related to existing FFELP or consolidation loans could have a significant impact on the Company.

**Student Loan Revenue**

The Company recognizes interest revenue on student loans, special allowance revenue (rebates), and government interest subsidies as earned, net of DOE rebate fees paid on a monthly basis. Additionally, revenue is recognized based upon the principal amount outstanding in accordance with the terms of the applicable loan agreement on a monthly basis until the outstanding balance is paid or charged off.

Based upon the core guidance of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, revenue derived from financial instruments, such as student loan notes receivable and investments, is exempt from this guidance as recognition of revenue is covered in other applicable accounting standards.

**Interest Expense**

Interest expense is based upon contractual interest rates (variable) adjusted for the amortization of note discount and debt issue costs.

**Department of Education Fees**

Approximately, 60% and 67% of the portfolio is consolidation loans, on which the Company pays fees to the DOE during the years ended June 30, 2019 and 2018, respectively. DOE fees consist of rebate fees due to the DOE. Rebate fees are monthly fees assessed by the DOE on the outstanding consolidation loan balance at the end of the month. Rebate fees are accounted for as an adjustment to the yield on student loan notes receivable included within the statements of changes in fund balance in interest revenue from student loan notes receivable.

**Change in Accounting Principles**

On July 1, 2018, the Company adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a full retrospective method of adoption to all contracts with customers at July 1, 2018.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services.

The amount to which the Company expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

The adoption of ASU 2014-09 did not significantly impact the Company since revenues recognized from financial instruments are exempt from Topic 606. The related disclosures in the notes to the financial statement were expanded to comply with the requirements of this standard.

During the fiscal year 2019, the Company, adopted ASU 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

***Balance Sheets***

- The balance sheets distinguish between two new classes of fund balance—those with restrictions and those without restrictions. This is a change from the previously required three classes of fund balance—unrestricted, temporarily restricted and permanently restricted.

***Statement of Changes in Fund Balance***

- Expenses are reported by nature. All expenses related to the single function of the Company.
- Investment revenue is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment revenue is no longer required.

***Notes to the Financial Statements***

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of changes in fund balance.

This change had no impact on previously reported total change in fund balance.

**Estimates in Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Key accounting policies that include significant judgments and estimates include use of the effective interest rate method to amortize premiums on loans purchased, amortization of debt issue costs and note discounts, and provision for loan losses.

## 3. Student Loan Interest Receivable and Revenue

FFELP loans obligate the borrower to either pay interest at a stated fixed rate or an annually reset variable rate that has a cap depending on when the loan was originated. The interest earned by the Company is dependent upon the borrower's interest rate, the date the loan was originated, and the Special Allowance Payment formula.

The Special Allowance Payment formula, or SAP rate, is determined by the DOE, based upon an average of all of the applicable floating rates (91-day Treasury bill, commercial paper, and 52-week Treasury bill) in a calendar quarter, plus a spread between 1.74% and 3.50%, depending on the underlying loan status and origination date. These rates are then applied to the quarterly average daily balance for loans eligible to receive SAP.

For loans first disbursed prior to April 1, 2006, the Company earns interest at the higher of the borrower's rate or the SAP rate. If the SAP rate exceeds the borrower's rate, the DOE makes a payment directly to the Company. For loans first disbursed after April 1, 2006, the Company earns interest at the SAP rate. If the SAP rate is less than the borrower's rate, the Company "rebates" the difference between the borrower's rate and the lower SAP rate to the DOE. If the SAP rate is greater than the borrower's rate, the DOE makes SAP payments to the Company for the difference between the two rates.

*(In Thousands)*

At June 30, 2019 and 2018, student loans held by the Company had stated interest rates determined annually by the DOE ranging from 3.63% to 8.50% and 2.68% to 8.50%, respectively, and are generally payable by the borrower following a specified grace period. Effective July 1, 2019, the DOE reset these rates to range from 4.06% to 8.50%.

For FFELP loans, the U.S. government pays the Company the interest on subsidized student loans from the date of acquisition until the end of the grace period, as defined in the regulations.

Interest revenue from student loan notes receivable consists of the following:

| | June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Student loan interest revenue | $ 9,328 | $ 11,792 |
| Interest subsidy revenue | 303 | 464 |
| Special allowance revenue | 1,380 | 881 |
| DOE rebate fees | (1,444) | (2,038) |
| Premium amortization | (63) | (180) |
| Net interest revenue on student loan notes receivable | $ 9,504 | $ 10,919 |

Under certain conditions, the Company may capitalize accrued interest receivable and add it to the borrower's outstanding principal. For unsubsidized FFELP student loans, the borrower has the option of either paying the interest or having accrued interest capitalized from the date of the loan origination until the end of the grace period and during periods of deferment. Borrowers of both subsidized and unsubsidized FFELP student loans have the option of having accrued interest capitalized during periods of forbearance. Subsequent interest accrues on the new total principal balance which includes any capitalized interest.

*(In Thousands)*

Interest receivable on student loan notes receivable consists of the following:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Student loan interest receivable | $ 2,867 | $ 4,351 |
| Interest subsidy receivable | 56 | 109 |
| Special allowance receivable | 285 | 383 |
| Interest receivable on student loan notes receivable | $ 3,208 | $ 4,843 |

**4. Student Loan Notes Receivable**

Student loan notes are purchased by the Company primarily from affiliates. The Company's student loan portfolio consists principally of loans originated under the FFELP and HEAL federally sponsored student loan programs. The Company also purchases private and alternative education loans.

Total student loan notes receivable consist of the following:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| FFELP student loan notes receivable | $ 120,473 | $ 204,420 |
| HEAL student loan notes receivable | 1,608 | 2,838 |
| Alternative student loan notes receivable | 48,589 | 62,897 |
| Deferred loan premiums net of accumulated amortization | - | 63 |
| | 170,670 | 270,218 |
| Allowance for student loan losses | (1,780) | (2,325) |
| Student loan notes receivable, net | $ 168,890 | $ 267,893 |

**Loan Programs**

The FFELP includes the Federal Stafford Loan (Stafford) Program, the Federal Supplemental Loans for Students (SLS) Program, the Federal Parent Loan for Undergraduate Students (PLUS) Program, the Federal Parent Loan for Graduate Students (GradPLUS) Program, and the Federal

Consolidation Loan Program. These loan programs are available to students or parents of students who, when the loans were originated, were enrolled in postsecondary institutions.

Stafford, SLS, GradPLUS, and PLUS loans have repayment periods ranging from between 5 and 10 years. Federal consolidation loans have repayment periods of 12 to 30 years. Repayment on these loans commences subsequent to a grace period following the student's graduation. Alternative loans have repayment periods ranging from between 15 and 20 years. There is no deferral of the repayment period for these loans.

All FFELP, HEAL, and private loans held by the Company have been either insured or guaranteed by the U.S. government, Texas Guaranteed Student Loan Corporation, or other national guarantors, provided applicable program requirements have been met by the original lender, prior servicer, and the current servicing agent with respect to such loans. The original lenders have warranted to the Company that the student loans have met these requirements and are valid obligations of the borrowers. Student loan notes that do not conform to the terms of the purchase agreement between the individual entities and the original lender may be returned to the original lending institution for reimbursement of principal, interest, and costs incurred while held by the individual entities.

In the event of default on a student loan due to borrower default, death, disability, or bankruptcy, the Company files a claim with the insurer or guarantor of the loan. The Company will receive the unpaid principal balance and accrued interest on the loan less any risk sharing, if applicable, provided the loan has been properly originated and serviced.

The Company's alternative loans are education-related student loans. The Company bears all risk of loss on uninsured alternative loans.

**Student Loan Servicing**

BHESC serves as Master Servicer for the Company with the necessary student loan servicing to maintain compliance with the requirements of the FFELP, HEAL, TERI, and private and alternative loan programs by holding subservicing agreements for loan servicing duties with various student loan servicing agents. BHESC currently holds subservicing agreements for loan servicing duties with American Education Services, Nelnet Diversified Solutions, LLC, and Navient (formerly Sallie Mae Servicing Corporation) on behalf of the Company. Under the terms of these subservicing agreements, the subservicer indemnifies the Company for any loss of principal and interest resulting from deficiencies in the loan servicing performed by the subservicer. At June 30, 2019 and 2018, 100% of the loan portfolio is serviced by third-party subservicers.

*(In Thousands)*

**Allowance for Student Loan Losses**

The Budget Reconciliation Act of 1993 (the Act) lowered the federal guarantee for FFELP student loans made on or after October 1, 1993 to 98%. The Deficit Reduction Act of 2006 lowered the federal guarantee for FFELP student loans made on or after July 1, 2006 to 97%. The Company provides an allowance for estimated loss of guaranteed student loan principal and interest related to the 2% unguaranteed and unrecoverable amounts on student loan notes receivable. The Act's lowering of the federal guarantee has not historically had a material impact on the Company. Additionally, HEAL loans are 98% guaranteed by the loan program sponsor. The Company determines the allowance for loan losses based on loss factors applied to the portion of student loan balances without government guarantee by individual loan type and status. Because the Company's portfolio consists of guarantees ranging from 97% to 99%, and because there is a relatively small percentage of loans at the 97% guarantee, management has considered that 98% of principal and interest is guaranteed and there is only 2% of principal with credit risk.

TuitionGard loans are insured at 95% should the borrower default. The Company bears the risk for the remaining 5%. In addition, the Company bears all risk of loss on all other alternative loans. The Company's alternative loans that do not have a loan guarantee are primarily education-related student loans to students attending postsecondary educational institutions or career training institutions. A quarterly review is performed on the alternative outstanding loan balances compared to historical delinquencies incurred. Based on this analysis, the Company records an allowance for these loans based on the loan type and delinquency of the loans.

Activity in the allowance for loan losses is summarized as follows:

| | June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Balance, beginning of year | $ 2,325 | $ 2,940 |
| Negative provision for loan losses | (363) | (459) |
| Recoveries | 505 | 615 |
| Charge-offs | (687) | (771) |
| Balance, end of year | $ 1,780 | $ 2,325 |

*(In Thousands)*

**5. Notes Payable**

Notes payable consist of the following:

| | June 30, 2019 | June 30, 2018 | Final Maturity Date |
|---|---|---|---|
| Student Loan Asset-Backed Notes, Series 1998 B1 | $ - | $ 7,781 | June 2023 |
| Student Loan Asset-Backed Notes, Series 1999 A1-A2 | 6,900 | 9,100 | December 2033 |
| Student Loan Asset-Backed Notes, Series 2000 A8-A13 | 22,400 | 30,100 | December 2033 |
| Student Loan Asset-Backed Notes, Series 2001 B1 | - | 4,100 | July 2036 |
| Student Loan Asset-Backed Notes, Series 2003 A1-A4 & B1 | - | 58,000 | July 2038 |
| Student Loan Asset-Backed Notes, Series 2009 A-1, A-S-1 & B1 | 76,675 | 93,017 | January 2039 |
| Student Loan Asset-Backed Notes, Series 2010 A1 | 22,131 | 26,053 | June 2035 |
| | 128,106 | 228,151 | |
| Less unamortized debt issue costs | (407) | (983) | |
| Less unamortized note discount | (328) | (931) | |
| | $ 127,371 | $ 226,237 | |

The Series "A" notes are senior notes and the Series "B" notes are subordinate notes. Per the indentures, the senior notes have a superior interest to the indenture assets over the subordinate notes. Due to this higher risk, subordinate notes yield a higher interest rate.

During fiscal year 2019, the Company called twenty-three tranches of outstanding securities with a par amount of $8,200 at a discount of 1.00% resulting in a cumulative call price of $8,118. A gain of $82 was recorded in the statements of changes in fund balance during fiscal year 2019 related to these early maturities.

During fiscal year 2018, the Company called twenty-four tranches of outstanding securities with a par amount of $11,400 at a discount between 1.00% and 5.00% resulting in a cumulative call price of $11,286. A gain of $114 was recorded in the statements of changes in fund balance during fiscal year 2018 related to these early maturities.

*(In Thousands)*

Interest rates for the various note series are based on fixed and variable rates. The interest rates at June 30, 2019 and 2018, for each class of notes are:

| | | June 30, 2019 | June 30, 2018 |
|---|---|---|---|
| Floating rate securities (FRN) | 3-month LIBOR plus spread of 0.25% – 2.50% | 2.85% – 5.10% | 2.09% – 5.09% |
| Taxable auction rate securities (ARS) | Set at auction | 3.48% – 3.92% | 2.45% – 4.75% |

The auction rates, when auctions are functioning, are determined every 28 days depending on the auction procedures described in the indenture agreement. The interest rates may be converted to variable or fixed rates by the Company within the guidelines established by the indenture agreements.

Pursuant to the individual indenture agreements for each debt instrument, the respective notes payable are secured solely by those student loans and other invested assets held by each individual debt instrument's indenture estate.

Pursuant to the indenture and note agreements, the Company is subject to certain financial and nonfinancial covenants. The agreements require that the Company make timely principal and interest payments or the notes will default.

The maturities of notes payable as of June 30, 2019, by fiscal year, are as follows:

| | |
|---|---|
| 2020 | $ - |
| 2021 | - |
| 2022 | - |
| 2023 | - |
| 2024 | - |
| Thereafter | 128,106 |
| | $ 128,106 |

The actual maturities of notes payable may differ from the contractual maturities noted above, as the Company has the ability to prepay the debt outstanding.

*(In Thousands)*

## 6. Fund Balance

### Fund Balance with Restrictions

As noted in Note 2 of Significant accounting policies of the Company, the fund balance with restrictions by the credit agreement is noted on the balance sheets. For the Company, all funds are considered with restrictions for the fiscal years ended June 30, 2019 and 2018 as noted below:

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Fund balance with restrictions | $ 33,783 | $ 55,264 |

### Fund Balance without Restrictions

As noted in Note 2 of significant accounting policies of the Company, fund balance without restrictions is limited to any non-debt related funds as of fiscal years ended June 30, 2019 and 2018 designated as without restrictions fund balance on the balance sheets.

| | 2019 | 2018 |
|---|---|---|
| Fund balance without restrictions | $ 15,356 | $ - |

### Fund Balance Released from Restrictions

As noted in Note *2* of significant accounting policies of the Company, resources of the Company are established for specific purposes or financings. As shown in the Statements of Changes in Fund Balance, all funds with restrictions to fund balance which saw expenses exceed revenues in the amount of $3,082 for the year ended June 30, 2019.

## 7. Revenue of the Company

As noted in Note 2 of significant accounting policies of the Company, full retrospective approach of Topic 606 was adopted effective July 1, 2018. Additionally, revenue recognition of the direct, significant revenue of the Company is disclosed in Note 2 to the financial statements.

*(In Thousands)*

However as the nature and concentration of the Company's significant source of revenue is concentrated and derived from financial instruments, this revenue stream is exempt from Topic 606 and thus no significant impact to the financial statements is noted.

**Disaggregation of Revenue**

As included in Note 2 of significant accounting policies of the Company, the disaggregation of total revenue per percentage including both interest revenue and noninterest revenue is as follows for the years ended June 30, 2019 and 2018:

| | June 30, | |
|---|---|---|
| | **2019** | **2018** |
| Interest revenue: | | |
| Student loans note receivable | 96.38% | 96.38% |
| Investments | 2.19% | 1.36% |
| Noninterest revenues: | | |
| Gain on extinguishment of debt | 0.83% | 1.01% |
| Other | 0.60% | 1.25% |

## 8. Liquidity and Availability

As disclosed in Note 2 of significant accounting policies, all financial assets of the Company are limited and restricted to a specific purpose in accordance with the principles of fund accounting in compliance with debt instruments. Revenue from those assets with restrictions is for specific purposes of the fund. Funds of the Company are not available for general expenditure.

## 9. Related-Party Transactions

Included in administrative and loan servicing fees are administrative fees paid to BHESC, and servicing fees paid to third-party subservicers. During the years ended June 30, 2019 and 2018, the Company recorded $574 and $577, respectively, in administrative fees paid to BHESC, Master Servicer, for providing administrative support, such as accounting and information technology infrastructure.

Estate distributions in the amount of $12,340 and $525 were made to BHESC during the years ended June 30, 2019 and 2018, respectively. Estate contributions in the amount of $9,297 and $-0- were made to BHESC during the years ended June 30, 2019 and 2018, respectively.

During 2013 and 2014, BHESC purchased, on the open market auction rate securities through a third-party broker, $9,500 and $2,600, respectively, par value of the Company's auction rate securities. During the fiscal year ended June 30, 2017, BHESC purchased an additional $9,300 par value of the Company's auction rate securities. During the year ended June 30, 2019, the Company called a portion of these securities, as allowed by indenture call provisions, with a par value of $5,100 at a discount of 99%. This resulted in a gain of $51 during the year ended June 30, 2019.

In August 2011, BHESC advanced funds to the Company to purchase alternative student loan notes receivable to liquidate a line of credit held at Bosque. The Company is using the proceeds of the notes to repay this payable and accordingly recorded these notes as restricted assets held by general fund within the financials. During the years ended June 30, 2019 and 2018, the Company paid $1,723 and $1,328, respectively on this long-term payable. This resulted in a balance of $-0- and $1,723 at June 30, 2019 and 2018, respectively.

**10. Subsequent Events**

Subsequent events have been evaluated through October 7, 2019, which is the date the financial statements were available to be issued. No events requiring disclosure were noted.