OFFERING MEMORANDUM

$267,500,000
Student Loan Asset-Backed Notes, Series 2010-1
(LIBOR Floating Rate Notes)

Arkansas Student Loan Authority

Issuer

The Arkansas Student Loan Authority (the "Issuer"), a body corporate and politic and an instrumentality of the State of Arkansas (the "State") is issuing $267,500,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes) (the "notes") as set forth below:

Original Principal Amount	Interest Rate	Price to Public	Final Maturity Date	Expected Ratings Moody's/Fitch[1]
$267,500,000	3-Month LIBOR plus 0.90%	99.35547%	November 25, 2043	Aaa/AAA

[1] See the caption "RATINGS" herein.

Credit enhancement for the notes will consist of overcollateralization, excess interest and cash on deposit in certain funds created under the Indenture (as defined herein), as described in this Offering Memorandum.

The notes will receive quarterly distributions of principal and interest on the twenty-fifth day (or the next business day if it is not a business day) of each February, May, August and November as described in this Offering Memorandum, beginning November 26, 2010.

Receipts of principal and certain other payments received on the student loans held in the trust estate established under the Indenture will generally be allocated for payment of the principal of the notes until paid in full.

Investors should consider carefully the "RISK FACTORS" beginning on page 12 of this Offering Memorandum.

The notes are limited obligations of the Issuer and are payable solely from the discrete trust estate created under the Indenture consisting primarily of the pool of student loans originated under the Federal Family Education Loan Program as described more fully herein and not from any of the other assets of the Issuer.

The notes are not insured or guaranteed by any government agency or instrumentality, including the State or any political subdivision thereof, by any insurance company or by any other person or entity. THE NOTES ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE TRUST ESTATE DESCRIBED HEREIN, AND SHALL BE LIMITED OBLIGATIONS OF THE ISSUER AND IN NO EVENT SHALL THEY CONSTITUTE AN INDEBTEDNESS FOR WHICH THE FAITH AND CREDIT OF THE STATE OF ARKANSAS OR ANY POLITICAL SUBDIVISION THEREOF OR ANY OF ITS REVENUES ARE PLEDGED. The Issuer does not have taxing power.

The notes have not been registered under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth in such acts. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is unlawful.

The notes are being offered through the underwriters named below (the "Underwriters"), subject to prior sale and to the right of the Issuer or the Underwriters to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the notes will be made in book-entry-only form through The Depository Trust Company on or about September 16, 2010.

RBC Capital Markets **BofA Merrill Lynch**

September 2, 2010

This Offering Memorandum (this "Offering Memorandum") does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Underwriters to subscribe for or purchase, any of the notes in any circumstances or in any state or other jurisdiction where such offer or invitation is unlawful. Except as set forth herein, no action has been taken or will be taken to register or qualify the notes or otherwise to permit a public offering of the notes in any jurisdiction where actions for that purpose would be required. The distribution of this Offering Memorandum and the offering of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Underwriters to inform themselves about and to observe any such restrictions. This Offering Memorandum has been prepared by the Issuer solely for use in connection with the proposed offering of the notes described herein.

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

In making an investment decision, prospective investors must rely on their own independent investigation of the terms of the offering and weigh the merits and the risks involved with ownership of the notes. The Issuer will furnish any additional information (to the extent the Issuer has such information or can acquire such information without unreasonable effort or expense and to the extent the Issuer may lawfully do so under the Securities Act of 1933, as amended (the "Securities Act") or applicable local laws or regulations) necessary to verify the information furnished in this Offering Memorandum. Representatives of the Issuer and the Underwriters will be available to answer questions from prospective investors concerning the notes, the Issuer and the student loans.

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

The Underwriters have provided the following sentence for inclusion within this Offering Memorandum. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

There currently is no secondary market for the notes. There are no assurances that any market will develop or, if it does develop, how long it will last. The Issuer does not intend to list the notes on any exchange, including any exchange in either Europe or the United States.

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

In connection with the offering, the Underwriters may over allot or effect transactions with a view to supporting the market price of the notes at levels above that which might otherwise prevail in the open

market for a limited period. However, there is no obligation to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

THIS OFFERING MEMORANDUM CONTAINS SUMMARIES OF CERTAIN DOCUMENTS THAT ARE BELIEVED TO BE ACCURATE, BUT REFERENCE IS HEREBY MADE TO THE ACTUAL DOCUMENTS, WHICH ARE INCORPORATED BY REFERENCE, AND ALL SUCH SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE ACTUAL DOCUMENTS. THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUER OR THE UNDERWRITERS AND ANY ONE OR MORE PURCHASERS OR OWNERS OF THE NOTES.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THE NOTES MAY NOT BE OFFERED OR SOLD TO PERSONS IN THE UNITED KINGDOM, BY MEANS OF THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENT, IN CIRCUMSTANCES WHICH WILL RESULT IN AN OFFER TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995 OR THE FINANCIAL SERVICES AND MARKETS ACT 2000.

IRS CIRCULAR 230 NOTICE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, THE NOTEHOLDERS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY NOTEHOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH NOTEHOLDER UNDER THE CODE; (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE NOTES OR MATTERS ADDRESSED IN THIS OFFERING MEMORANDUM; AND (III) NOTEHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- changes in terms of financed student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations that may reduce the volume, average term, costs and yields on education loans under the Federal Family Education Loan Program;
- changes resulting from the termination of the Federal Family Education Loan Program effective June 30, 2010;
- changes in the general interest rate environment and in the securitization market for student loans, which may increase the costs or limit the marketability of financings;
- losses from student loan defaults; and
- changes in prepayment rates and credit spreads.

Many of these risks and uncertainties are discussed in greater detail under the heading "RISK FACTORS."

You should read this Offering Memorandum and the documents that are referenced in this Offering Memorandum completely and with the understanding that the Issuer's actual future results may be materially different from what the Issuer expects. The Issuer may not update the forward-looking statements, even though the Issuer's situation may change in the future, unless the Issuer has obligations under the federal securities laws to update and disclose material developments related to previously disclosed information. All of the forward-looking statements are qualified by these cautionary statements.

TABLE OF CONTENTS

Page

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS iii
SUMMARY OF TERMS 1
RISK FACTORS 12
ARKANSAS STUDENT LOAN AUTHORITY 28
THE ISSUER'S STUDENT LOAN FINANCE PROGRAM 31
GUARANTY AGENCIES 35
SERVICING OF THE FINANCED STUDENT LOANS 39
FEES AND EXPENSES 42
USE OF PROCEEDS 43
THE FINANCED STUDENT LOANS 43
CHARACTERISTICS OF THE FINANCED STUDENT LOANS 44
DESCRIPTION OF THE NOTES 52
SECURITY AND SOURCES OF PAYMENT FOR THE NOTES 56
BOOK-ENTRY REGISTRATION 60
TRUSTEE 64
SUMMARY OF THE INDENTURE PROVISIONS 65
CREDIT ENHANCEMENT 77
ERISA CONSIDERATIONS 78
CERTAIN FEDERAL INCOME TAX CONSIDERATIONS 80
ADDITIONAL INFORMATION; REPORTS TO NOTEHOLDERS 85
UNDERWRITING 85
FINANCIAL ADVISOR 86
LEGAL PROCEEDINGS 86
LEGAL MATTERS 87
RELATED PARTIES 87
RATINGS 88
CONTINUING DISCLOSURE 88
GLOSSARY OF TERMS 89

APPENDIX A DESCRIPTION OF THE FFEL PROGRAM
APPENDIX B GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES
APPENDIX C WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN QUARTERLY DISTRIBUTION DATES FOR THE NOTES
APPENDIX D FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX E AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008
APPENDIX F UNAUDITED CONSOLIDATED STATEMENT OF NET ASSETS, CONSOLIDATED STATEMENT OF REVENUES, EXPENSES , AND CHANGES IN NET ASSETS , AND STATEMENT OF CASH FLOWS OF THE ISSUER FOR THE FISCAL YEAR ENDED JUNE 30, 2010
APPENDIX G FORM OF OPINION OF NOTE COUNSEL

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SUMMARY OF TERMS

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

Before deciding to purchase the notes, you should consider the more detailed information appearing elsewhere in this Offering Memorandum.

References in this Offering Memorandum to the "Issuer" refer to the Arkansas Student Loan Authority. This Offering Memorandum contains forward looking statements that involve risks and uncertainties. See "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" in this Offering Memorandum. Certain terms used in this Offering Memorandum are defined in "GLOSSARY OF TERMS" herein.

Principal Parties and Dates

Issuer and Administrator

- Arkansas Student Loan Authority

Servicers

Edfinancial Services, LLC ("Edfinancial") services approximately 88% of the student loans described in this Offering Memorandum. The remaining student loans described in this Offering Memorandum are serviced by Nelnet Servicing, LLC ("Nelnet"). Edfinancial and Nelnet are referred to collectively as the "Servicers" herein.

Backup Servicer

- Pennsylvania Higher Education Assistance Agency

Guaranty Agencies

- Student Loan Guarantee Foundation of Arkansas
- Certain other guaranty agencies identified herein under the caption "GUARANTY AGENCIES"

Trustee

- Wells Fargo Bank, National Association (the "Trustee")

Distribution Dates

Distribution dates for the notes will be the twenty-fifth day of each February, May, August and November, or, if not a business day, the next business day, as described in this Offering Memorandum, beginning November 26, 2010. These dates are sometimes referred to herein as "quarterly distribution dates." The calculation date for each quarterly distribution date generally will be the second business day before such quarterly distribution date with respect to information calculated by the Trustee (or the second business day after its receipt of information calculated by the Issuer if later) and the fourth business day before such quarterly distribution date with respect to information calculated by the Issuer.

Certain fees and expenses of the trust estate established under the hereinafter described Indenture (such as the servicing fees and administration fees) will be paid on a monthly basis on the twenty-fifth day of each month, or if not a business day, the next business day. These dates are sometimes referred to herein as "monthly payment dates." The calculation date for each monthly payment date generally will be the second business day before such monthly payment date with respect to information calculated by the Trustee (or the second business day after its receipt of information calculated by the Issuer if later) and the fourth business day before such monthly payment date with respect to information calculated by the Issuer.

Collection Periods

The collection periods will be the three full calendar months preceding each quarterly distribution date. However, the initial collection period will begin on the date of issuance and end on October 31, 2010.

Interest Accrual Periods

The initial interest accrual period for the notes begins on the date of issuance and ends on November 25, 2010. For all other quarterly distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day before such quarterly distribution date.

Cut-off Dates

The cut-off date for the student loan portfolio to be pledged by the Issuer to the Trustee on the date of issuance is the date of issuance. For any student loans pledged to the Trustee by the Issuer after the date of issuance, the cut-off date will be the date of such pledge. The student loans pledged by the Issuer to the Trustee under the Indenture and not released from the lien thereof are sometimes referred to herein as the "financed student loans."

The information presented in this Offering Memorandum under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" relating to the student loans the Issuer expects to pledge to the Trustee on or about the date of issuance is as of June 30, 2010, which is referred to as the "statistical cut-off date." The Issuer believes that the information set forth in this Offering Memorandum with respect to the student loans as of the statistical cut-off date is representative of the characteristics of the student loans as they will exist on the date of issuance for the notes.

Date of Issuance

The date of issuance for this offering is expected to be on or about September 16, 2010.

Description of the Notes

General

The Arkansas Student Loan Authority is offering $267,500,000 of its Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes) (the "notes"). The notes are debt obligations of the Issuer and will be issued pursuant to an Indenture of Trust (the "Indenture") dated as of September 1, 2010, between the Issuer and the Trustee. The notes will receive payments primarily from collections on a pool of student loans held by the Issuer and pledged to the Trustee under the Indenture.

The notes will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof. Interest and principal on the notes will be payable to the record owners of the notes as of the close of business on the day before the related quarterly distribution date.

Interest on the Notes

The notes will bear interest, except for the initial interest accrual period, at an annual rate equal to three-month LIBOR plus 0.90%.

The Trustee will calculate the rate of interest on the notes on the second business day prior to the start of the applicable interest accrual period. Interest on the notes will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360 and rounding the resultant figure to the fifth decimal place. The LIBOR rate for the notes for the initial interest accrual period will be calculated by reference to the following formula:

> x + [(a / b * (y-x)] plus (0.90%), as calculated by the Trustee.
> where:
>
> x = two-month LIBOR;
>
> y = three-month LIBOR;
>
> a = 10 (the actual number of days from the maturity date of two-month LIBOR

to the first quarterly distribution date); and

b = 30 (the actual number of days from the maturity date of two-month LIBOR to the maturity date of three-month LIBOR).

Interest accrued on the outstanding principal balance of the notes during each interest accrual period will be paid on the following quarterly distribution date.

The interest rate to be paid on the notes is limited by the maximum interest rate allowed by the laws of the State, which, for purposes of the notes, is 17% per annum.

Principal Distributions

Principal distributions will be allocated to the notes on each quarterly distribution date in an amount equal to the funds available to pay principal as described below in "—Description of the Issuer and the Trust Estate—Flow of Funds."

Principal will be paid on the notes until paid in full.

The term "Principal Distribution Amount" means an amount equal to:

- for each quarterly distribution date, the amount, if any, remaining after the payments and transfers described in *first* through *sixth* under "—Description of the Issuer and the Trust Estate—Flow of Funds" below have been made; and

- on the final maturity date for the notes, the amount necessary to reduce the aggregate principal balance of the notes to zero.

See "DESCRIPTION OF THE NOTES—Principal Distributions" in this Offering Memorandum.

Final Maturity

The notes are due and payable in full on the November 2043 quarterly distribution date.

The actual maturity of the notes could occur earlier if, for example:

- there are prepayments on the financed student loans;

- additional payments of principal from money available in the Collection Fund to pay the notes in full prior to maturity;

- the Issuer exercises its option to purchase all of the student loans remaining in the trust estate established under the Indenture from the lien of the Indenture (which will not occur until a date when the Pool Balance is 10% or less of the initial Pool Balance); or

- the Trustee auctions all of the remaining financed student loans (which, absent an event of default, will not occur until a date when the Pool Balance is 10% or less of the initial Pool Balance).

"*Pool Balance*" for any date means the aggregate principal balance of the financed student loans on that date, including accrued interest that is expected to be capitalized, after giving effect to the following, without duplication:

- all payments received by the Issuer through that date from borrowers;

- all amounts received by the Issuer through that date from purchases of financed student loans from the lien of the Indenture;

- all liquidation proceeds and realized losses on the financed student loans through that date;

- the amount of any adjustment to balances of the financed student loans that a Servicer makes (under its

servicing agreement, if applicable) through that date; and

- the amount by which guaranty agency reimbursements of principal on defaulted student loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

Description of the Issuer and the Trust Estate

General

The Issuer is a body corporate and politic and an instrumentality of the State of Arkansas (the "State"). The Issuer was established in 1977 pursuant to Act No. 873 of the Acts of 1977, codified at Sections 6-81-101 *et seq.* of the Arkansas Code Annotated, as amended (the "Authorizing Act") for the purpose of making guaranteed educational loans and dealing in, by buying or selling, guaranteed educational loan notes.

As described under "USE OF PROCEEDS," certain of the proceeds from the sale of the notes, together with proceeds contributed by the Issuer, will be used to make the initial deposits to the Capitalized Interest Fund and the Reserve Fund. Certain of the remaining proceeds from the sale of the notes will be used to release FFELP loans (as defined below) presently pledged by the Issuer under an existing indenture and a warehouse facility provided by the State. All of such FFELP loans expected to be released on or about the date of issuance, together with certain FFELP loans contributed by the Issuer on the date of issuance, have been identified and are described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein. The FFELP loans expected to be so released or contributed on or about the date of issuance will be pledged to the Trustee and will be subject to the lien of the Indenture. See "USE OF PROCEEDS."

The only sources of funds for payment of the notes issued under the Indenture are the financed student loans and investments pledged to the Trustee and the payments the Issuer receives on those financed student loans and investments. On the date of issuance, the Pool Balance, plus amounts on deposit in the Reserve Fund, the Collection Fund and the Capitalized Interest Fund, will be approximately 106.75% of the aggregate principal amount of the notes.

The Trust Estate Assets

The assets of the trust estate securing the notes issued under the Indenture will be a discrete trust estate that will include:

- the student loans originated under the Federal Family Education Loan Program ("FFELP" or "FFEL Program") acquired into the Acquisition Fund;

- collections and other payments received on account of the financed student loans; and

- money and investments held in funds created under the Indenture, including the Acquisition Fund, the Capitalized Interest Fund, the Collection Fund, the Department Rebate Fund and the Reserve Fund.

The Issuer has originated or acquired the student loans to be pledged under the Indenture in the ordinary course of its student loan financing business. All of the student loans pledged to the Trustee under the Indenture are, as of the time of such pledge, guaranteed by a guaranty agency and reinsured by the U.S. Department of Education (sometimes referred to herein as the "Department of Education"). See "GUARANTY AGENCIES" in this Offering Memorandum.

Except under limited circumstances set forth in the Indenture, financed student loans may not be transferred out of the trust estate established under the Indenture. For example, in limited circumstances described herein, the Issuer or a Servicer may be required to purchase a financed student loan out of the trust estate or replace such financed student loan. See "SUMMARY

OF THE INDENTURE PROVISIONS—Sale of Financed Student Loans."

The Issuer will also pledge to the Trustee all of the rights and remedies that it has under any agreement pursuant to which a financed student loan was originated or acquired by the Issuer and any rights and remedies under any servicing agreement with a third-party relating to the financed student loans.

The Acquisition Fund

The Issuer will acquire a portfolio of FFELP loans on or about the date of issuance from its 2000 Indenture and State Line of Credit. An estimate of the amount of such FFELP loans to be deposited in the Acquisition Fund on or about the date of issuance is set forth under "USE OF PROCEEDS." Except for (a) any substitutions of financed student loans to be made by the Issuer as described under "THE FINANCED STUDENT LOANS" or (b) any acquisition of student loans that were previously financed student loans back from a guarantee agency or a servicer as described under "SECURITY AND SOURCES OF PAYMENTS FOR THE NOTES—Collection Fund; Flow of Funds," there will be no acquisitions of student loans into the trust estate after the date of issuance.

The Collection Fund

Approximately $350,875 will be deposited into the Collection Fund on the date of issuance. The Trustee will deposit into the Collection Fund upon receipt all revenues derived from financed student loans and money or investments of the Issuer on deposit with the Trustee, amounts received under any joint sharing agreement and all amounts transferred from the Capitalized Interest Fund, the Department Rebate Fund and the Reserve Fund. Money on deposit in the Collection Fund will be used to make any required payments under any applicable joint sharing agreement or to otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, to make any required payments to the Department of Education and the guaranty agencies and to pay the Issuer's operating expenses (which include administration fees, servicing fees and trustee fees), to pay interest and principal on the notes and to replenish the Reserve Fund. See the caption "—Flow of Funds" below and "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds."

The Capitalized Interest Fund

Approximately $2,000,000 will be deposited into the Capitalized Interest Fund on the date of issuance. If on any monthly payment date or quarterly distribution date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the Department of Education and to the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay administration fees, servicing fees, trustee fees and interest on the notes, then money on deposit in the Capitalized Interest Fund will be transferred to the Collection Fund to cover the deficiency, prior to any amounts being transferred from the Reserve Fund. Amounts released from the Capitalized Interest Fund will not be replenished. Amounts will be transferred from the Capitalized Interest Fund to the Collection Fund as described under "SECURITY AND SOURCES OF PAYMENTS FOR THE NOTES—Capitalized Interest Fund."

The Reserve Fund

The Issuer will make a deposit to the Reserve Fund on the date of issuance in the amount of $706,250, which is approximately 0.25% of the initial Pool Balance. The Reserve Fund is to be maintained at an amount equal to the greater of (a) 0.25% of the Pool Balance as of the last day of the related collection period and (b) $500,000, or such lesser amount as may be agreed to by the rating agencies as evidenced by a rating confirmation/notification (as defined under "GLOSSARY OF TERMS"). On each quarterly distribution date or monthly payment

date, to the extent that money in the Collection Fund is not sufficient to pay amounts owed to the Department of Education and to the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay administration fees, servicing fees, trustee fees and the interest then due on the notes, an amount equal to the deficiency will be transferred from the Reserve Fund to the Collection Fund, if such deficiency has not been paid from the Capitalized Interest Fund. To the extent the amount in the Reserve Fund falls below the specified Reserve Fund balance, the Reserve Fund will be replenished on each quarterly distribution date from funds available in the Collection Fund as described under the caption "—Flow of Funds" below and under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds." Funds on deposit in the Reserve Fund in excess of the specified Reserve Fund balance will be transferred to the Collection Fund and will be applied as described under the caption "—Flow of Funds" below and under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds." Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes or (b) on any quarterly distribution date when the market value of securities and cash in the Reserve Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

Department Rebate Fund

The Trustee will establish a Department Rebate Fund as part of the trust estate established under the Indenture. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. The Issuer expects that the Department of Education will reduce the special allowance and interest benefit payments payable to the Issuer by the amount of any such rebates owed by the Issuer. However, in certain circumstances the Issuer may owe a payment to the Department of Education or to another trust if amounts were deposited into the trust estate that represent amounts that are allocable to student loans that are not financed student loans. If the Issuer believes that it is required to make any such payment, the Issuer will direct the Trustee to deposit into the Department Rebate Fund from the Collection Fund the estimated amounts of any such payments. Money in the Department Rebate Fund will be transferred to the Collection Fund to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Issuer, or will be paid to the Department of Education or to another trust if necessary to discharge the Issuer's rebate obligation. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM."

Characteristics of the Student Loan Portfolio

The Issuer will pledge to the Trustee under the Indenture a portfolio of student loans originated under the FFELP, having, as of the statistical cut-off date, an aggregate outstanding principal balance of approximately $286,679,611 (which does not include total accrued interest of approximately $3,814,401, a portion of such total accrued interest is expected to be capitalized). As of the statistical cut-off date (and based on the outstanding principal balances of the financed student loans as of such date), the weighted average annual interest rate of the student loans expected to be pledged to the Trustee (excluding special allowance payments) was approximately 4.63% and their weighted average remaining term to scheduled maturity was approximately 190 months. The portfolio of student loans expected to be pledged by the Issuer to the Trustee is described more fully below under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

In the event that the principal amount of student loans required to provide collateral for the notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain a "AAA" rating on the notes, the rate of

amortization or prepayment on the portfolio of student loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of student loans to be pledged to the Trustee may consist of a subset of the pool of student loans described herein or may include additional student loans not described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

The Issuer believes that the information set forth in this Offering Memorandum with respect to the student loans as of the statistical cut-off date is representative of the characteristics of the student loans as they will exist both on the date of issuance for the notes and after the expiration of the 30 day acquisition period described above.

Flow of Funds

Servicing fees and expenses and administration fees and expenses will be paid to the Administrator (initially the Issuer) on each monthly payment date from money available in the Collection Fund. The amount of the initial servicing fee and administration fee payable in clauses *third* and *fourth* below is specified under the caption "FEES AND EXPENSES" hereunder and is subject to increase only upon receipt of rating confirmation/notification. The Administrator will be responsible for paying when due any fees or expenses owed to the Servicers. In addition, each month money available in the Collection Fund will be used to pay amounts due with respect to the financed student loans to the U.S. Department of Education and to the guaranty agencies, to make any payments required under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, to repurchase financed student loans in the limited circumstances described in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" and to transfer amounts required to be deposited into the Department Rebate Fund. On each quarterly distribution date, prior to an event of default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available, as set forth in the following chart:

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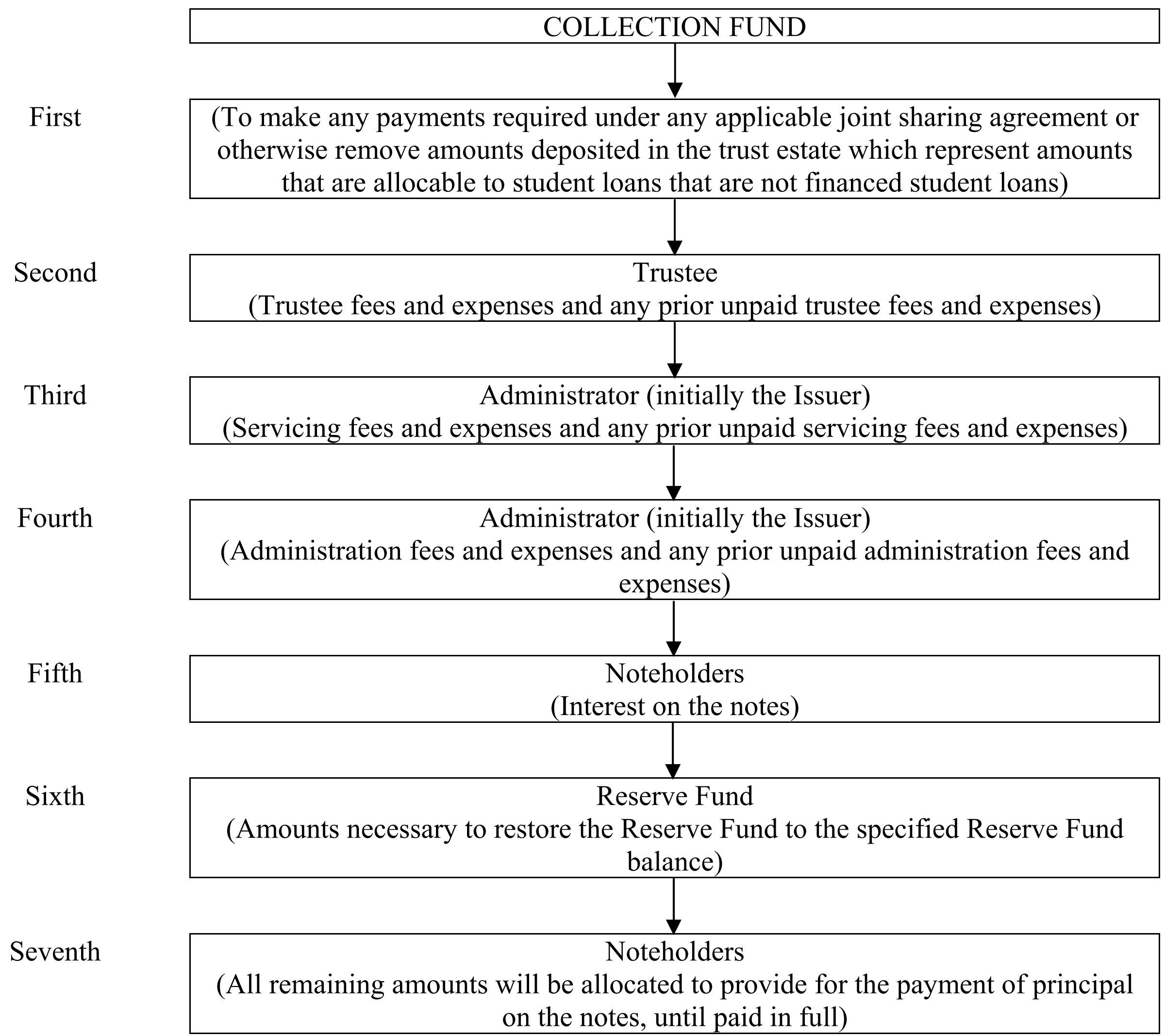

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Flow of Funds After Events of Default

Following the occurrence of an event of default that results in an acceleration of the maturity of the notes and after the payment of certain fees and expenses, payments of principal and interest on the notes will be made, ratably, without preference or priority of any kind, until the notes are repaid in full. See "SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default."

Credit Enhancement

Credit enhancement for the notes will consist of overcollateralization, excess interest and cash on deposit in the Capitalized Interest Fund and the Reserve Fund as described below under "CREDIT ENHANCEMENT."

Servicing and Administration

Edfinancial and Nelnet (in such capacity, each a "Servicer") have been engaged by the Issuer to act as servicers with respect to all of the financed student loans pursuant to existing servicing agreements between Edfinancial, as Servicer, the Trustee, and the Issuer, and between Nelnet, as Servicer, the Trustee and the Issuer. Each Servicer, will assume responsibility under its respective servicing agreement for servicing and making collections on the financed student loans serviced by it.

The Pennsylvania Higher Education Assistance Agency ("PHEAA") will act as backup servicer (the "Backup Servicer") and, in such role, act as successor Servicer with respect to the financed student loans directly serviced by Edfinancial, upon the occurrence of certain events described herein under "SERVICING OF THE FINANCED STUDENT LOANS—Backup Servicer and Backup Servicing Arrangement."

The Administrator (initially the Issuer) will be paid a monthly administration fee for performing the administrative duties under the Indenture and a monthly servicing fee for all of the financed student loans as set forth under "FEES AND EXPENSES." The Administrator will be responsible for paying when due any fees or expenses owed to the Servicers. Certain operating fees will be paid annually as part of the administration fee.

Optional Purchase

The Issuer may, but is not required to, purchase the remaining financed student loans in the trust estate created under the Indenture ten business days prior to any quarterly distribution date when the Pool Balance is 10% or less of the initial Pool Balance. If this purchase option is exercised, the financed student loans will be sold from the lien of the Indenture as of the last business day of the preceding collection period and the proceeds will be used on the corresponding quarterly distribution date to repay outstanding notes, which will result in early retirement of the notes.

If the Issuer exercises its purchase option, the purchase price is subject to a prescribed minimum purchase price. The prescribed minimum purchase price is the amount that, when combined with amounts on deposit in the funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the notes then outstanding on the related quarterly distribution date to zero;
- pay to the noteholders the interest payable on the related quarterly distribution date; and
- pay any rebate fees and other amounts payable to the Department of Education, pay amounts payable under any joint sharing agreements or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, and pay unpaid administration fees and expenses, servicing fees and expenses and trustee fees and expenses.

Mandatory Auction

If any notes are outstanding and the Issuer does not notify the Trustee of its intention to exercise its right to repurchase the financed student loans in the trust estate established under the Indenture when the Pool Balance is 10% or less of the initial Pool Balance, all of the remaining student loans in the trust estate will be offered for sale by the Trustee before the next succeeding quarterly distribution date. The Issuer and unrelated third parties may offer to purchase the trust estate's student loans in the auction. The net proceeds of any auction sale will be used to retire any outstanding notes on the next quarterly distribution date after the receipt of such proceeds.

The Trustee will solicit and resolicit new bids from all participating bidders until only one bid remains or the remaining bidders decline to resubmit bids. The Trustee will accept the highest bid remaining if it equals or exceeds both the minimum purchase price described above and the fair market value of the student loans remaining in the trust estate established under the Indenture. If the highest bid after the solicitation process does not equal or exceed both the minimum purchase price described above and the fair market value of the student loans remaining in the trust estate, the Trustee will not complete the sale. If the sale is not completed, the Trustee may, but will not be obligated to, solicit bids for the sale of the trust estate's student loans at the end of future collection periods using procedures similar to those described above. If the Issuer requests (in writing) for it to do so, the Trustee will be obligated to make such solicitations. The Trustee may or may not succeed in soliciting acceptable bids for the student loans in the trust estate created under the Indenture either on the auction date or subsequently.

If the financed student loans are not sold as described above, on each subsequent quarterly distribution date, all amounts on deposit in the Collection Fund will continue to be distributed as described under "—Flow of Funds" until the notes have been paid in full.

Book-Entry Registration

The notes will be delivered in book-entry form through The Depository Trust Company, and through Clearstream, Luxembourg and Euroclear as participants in The Depository Trust Company. You will not receive a certificate representing your notes except in very limited circumstances. See "BOOK-ENTRY REGISTRATION."

Federal Income Tax Consequences

Williams & Anderson PLC will deliver an opinion that, for federal income tax purposes, the notes will be treated as the Issuer's indebtedness and that the trust created under the Indenture will not be characterized as creating an association or publicly traded partnership taxable as a corporation each for federal tax purposes. You will be required to include in your income the interest on the notes as paid or accrued in accordance with your accounting methods and the provisions of the Internal Revenue Code. See "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS."

ERISA Considerations

Fiduciaries of employee benefit plans, retirement arrangements and other entities in which such plans or arrangements are invested ("Plans"), persons acting on behalf of Plans or persons using the assets of Plans should review carefully with their legal advisors whether the purchase and holding of the notes could give rise to a transaction prohibited under ERISA or the Code. See "ERISA CONSIDERATIONS."

Rating of the Notes

The notes are expected to be rated as follows:

Rating Agency (Moody's/Fitch)
"Aaa"/"AAA"

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See "RATINGS."

CUSIP Number

041150DJ9

International Securities Identification Number ("ISIN")

US041150DJ99

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RISK FACTORS

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

You may have difficulty selling your notes

There currently is no secondary market for the notes. There is no assurance that any market will develop or, if it does develop, that it continue or will provide investors with a sufficient level of liquidity of investment. If a secondary market for the notes does develop, the spread between the bid price and the asked price for the notes may widen, thereby reducing the net proceeds to you from the sale of your notes. The Issuer does not intend to list the notes on any exchange, including any exchange in either Europe or the United States. Under current market conditions, you may not be able to sell your notes when you want to do so (you may be required to bear the financial risks of an investment in the notes for an indefinite period of time) or you may not be able to obtain the price that you wish to receive. The market values of the notes may fluctuate and movements in price may be significant.

The notes are not a suitable investment for all investors

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

The notes are payable solely from the trust estate and you will have no other recourse against the Issuer

Interest and principal on the notes will be paid solely from the funds and assets held in the discrete trust estate created under the Indenture. Except for (a) any substitutions of financed student loans to be made by the Issuer as described under "THE FINANCED STUDENT LOANS" or (b) any acquisition of student loans that were previously financed student loans back from a guarantee agency or a servicer as described under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds," there will be no subsequent acquisitions of or recycling of student loans into the trust estate after the date of issuance. No insurance or guarantee of the notes will be provided by any government agency or instrumentality, by any insurance company or by any other person or entity. Therefore, your receipt of payments on the notes will depend solely on:

- the amount and timing of payments and collections on the financed student loans and interest paid or earnings on the funds held in the accounts established pursuant to the Indenture; and

- amounts on deposit in the Collection Fund, the Capitalized Interest Fund, the Reserve Fund and other funds and accounts held in the trust estate.

You will have no recourse against any party if the trust estate created under the Indenture is insufficient for repayment of the notes.

State not liable with respect to notes

The notes shall not be deemed to constitute a debt or liability of the State or any political subdivision, thereof, or a pledge of the faith and credit of the State or any such political subdivision, but shall be payable solely from the trust estate created under the Indenture. Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the notes. The Authorizing Act does not in any way create a so called moral obligation of the State or of any political subdivision thereof to pay debt service in the event of a default. The Issuer does not have taxing power.

No subordinate notes will be issued and, therefore, the notes will bear all losses not covered by available credit enhancement

Credit enhancement for the notes will consist of overcollateralization, excess interest and cash on deposit in the Capitalized Interest Fund and the Reserve Fund. The Issuer is not issuing any other notes that are on a parity with or subordinate to the notes. Therefore, to the extent that the credit enhancement described above is exhausted, the notes will bear any risk of loss.

Funds available in the Reserve Fund and Capitalized Interest Fund are limited and, if depleted, there may be shortfalls in payments to noteholders

The Reserve Fund and the Capitalized Interest Fund will each be funded on the date of issuance. Amounts on deposit in the Reserve Fund will be replenished to the extent of available funds so that the amount on deposit in the Reserve Fund will be maintained at the specified Reserve Fund balance. The Capitalized Interest Fund will not be replenished and will be available only for a limited period of time. Funds may be transferred out of the Reserve Fund and the Capitalized Interest Fund from time to time as described under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES." In the event that the funds on deposit in the Capitalized Interest Fund and the Reserve Fund are exhausted and there are insufficient available funds in the Collection Fund, the notes will bear any risk of loss.

Certain amendments to the Indenture and other actions may be taken with rating confirmation/notification or by less than all of the noteholders and without your approval

The Indenture permits the Issuer and the Trustee to make certain amendments to the Indenture or take certain other actions based upon the receipt of a rating confirmation/notification (as defined under "GLOSSARY OF TERMS"), without the consent of the noteholders. Subject to the limitations described in "SUMMARY OF THE INDENTURE PROVISIONS—Consent of Registered Owners," changes may be made to the Indenture or other actions taken without the consent of the noteholders. See "SUMMARY OF THE INDENTURE PROVISIONS—Supplemental Indentures—Supplemental Indentures Not Requiring Consent of Registered Owners."

Under the Indenture, holders of specified percentages of the aggregate principal amount of the notes may amend or supplement or waive provisions of the Indenture without the consent of the other holders. You have no recourse if the holders vote and you disagree with the vote on these matters. The holders may vote in a manner which impairs the ability to pay principal and interest on your notes.

The rate of payments on the financed student loans may affect the maturity and yield of the notes

Financed student loans may be prepaid at any time without penalty. If the Issuer receives prepayments on the financed student loans, those amounts will be used to make principal payments as described below under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds," which could shorten the average life of the notes. Factors affecting prepayment of loans include general economic conditions, prevailing interest rates and changes in the borrower's job, including transfers and unemployment. Refinancing opportunities that may provide more favorable repayment terms, including those offered under consolidation loan programs and borrower incentive programs, also affect prepayment rates.

Scheduled payments with respect the financed student loans may be reduced and the maturities of financed student loans may be extended as authorized by the Higher Education Act. Also, periods of deferment and forbearance may lengthen the remaining term of the loans and the average life of the notes.

The rate of principal payments to you on the notes will be directly related to the rate of payments of principal on the financed student loans. Changes in the rate of prepayments may significantly affect your actual yield to maturity, even if the average rate of principal prepayments is consistent with your expectations. In general, the earlier a prepayment of principal of a loan, the greater the effect may be on your yield to maturity. The effect on your yield as a result of principal payments occurring at a rate higher or lower than the rate anticipated by you during the period immediately following the issuance of the notes may not be offset by a subsequent like reduction, or increase, in the rate of principal payments on the notes. You will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the financed student loans.

The notes may have basis risk which could affect payment of principal and interest on the notes

There is a degree of basis risk associated with the notes. Basis risk is the risk that shortfalls might occur because the interest rates of the financed student loans and those of the notes adjust on the basis of different indexes or at different times. If a shortfall were to occur, payment of principal or interest on the notes could be adversely affected.

Different rates of change in interest rate indexes may affect trust estate cash flow

The interest rates on the notes may fluctuate from one interest accrual period to another in response to changes in the specified index rates. The student loans that will be financed with the proceeds from the sale of the notes bear interest either at fixed rates or at rates which are generally based upon the bond equivalent yield of the 91-day U.S. Treasury Bill rate. In addition, the financed student loans may be entitled to receive special allowance payments from the Department of Education based upon the 91-day U.S. Treasury Bill rate or a three-month commercial paper rate. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM." If there is a decline in the rates payable on financed student loans, the amount of funds representing interest deposited into the Collection Fund may be reduced. If the interest rate payable on the notes does not decline in a similar manner and time, the Issuer may not have sufficient funds to pay interest on the notes when due. Even if there is a similar reduction in the rate applicable to the notes, there may not necessarily be a reduction in the other amounts required to be paid by the Issuer, such as administrative expenses, causing interest payments to be deferred to future periods. Similarly, if there is a rapid increase in the interest rate payable on the notes without a

corresponding increase in rates payable on the financed student loans, the Issuer may not have sufficient funds to pay interest on the notes when due. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the notes or expenses of the trust estate created under the Indenture.

For loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such "excess interest" to the federal government on a quarterly basis. This modification effectively limits lenders' returns to the special allowance support level and could require a lender to rebate excess interest accrued but not yet received. For fixed rate loans, the excess interest owed to the federal government will be greater when the 91-day U.S. Treasury Bill rate and commercial paper rates are relatively low, causing the special allowance support level to fall below the loan rate. There can be no assurance that such factors or other types of factors will not occur or that, if they occur, such occurrence will not materially adversely affect the sufficiency of the trust estate established under the Indenture to pay the principal of and interest on the notes, as and when due.

Turmoil in the credit markets

There have been changes in the national credit markets since the Fall of 2007 that have dramatically changed the way that the Issuer does business. Since its inception in the late 1970s, the Issuer regularly financed its student loan purchases on a long-term basis through the issuance of revenue bonds secured by the student loans it originated or purchased with the proceeds of such bonds. Due to the turmoil in the credit markets, the cost of asset-backed securities financings has increased and their availability has decreased. Some of the issues that have made asset-backed borrowings more difficult include: the collapse of the auction rate securities market (as discussed below); the downgrade of national bond insurers; limited availability of credit support and liquidity in the market; the requirement by those credit and liquidity providers that are in the market of increasingly higher amounts of equity and higher fees payable to such credit and liquidity providers in financings; and the establishment by the credit rating agencies of significantly more rigorous assumptions and requirements. In addition to the turmoil in the credit markets, the changes in the FFEL Program imposed by the College Cost Reduction and Access Act (as discussed herein) have adversely impacted the profitability of financing new FFELP loans. In addition, the recent elimination of the FFEL Program described below will impact the Issuer.

This difficulty in obtaining long-term financing has severely limited the Issuer's ability to purchase student loans and has negatively impacted the Issuer's business relationships with its long-time lender partners. There are many lender banks that have historically originated loans which the Issuer has serviced and subsequently purchased but such relationships have changed dramatically based both on the departure of many lending banks from the student loan business and the increased flexibility in the contractual relationships that the Issuer maintains with its existing lenders.

Due to the limited recourse nature of the trust estate created under the Indenture for the notes, the turmoil in the credit markets should not impact the payment of the notes unless it causes (i) erosion in the finances of the Issuer to such an extent that it cannot honor any repurchase, administration or similar obligations under the Indenture or (ii) the interest rates on the notes to increase more than the interest rates and subsidies received by the Issuer on the financed student loans.

Ratings of other student loan asset-backed notes and bonds issued in the future by the Issuer may be reviewed or downgraded

Disruptions in the credit markets, along with concerns over the financial strength of several monoline insurers, the widening of interest rate spreads and the collapse of the auction rate securities market have caused the rating agencies to announce that they are reviewing or intend to review the ratings assigned to certain securities, including student loan asset-backed securities. Additionally, most student loan asset-backed securities are sensitive to spreads between commercial paper rates and LIBOR rates, and such spreads have been wider than historical levels since the credit market disruption began in 2007. These events have led to a number of ratings actions on student loan asset-backed securities. Ratings actions may take place at any time. On the date of issuance of the notes, the Issuer will not have any asset-backed securities or bonds outstanding (other than the notes described herein). The Issuer cannot predict the timing of any ratings actions, nor can the Issuer predict whether the ratings assigned to the Issuer's notes offered hereby will be downgraded. In addition, any adverse action by the rating agencies regarding securities which may be issued in the future by the Issuer may adversely affect the Issuer, the market value of the notes or any secondary market for the notes that may develop.

Changes to the Higher Education Act, including the recent enactment of the Health Care and Education Affordability Reconciliation Act of 2010, changes to other applicable law and other Congressional action may affect your notes and the financed student loans

On March 30, 2010, the Health Care and Education Affordability Reconciliation Act of 2010 ("HCEARA" or the "Reconciliation Act") was enacted into law. Effective July 1, 2010, the Reconciliation Act eliminated the FFEL Program and the origination of new FFELP loans after June 30, 2010. All loans made under the Higher Education Act beginning on July 1, 2010 will be originated under the Federal Direct Student Loan Program (the "Direct Loan Program"). The terms of existing FFELP loans are not materially affected by the Reconciliation Act.

In addition to the passage of the Reconciliation Act, Title IV of the Higher Education Act and the regulations promulgated by the United States Department of Education (the "Department of Education") thereunder have been the subject of frequent and extensive amendments and reauthorizations in recent years. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM" hereto for more information on the Higher Education Act and various amendments thereto. There can be no assurance that the Higher Education Act or other relevant federal or state laws, rules and regulations may not be further amended or modified in the future in a manner that could adversely affect the Issuer or its student loan programs, the trust estate created under the Indenture, the financed student loans, or the financial condition of or ability of the Issuer, the Servicers or the guaranty agencies to comply with their obligations under the various transaction documents or the notes offered hereby. Future changes could also have a material adverse effect on the revenues received by the guarantors that are available to pay claims on defaulted financed student loans in a timely manner. In addition, if legislation were to be passed in the future requiring the sale of the financed student loans held in the trust estate to the federal government, proceeds from such sale would be deposited to the Collection Fund and used to pay the notes in advance of their current expected maturity date. No assurance can be given as to the amount that would be received from such sale or whether such amount would be sufficient to pay all principal and accrued interest due on the notes, as there is no way to know what purchase price would be paid by the federal government for the financed student loans.

The Issuer cannot predict the effects of the passage of the Reconciliation Act or whether any other changes will be made to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary of Education in future legislation, or the effect of such

legislation on the Issuer, the Servicers, the guaranty agencies, the financed student loans or the Issuer's loan programs.

Competition from the Federal Direct Student Loan Program

The Direct Loan Program was established under the Student Loan Reform Act of 1993. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the Department of Education, make loans to students or parents without application to or funding from outside lenders or guarantors. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including consolidations under the Direct Loan Program of existing FFEL Program student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the Direct Loan Program. As a result of the enactment of the Reconciliation Act, no FFELP loans will be originated after June 30, 2010, and all loans made under the Higher Education Act will be originated under the Direct Loan Program. The Direct Loan Program also results in a reduced volume and variety of student loans available to be purchased by the Issuer and may result in prepayments of financed student loans if such financed student loans are consolidated under the Direct Loan Program.

Because of the limited recourse nature of the trust estate created under the Indenture for the notes, competition from the Direct Loan Program should not impact the payment of the notes unless it causes (a) erosion in the finances of the Issuer to such an extent that it cannot honor any repurchase, administration or similar obligations under the Indenture, (b) causes the interest rates on the notes to increase more than the interest rates and subsidies received by the Issuer on the financed student loans, or (c) prepayments of financed student loans if such financed student loans are consolidated under the Direct Loan Program.

The Issuer may be subject to investigations or the potential for litigation in connection with its outstanding auction rate securities

Auction rate securities generally, including student loan auction rate securities, have been the subject of significant scrutiny since the collapse of the auction rate securities market. Many auction rate securities broker-dealers and underwriters have reported receiving inquiries and subpoenas from the Securities and Exchange Commission ("SEC") and state regulators, and a number of such broker-dealers and underwriters have entered into settlements with the Securities and Exchange Commission stemming from such investigations. While all of the Issuer's auction rate securities will be redeemed from the proceeds of the notes, it is unclear what impact, if any, these actions may have on the Issuer.

Beginning in 2008, several class action lawsuits have been filed against many of the investment banking firms who have acted as broker-dealers for auction rate securities and also against issuers of auction rate securities. Among the theories on which such litigation has been based are inadequate disclosure and misrepresentation. Some of the complaints have alleged that auction rate securities were sold to investors as "cash equivalents," and that auction rate securities are now illiquid.

The Issuer has not been a party to any such lawsuit nor has any such lawsuit been threatened against the Issuer. However, no assurance can be given that such a lawsuit will not be filed against the Issuer or that if such a lawsuit is filed against the Issuer and is successful what the impact on the Issuer's ongoing operations and programs might be.

Other litigation risks

The Issuer may be subject to various claims, lawsuits, tax audits and proceedings that arise from time to time. See "LEGAL PROCEEDINGS" for a description of a lawsuit recently filed against the Issuer with respect to a Federal False Claims Act lawsuit which has been dismissed with respect to the Issuer.

The Issuer may be subject to student loan industry investigations

Since 2007, a number of state attorneys general have announced or are reportedly conducting broad investigations of possible abuses in the student loan industry by various lenders and higher education institutions ("institutions"). The primary issues under review appear to include revenue sharing arrangements between lenders and institutions, the limiting by institutions of a borrower's ability to borrow from the lender of their choice, lenders' undisclosed plans to sell student loans to other lenders, undisclosed agreements between lenders and institutions regarding "opportunity loans" to students with little or no credit history, potential conflicts of interest in connection with the placement of lenders on "preferred lender" lists at institutions, and other arrangements between lenders and institutions which could adversely affect student borrowers. "Preferred lender lists" are lists of lenders recommended by the institutions' financial aid departments or other organizations to students and parents seeking financial aid.

The Attorney General of New York was the first official to conduct such investigations and has reported agreements with dozens of institutions and several lenders. Other states followed quickly thereafter. Settlements have followed with certain institutions and several lenders; often the settlements require the institutions and lenders to adhere to code of conduct agreements ("School Codes of Conduct") intended to prevent potential conflicts of interest. Generally, these School Codes of Conduct prohibit institutions, as well as their employees, from receiving remuneration from lenders and employees from participating on lender advisory boards in exchange for compensation. Further, the employees of a lender are not allowed to staff the financial aid office of an institution, and lenders may not provide opportunity loans that might prejudice other student loan borrowers. The School Codes of Conduct go into great detail regarding the composition of preferred lender lists and required disclosure regarding the institution's decision-making process with respect to the lists and any agreements of lenders on the preferred lender lists to sell student loans to another lender.

The Issuer has loans to students from across the country, but it has not been contacted by the Attorney General of Arkansas other Attorneys General to respond to such investigations. Since such processes are typically confidential, the Issuer will not necessarily be able to advise of any such contacts or its involvement in such matters. The activity and number of investigations nationally appears to have greatly diminished.

The Department of Education has adopted regulations that impact the practices which are the subject of the foregoing investigations. See "Changes to the Higher Education Act, to other applicable law and other Congressional Action may affect your notes and the financed student loans" above.

General economic conditions

The United States economy experienced a downturn or slowing of growth that started in the last five or six months of 2008. Although there were some indications in early 2010 that the downturn may be slowing or reversing, it is unclear at this time whether the downturn or slower growth has ended or if it may return or if it will worsen. A downturn in the economy resulting in substantial layoffs either regionally or nationwide may result in an increase in delays by borrowers in paying financed student loans, thus causing increased default claims to be paid by guaranty agencies. It is impossible to predict

the status of the economy or unemployment levels or at which point a downturn in the economy would significantly reduce revenues to the Issuer or the guaranty agencies' ability to pay default claims. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Certain such events may have other effects, the impact of which are difficult to project.

The United States military build-up may result in delayed payments from borrowers called to active military service

The ongoing build-up of the United States military has increased the number of citizens who are in active military service. The Servicemembers Civil Relief Act limits the ability of a lender under the FFELP to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter.

The Issuer does not know how many student loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on financed student loans may be delayed as a result of these requirements, which may reduce the funds available to the Issuer to pay principal and interest on the notes.

Higher Education Relief Opportunities for Students Act of 2003 may result in delayed payments from borrowers

The Higher Education Relief Opportunities for Students Act of 2003 ("HEROS Act of 2003"), signed into law on August 18, 2003, authorizes the Secretary of Education to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of "affected individuals" who:

- are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency;

- reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or

- suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

The Secretary is authorized to waive or modify any provision of the Higher Education Act to ensure that:

- such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance;

- administrative requirements in relation to that assistance are minimized;

- calculations used to determine need for such assistance accurately reflect the financial condition of such individuals;

- provision is made for amended calculations of overpayment; and

- institutions of higher education, eligible lenders, guaranty agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable.

The number and aggregate principal balance of student loans that may be affected by the application of the HEROS Act of 2003 is not known at this time. Accordingly, payments the Issuer receives on financed student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers become eligible for the relief provided under the HEROS Act of 2003, there could be an adverse effect on the total collections on the financed student loans and the Issuer's ability to pay principal and interest on the notes.

Consumer protection laws may affect enforceability of financed student loans

Numerous federal and state consumer protection laws, including various state usury laws and related regulations, impose substantial requirements upon lenders and servicers involved in consumer finance. Some states impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liability that could affect an assignee's ability to enforce consumer finance contracts such as the student loans. In addition, the remedies available to the Trustee or the noteholders upon an event of default under the Indenture may not be readily available or may be limited by applicable state and federal laws.

You will rely on the Issuer and on a third-party servicer for the servicing of the financed student loans

You will be relying on third-party servicers to service all of the financed student loans. The Issuer is dependent on Edfinancial and Nelnet to provide certain equipment, software, training and related support with respect to the financed student loans serviced by these third-party servicers and PHEAA will also be engaged as of the date of issuance to act as the Backup Servicer for Edfinancial upon the occurrence of certain events described herein under "SERVICING OF THE FINANCED STUDENT LOANS—Backup Servicer and Backup Servicing Arrangement." Edfinancial and Nelnet also service and act as custodian with respect to the financed student loans pursuant to existing servicing agreements between each Servicer and the Issuer and custodian agreements among each Servicer, the Issuer and the Trustee.

The cash flow projections relied upon by the Issuer in structuring the issuance of the notes were based upon assumptions with respect to servicing costs which the Issuer based upon the Servicers' costs to service the loans that each services under its servicing agreement with the Issuer and the Trustee and PHEAA's costs to act as Backup Servicer. No assurance can be made that the costs to Edfinancial, Nelnet, and the Backup Servicer for servicing the financed student loans serviced by each of them will not increase, or that the Issuer would be successful in entering into servicing agreements with other servicers that would be acceptable to the rating agencies at the assumed level of servicing cost if the current Edfinancial and Nelnet servicing agreements or the Backup Servicer servicing agreement is terminated. Although Edfinancial and Nelnet are obligated to service the financed student loans serviced by each of them in accordance with the terms of their respective servicing agreements with the Issuer and the Trustee, and the Backup Servicer is obligated to service the financed student loans, if necessary, in accordance with the terms of the Backup Servicing Arrangement, the timing of payments to be actually

received with respect to the financed student loans will be dependent upon the ability of Edfinancial, Nelnet, and, if necessary, the Backup Servicer to adequately service the financed student loans serviced by each entity. In addition, the Issuer and the noteholders will be relying on the compliance by Edfinancial, Nelnet, and the Backup Servicer with applicable federal and state laws and regulations.

Bankruptcy or insolvency of a Servicer could result in payment delays to you

Edfinancial and Nelnet will act as Servicers with respect to the financed student loans pursuant to servicing agreements between each Servicer and the Issuer. PHEAA will act as Backup Servicer with respect to the financed student loans serviced by Edfinancial. In the event of a default by a Servicer or a Backup Servicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer and delays in collections in respect of those affected financed student loans may occur. Any delay in the collections of financed student loans may delay payments to you.

A default by a Servicer could adversely affect the notes

If Edfinancial defaults on its obligations to service the loans serviced by it, the Backup Servicer would become the successor Servicer for those financed student loans. If Nelnet or another third-party Servicer defaults on its obligations to service the loans serviced by it, the Issuer or the Trustee may remove the third-party Servicer without the consent of any other party, subject to satisfaction of the conditions set forth in the Indenture. In the event of the removal of a Servicer and the appointment of a successor servicer, there may be additional costs associated with the transfer of servicing to the successor servicer, including but not limited to, an increase in the servicing fees the successor servicer charges. In addition, the Issuer cannot predict the ability of the successor servicer to perform the obligations and duties under any servicing agreement.

Bankruptcy or insolvency of a third-party seller of financed student loans could result in payment delays to you

The Issuer has acquired certain of the financed student loans from third-party sellers. The Issuer has taken steps to structure each loan purchase by the Issuer from a third-party seller, such that the loans purchased should not be included in the bankruptcy estate of an seller if any of them should become bankrupt. If a court disagrees with this position, the Issuer could experience delays in receiving payments on the financed student loans and delays in receiving payments on the notes could be expected, or a reduction in payments on the notes could occur. A court could also subject those financed student loans to a superior tax or government lien arising before the sale of the student loans to the Issuer.

If financed student loans are purchased from a bank and the bank becomes insolvent, it would become subject to receivership by the Federal Deposit Insurance Corporation. In that case, the FDIC could treat the transfer of the student loans to the Issuer as a secured loan rather than as a sale. If that were to happen, the Issuer would have only a security interest in those financed student loans and could experience delays in receiving payments with respect to those financed student loans. In addition, the FDIC may seek a release of the loans to itself, as receiver, which would accelerate and prepay the “loan.”

If the Issuer or a Servicer fails to comply with the Department of Education's regulations, payments on the notes could be adversely affected

The Department of Education regulates each servicer of federal student loans. Under these regulations, a third-party servicer is jointly and severally liable with its client lenders (including the Issuer) for liabilities to the Department of Education arising from its violation of applicable requirements. In addition, if any lender or servicer fails to meet standards of financial responsibility or administrative capability included in the regulations, or violates other requirements, the Department of Education may impose penalties or fines and limit, suspend, or terminate the lender's ability to participate in or a servicer's eligibility to contract to service loans originated under FFELP before July 1, 2010.

If the Issuer (as lender) were so fined, or its FFELP eligibility were limited, suspended or terminated, payment on the notes could be adversely affected. If any Servicer were so fined or held liable, or its eligibility were limited, suspended, or terminated, its ability to properly service the financed student loans and to satisfy any remedies owed by it to the Issuer under a servicing agreement relating to financed student loans could be adversely affected. In addition, if the Department of Education terminates a Servicer's eligibility, a servicing transfer will take place and there may be delays in collections and temporary disruptions in servicing. Any servicing transfer may temporarily adversely affect payments to you.

Failure to comply with loan origination and servicing procedures for financed student loans may result in loss of guarantee and other benefits

The Issuer must meet various requirements in order to maintain the federal guarantee on the financed student loans. These requirements establish servicing requirements and procedural guidelines and specify school and borrower eligibility criteria.

A guaranty agency may reject a loan for claim payment due to a violation of the FFEL Program due diligence collection and servicing requirements. In addition, a guaranty agency may reject claims under other circumstances, including, for example, if a claim is not timely filed or adequate documentation is not maintained. Once a financed student loan ceases to be guaranteed, it is ineligible for federal interest benefit and special allowance payments. If a financed student loan is rejected for claim payment by a guaranty agency, the Issuer continues to pursue the borrower for payment or institute a process to reinstate the guarantee. Guaranty agencies may reject claims as to portions of interest for certain violations of the due diligence collection and servicing requirements even though the remainder of a claim may be paid.

Examples of errors that cause claim rejections include isolated missed collection calls, or failures to send collection letters as required. Violations of due diligence collection and servicing requirements can result from human error. Violations can also result from computer processing system errors, or from problems arising in connection with the implementation of a new computer platform or the conversion of additional loans to a servicing system.

The Department of Education has implemented school eligibility requirements, including default rate limits. In order to maintain eligibility in the FFEL Program, schools must maintain default rates below specified levels and both guaranty agencies and lenders are required to insure that loans are made to students attending schools that meet default criteria. If the Issuer fails to comply with any of the above requirements, it could incur penalties or lose the federal guarantee on some or all of the financed student loans.

The inability of the Issuer, a Servicer or a Selling Lender to meet their respective purchase obligations may result in losses on your notes

Under some circumstances, the Issuer may be required to purchase or provide a substitute for, or may have the right to require a Servicer or the lender selling a financed student loan to purchase, a financed student loan. This right against the Issuer arises generally if a financed student loan ceases to be guaranteed or insured (and a guarantee or insurance claim is not paid by a guaranty agency or by the United States) or is determined to be encumbered by a lien other than the lien of the Indenture and if the same is not cured within the applicable cure period. This right against a Servicer or a selling lender arises generally as the result of a breach of certain covenants with respect to such student loan, in the event such breach materially adversely affects the interests of the Issuer in that financed student loan and is not cured within the applicable cure period. There is no guarantee that the Issuer, the Servicer or a selling lender will have the financial resources to make a purchase or substitution. In this case, you will bear any resulting loss.

In addition, the Issuer assigned and pledged to the Trustee its rights and remedies under any student loan purchase agreement under which financed student loans were acquired. If the Issuer is unable to honor its repurchase or cure obligations, the Trustee could pursue any rights of the Issuer against these third parties with respect to the financed student loans. Any limitations on the rights and remedies specified in these agreements may impair the Issuer's ability to pay principal and interest on your notes, and there is no guarantee that any third-party to any of the above referenced agreements will have the financial resources to honor their respective obligations under those agreements.

Limitation on enforceability of remedies against the Issuer could result in payment delays or losses

The remedies available to the Trustee or the noteholders upon an event of default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the notes and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, the Higher Education Act provides that a security interest in FFELP loans may be perfected by the filing of notice of such security interest in the manner in which security interests in accounts may be perfected by applicable state law, which, under the Arkansas Uniform Commercial Code, is accomplished by filing a financing statement with the Arkansas Secretary of State. Nonetheless, if through fraud, inadvertence or otherwise a third-party lender or purchaser acting in good faith were to obtain possession of any of the promissory notes evidencing the financed student loans (or, in the case of a master promissory note, a copy thereof), any security interest of the Trustee in the related financed student loans could be preempted. The Issuer currently maintains control and shall continue to maintain control of all financed student loans that are evidenced by an electronically signed note in compliance with applicable federal and state laws. Custody of all other promissory notes relating to financed student loans will be maintained by the Issuer, or a custodial agent on its behalf, or by the Servicer (if other than the Issuer).

Certain factors relating to security

The Issuer has covenanted in the Indenture that the assets constituting the trust estate pledged by the Issuer under the Indenture are and will be owned by the Issuer free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, and that all action on the part of the Issuer to that end has been duly and validly taken. The Issuer acquired a significant portion of its student loans by purchasing such loans from other lenders. When purchasing student loans, the Issuer customarily obtains warranties from the sellers as to certain matters, including that the loans were originated in accordance with the Higher Education Act and that the loans will be transferred to the Issuer free of any liens and that all filings (including UCC filings) necessary in any jurisdiction to give the Trustee, on behalf of the Issuer, ownership of the financed student loans have been made. Notwithstanding the foregoing, under applicable law, security interests in such loans may exist and may not be ascertained by the Issuer. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist.

The use of master promissory notes for the financed student loans may compromise the Trustee's security interest

Loans made under the FFEL Program may be evidenced by a master promissory note. Once a borrower executes a master promissory note with a lender, additional student loans made by the lender to such borrower are evidenced by a confirmation sent to the borrower, and all student loans are governed by the single master promissory note.

A student loan evidenced by a master promissory note may be sold independently of the other student loans governed by the master promissory note. If the Issuer originates a student loan governed by a master promissory note and does not retain possession of the master promissory note, other parties could claim an interest in the student loan. This could occur if the holder of the master promissory note were to take an action inconsistent with the Issuer's rights to a financed student loan, such as delivery of a duplicate copy of the master promissory note to a third-party for value. Although such action would not defeat the Issuer's rights to the financed student loan or impair the security interest held by the Trustee for your benefit, it could delay receipt of principal and interest payments on the loan.

You may incur losses or delays in payment on your notes if borrowers do not make timely payments or default on their financed student loans

For a variety of economic, social and other reasons all the payments that are actually due on financed student loans may not be made or may not be made in a timely fashion. Borrowers' failures to make timely payments of the principal and interest due on the financed student loans will affect the revenues of the trust estate created under the Indenture for the Issuer, which may reduce the amounts available to pay principal and interest due on the notes.

The cash flow from the financed student loans, and the Issuer's ability to make payments due on the notes will be reduced to the extent interest is not currently payable on the financed student loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter, as described in the Higher Education Act. The Department of Education will make all interest payments while payments are deferred under the Higher Education Act on certain subsidized student loans that qualify for interest benefit payments. For all other student loans, interest generally will be capitalized and added to the principal balance of the student loans. The financed student loans will consist of student loans for which payments are deferred as well as

student loans for which the borrower is currently required to make payments of principal and interest. The proportions of the financed student loans for which payments are deferred and currently in repayment will vary during the period that the notes are outstanding.

In general, a guaranty agency reinsured by the Department of Education will guarantee 98% of each student loan originated after October 1, 1993 and before July 1, 2006, and 97% of each student loan originated on or after July 1, 2006. As a result, if a borrower of a financed student loan defaults, the Issuer will experience a loss of approximately 2% or 3% of the outstanding principal and accrued interest on each of the defaulted loans depending upon when it was first disbursed. The Issuer does not have any right to pursue the borrower for the remaining portion that is not subject to the guarantee. If defaults occur on the financed student loans and the credit enhancement described herein is not sufficient, you may suffer a delay in payment or a loss on your investment.

The Trustee may be forced to sell the financed student loans at a loss after an event of default

Generally, if an event of default occurs under the Indenture, the Trustee may sell, and, at the direction of noteholders (in varying percentages as specified in the Indenture), will sell the financed student loans. However, the Trustee may not find a purchaser for the financed student loans or the market value of the financed student loans plus other assets in the trust estate created under the Indenture might not equal the principal amount of outstanding notes plus accrued interest. Competition currently existing in the secondary market for student loans made under the FFEL Program also could be reduced, resulting in fewer potential buyers of the financed student loans and lower prices available in the secondary market for the financed student loans. You may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the financed student loans sufficient to pay the principal amount of the notes plus accrued interest.

The notes may be repaid early due to an optional purchase or a mandatory auction, which may affect your yield, and you will bear reinvestment risk

The notes may be repaid before you expect them to be in the event of an optional purchase (when the Pool Balance is 10% or less of the initial Pool Balance) or, if the optional purchase is not exercised, a mandatory auction of the financed student loans as described under "DESCRIPTION OF THE NOTES—Optional Purchase" and "—Mandatory Auction." Either such event would result in the early retirement of the notes outstanding on that date. If this happens, your yield on the notes may be affected and you will bear the risk that you cannot reinvest the money you receive in comparable notes at an equivalent yield.

The characteristics of the portfolio of financed student loans may change

The characteristics of the pool of student loans expected to be pledged to the Trustee are described herein as of the statistical cut-off date. In the event that the principal amount of student loans required to provide collateral for the notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain a "Aaa/AAA" rating on the notes, the rate of amortization or prepayment on the portfolio of student loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of student loans to be pledged to the Trustee may consist of a subset of the pool of student loans described herein or may include additional student loans not described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

The aggregate characteristics of the entire pool of student loans, including the composition of the student loans and the related borrowers, the related guarantors, the distribution by student loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented herein, since the information presented herein is as of the statistical cut-off date, and the date that the financed student loans will be pledged to the Trustee under the Indenture will occur after that date. The aggregate characteristics may also vary as a result of the inclusion of student loans not described herein or the exclusion of student loans that are described herein, in each case for the reasons described in the preceding paragraph.

The Issuer believes that the information set forth in this Offering Memorandum with respect to the pool of student loans as of the statistical cut-off date is representative of the characteristics of the pool of student loans as they will exist both on the date of issuance for the notes and after the expiration of the 30 day period in which the Issuer may acquire additional FFELP loans. You should consider potential variances when making your investment decision concerning the notes. See "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" in this Offering Memorandum.

Student loans are unsecured and the ability of the guaranty agencies to honor their guarantees may become impaired

The Higher Education Act requires that all student loans be unsecured. As a result, the only security for payment of the financed student loans are the guarantees provided by the guaranty agencies.

A deterioration in the financial status of a guaranty agency and its ability to honor guarantee claims on defaulted financed student loans could delay or impair that guaranty agency's ability to make claims payments to the Trustee. The financial condition of a guaranty agency can be adversely affected if it submits a large number of reimbursement claims to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay a guaranty agency. The Department of Education may also require a guaranty agency to return its reserve funds to the Department of Education upon a finding that the reserves are unnecessary for that guaranty agency to pay its program expenses or to serve the best interests of the federal student loan program. The inability of any guaranty agency to meet its guarantee obligations could reduce the amount of money available to pay principal and interest to you as the owner of the notes or delay those payments past their due date.

If the Department of Education has determined that a guaranty agency is unable to meet its guarantee obligations, the student loan holder may submit claims directly to the Department of Education and the Department of Education is required to pay the full guarantee claim amount due with respect to such claims. See "GUARANTY AGENCIES." However, the Department of Education's obligation to pay guarantee claims directly in this fashion is contingent upon the Department of Education making the determination that a guaranty agency is unable to meet its guarantee obligations. The Department of Education may not ever make this determination with respect to a guaranty agency and, even if the Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner.

Payment offsets by a guaranty agency or the Department of Education could prevent the Issuer from paying you the full amount of the principal and interest due on your notes

The Issuer expects to use the same Department of Education lender identification number for the financed student loans to be included in the trust estate established under the Indenture as it uses for

certain other student loans it holds (some of which are included in other trust estates and under other indentures or bond resolutions). As a consequence, the billings submitted to the Department of Education and the claims submitted to guaranty agencies for the financed student loans will be consolidated with the billings and claims for payments for student loans that are not included in the trust estate using the same lender identification number. Payments on those billings by the Department of Education as well as claim payments by the applicable guaranty agencies will be made to the Issuer, or to a Servicer on behalf of the Issuer, in lump sum form. Those payments must be allocated by the Issuer to the trust estate and to other trust estates, indentures or bond resolutions of the Issuer or other student loans held by the Issuer that use the same lender identification number.

If the Department of Education or a guaranty agency determines that the Issuer owes it a liability on any student loan held by it under a lender identification number, the Department of Education or the applicable guaranty agency may seek to collect that liability by offsetting it against any payments due to the Issuer under that lender identification number. If the amount of any such offset exceeds the amount owed to the trust estate or other holder of such student loan, the offset could reduce the amounts otherwise available for payment in respect of student loans in the other trust estates, indentures and bond resolutions, including the financed student loans pledged to secure your notes. Any offsetting or shortfall of payments due to the Issuer could adversely affect the amount of funds available to the trust estate created under the Indenture and the Issuer's ability to pay you principal and interest on the notes.

Commingling of payments on student loans could prevent the Issuer from paying you the full amount of the principal and interest due on your notes

Payments received on the financed student loans generally are deposited into an account in the name of the Issuer or the applicable Servicer each business day. Payments received on the financed student loans may not always be segregated from payments the Issuer or the applicable Servicer receives on other student loans it owns (with respect to the Issuer) or services, and payments received on the financed student loans that are part of the trust estate created under the Indenture may not be segregated from payments received on the Issuer's other student loans that are not part of the trust estate created under the Indenture. Such amounts that relate to the financed student loans once identified by the Issuer or applicable Servicer as such are transferred to the Trustee for deposit into the Collection Fund on average within three business days of receipt. If the Issuer or applicable Servicer fails to transfer such funds to the Trustee, noteholders may suffer a loss.

Incentive or borrower benefit programs may affect your notes

Most of the financed student loans are subject to borrower incentive programs, which may vary. Any incentive program that effectively reduces borrower payments or principal balances on financed student loans may result in the principal amount of financed student loans amortizing faster than anticipated. The Issuer may discontinue, increase or modify such benefits at any time, but only subject to the provisions of the Indenture. The Issuer cannot accurately predict the number of borrowers that will utilize the borrower benefits provided under the rate relief programs currently offered by the Issuer. The greater the number of borrowers that utilize such benefits with respect to financed student loans, the lower the total loan receipts on such financed student loans. See "THE ISSUER'S STUDENT LOAN FINANCE PROGRAM."

The notes are expected to be issued only in book-entry form

The notes are expected to be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in your name or the name of your

nominee. Unless and until definitive securities are issued, holders of the notes will not be recognized by the Trustee as registered owners as that term is used in the Indenture. Until definitive securities are issued, holders of the notes will only be able to exercise the rights of registered owners indirectly through DTC and its participating organizations. See "BOOK-ENTRY REGISTRATION."

The ratings of the notes are not a recommendation to purchase and may change

It is a condition to issuance of the notes that they be rated as indicated under "SUMMARY OF TERMS—Rating of the Notes." Ratings are based primarily on the creditworthiness of the underlying financed student loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to you to purchase, hold or sell the notes inasmuch as the ratings do not comment as to the market price or suitability for you as an investor. An additional rating agency may rate the notes, and that rating may not be equivalent to the initial rating described in this Offering Memorandum. Ratings may be increased, lowered or withdrawn by any rating agency at any time if in the rating agency's judgment circumstances so warrant. A downgrade in the rating of your notes is likely to decrease the price a subsequent purchaser will be willing to pay for your notes.

Certain actions affecting the financed student loans and the trust estate, including actions relating to the servicing of the financed student loans and the administration of the trust estate, including changes in the fees for such servicing and administration, may be taken by the Issuer or the Trustee with a rating confirmation/notification. The definition of "rating confirmation/notification" permits the Issuer to take certain actions if it provides notice to the rating agencies regarding such action and the rating agencies do not indicate within the specified time period that such action would cause a downgrade of the applicable rating. Such inaction by a rating agency cannot, however, be viewed as an approval of the requested action of the Issuer by any rating agency. Furthermore, such inaction would not limit the ability of the rating agency to downgrade its rating on the basis of such action by the Issuer.

ARKANSAS STUDENT LOAN AUTHORITY

Organization

The Issuer is a body politic and corporate and an instrumentality of the State created by and operating under Act 873 of the Acts of Arkansas of 1977, as amended (the "Authorizing Act"), codified at Arkansas Code Annotated Sections 6-81-101 through 6-81-131. The Issuer was created for the purpose of making guaranteed educational loans, and dealing in, by buying or selling, guaranteed educational loan notes. As used in the Authorizing Act, the term "guaranteed educational loan" includes all loans made in accordance with the Authorizing Act.

In addition to loans made in accordance with the Higher Education Act, the Issuer is also authorized to develop alternative loan programs consistent with the provisions of the Authorizing Act.

The Issuer has historically made financed student loans (except as otherwise provided for in the Indenture) to borrowers who are residents of the State or have been accepted for enrollment at or are attending a participating institution within the State. A participating institution is any post-high school educational institution, public or private, whose students are eligible for guaranteed educational loans. However, the Authorizing Act restricts the Issuer's amount of loans to students attending proprietary institutions to no more than twenty-five percent (25%) of the aggregate amount of funds of the Issuer devoted to purchasing or making loans. Actual proprietary loan volume is approximately 2.0% of the aggregate amount of funds of the Issuer devoted to purchasing or making loans.

Plan of Restructuring

The Issuer intends to use the proceeds of the notes to restructure its existing debt obligations, in particular, bonds that have been issued and remain outstanding as auction rate bonds. Other outstanding auction rate bonds were restructured when the Issuer, on June 30, 2010, issued approximately $272,500,000 in principal amount of funding notes through a Funding Note Purchase Agreement (the "Funding Note Purchase Agreement") entered into by and among the Issuer, as funding note issuer, sponsor, and master servicer. Straight-A Funding, LLC, as conduit lender, The Bank of New York Mellon, as conduit administrator, and BMO Capital Markets Corp., as manager. The issuance of the funding notes is referred to herein as the Straight-A Funding Transaction.

Proceeds of the notes and other legally available funds will be used by the Issuer to (a) redeem, in accordance with an Escrow Agreement, dated as of September 1, 2010 (the "Escrow Agreement"), between the Issuer and Regions Bank, as escrow agent (the "Escrow Agent"), certain outstanding revenue bonds previously issued by the Issuer and (b) provide moneys to fund the Reserve Fund and the Capitalized Interest Fund. Specifically, the previously issued obligations of the Issuer to be redeemed will be the Issuer's Student Loan Revenue and Revenue Refunding Bonds, Series 1997A, Series 2000A-1, Series 2004A-1, Series 2004A-2, Series 2005A-1, Series 2005A-2, Series 2005A-3, Series 2006A-1, Series 2006A-2, Series 2006A-3 and Series 2006B-1 (the "AMT Refunded Bonds"), the Issuer's Student Loan Revenue and Revenue Refunding Bonds, Series 2000A-2 and Series 2006A-4 (the "Taxable Refunded Bonds") and a Promissory Note dated as of June 1, 2008 payable to the State Board of Finance of the State of Arkansas (the "State Line of Credit"). See "USE OF PROCEEDS."

Upon the issuance of the notes, all of the Issuer's auction rate bonds will be redeemed and no auction rate bonds of the Issuer will remain outstanding. The only obligations of the Issuer that will be outstanding at that time will be the notes and the Issuer's obligations pursuant to the Straight-A Funding Transaction. See "USE OF PROCEEDS".

Beginning on July 1, 2010, FFELP loans made pursuant to the Higher Education Act will no longer be originated and new federal student loans will be originated solely through the Federal Direct Student Loan Program (the "Direct Loan Program"). FFELP loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired or are anticipated to be acquired by the Issuer (including the loans described herein under the captions "THE FINANCED STUDENT LOANS" and "CHARACTERISTICS OF THE FINANCED STUDENT LOANS") continue to be subject to the provisions of the FFEL Program. A description of the FFEL Program is provided in APPENDIX A hereto to explain certain of the provisions of the FFEL Program applicable to FFELP loans made prior to July 1, 2010. Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP loans (including Consolidation Loans) may be made or insured under the FFEL Program and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make or insure loans under the FFEL Program (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an Act of Congress enacted after the date of enactment of SAFRA (hereinafter defined).

Unless there is a change in the federal laws that have terminated the FFEL Program, the Issuer will cease its program of originating and acquiring loans.

Authority for Issuance

The notes are being issued pursuant to the Indenture and under the authority of the Authorizing Act.

Membership

The Authorizing Act provides that the Issuer shall be composed of seven members appointed by the Governor for terms of four years each. Members of the Issuer serve without compensation, but are entitled to reimbursement for their reasonable and necessary expenses incurred in attending meetings of the Issuer. The following is a current list of the members of the Issuer, their term expiration dates and their occupations and places of business within the State:

Names and Position Held	Term Expires	Principal Occupation
David C. Craig Chairman and Member	July 8, 2009*	Vice President and Investment Advisor Paul Manners & Associates, Inc., Fort Smith
Tracy French Secretary and Member	July 8, 2012	Chief Executive Officer Centennial Bank, Cabot
Ben Pickard Member	July 8, 2010*	Retired, former Vice Chancellor of Student Affairs, Arkansas State University -- Beebe, Searcy
Dr. Charles Coleman Member	July 8, 2011	Director of Technology Arkansas State University, Jonesboro
Dr. Laura Berry Member	July 8, 2011	Dean of Arts & Sciences, North Arkansas College, Harrison
Linda Yelder Member	July 8, 2012	Director, Financial Aid Office, Arkansas State University – Beebe, Jacksonville
David Bush Member	July 8, 2013	Senior Vice President, Bank Card Simmons First National Bank, Pine Bluff

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* Mr. Craig and Mr. Pickard continue to serve until their successors are appointed.

Operations

The Issuer's primary operations have historically consisted of acquiring qualified student loans originated by other financial institutions and making loans to eligible borrowers. In connection with those operations, the Issuer has developed policies and procedures for acquiring student loans from Eligible Lenders throughout the State, disseminated information concerning its loan origination program and issued bonds and other obligations for the purpose of funding its activities. See "ARKANSAS STUDENT LOAN AUTHORITY—Outstanding Bonds of the Issuer" below.

The Issuer's portfolio of student loans is serviced by Nelnet Servicing, LLC ("Nelnet") and Edfinancial Services, LLC ("Edfinancial"). Nelnet and Edfinancial and any other servicer permitted under the Indenture are collectively referred to herein as the "Servicers." See "SERVICING OF THE FINANCED STUDENT LOANS."

Staff

The Authorizing Act empowers the Issuer to employ a director and such other professionals as are necessary to implement the programs of the Issuer. Tony W. Williams is employed as the Executive Director of the Authority and has the responsibility of directing the Issuer on a day-to-day basis. Mr. Williams was appointed Executive Director of the Issuer effective on July 1, 2004 by resolution of the Issuer adopted on December 9, 2003.

Prior to 2004 Mr. Williams was employed by Edfinancial in its Little Rock office, where he held the position of Business Development Manager since April 1998. Pursuant to the Program Administration Agreement between Edfinancial and the Issuer (see the caption "Program Agreement," below), Mr. Williams worked exclusively for the Issuer in the development, management and promotion of the Issuer's products and programs. Prior to his employment with Edfinancial, Mr. Williams was employed by the Issuer from 1987 to 1998 in various positions, including Vice President of Program Operations and Loan Operations Manager. Mr. Williams was employed from 1986 to 1987 by Union National Bank in Little Rock and is a 1986 graduate of the University of Central Arkansas.

Mark Conine serves as the Chief Financial Officer of the Issuer and is responsible for the management and day-to-day coordination of all financial activities and investor relations. Prior to joining the Issuer in January 2005, Mr. Conine served in the tax group of Ernst & Young, LLP specializing in the multi-state banking and transportation industries. Mr. Conine worked in the corporate tax department of a Fortune 500 telecommunications company prior to joining Ernst & Young, LLP. He received a B.A. in Accounting from Ouachita Baptist University in 1997 and is a licensed Certified Public Accountant.

The Issuer currently employs four persons in addition to Mr. Williams and Mr. Conine. The Issuer's mailing address is 3801 Woodland Heights, Suite 200, Little Rock, Arkansas 72212. The Issuer's telephone number is (501) 682-2952.

Outstanding Bonds of the Issuer

The Issuer currently funds its program of originating and acquiring student loans with proceeds of bonds issued pursuant to its Amended and Restated Indenture of Trust, dated as of September 1, 2000, as amended and supplemented (the "2000 Indenture"). All of the Issuer's currently outstanding bonds were issued under the 2000 Indenture.

After the issuance of the notes, all of the bonds outstanding under the 2000 Indenture will be redeemed and there will be no obligations of the Issuer outstanding other than the notes and the funding notes issued as part of the Straight-A Transaction.

THE ISSUER'S STUDENT LOAN FINANCE PROGRAM

General

The Issuer established its Student Loan Finance Program (also sometimes referred to herein as the "Program") in order to carry out the general purposes of the Issuer and the specific objective of providing funds to assist students in obtaining post-secondary education. Through loan purchasing, loan referrals and loan originations, the Issuer has increased the availability of funds for the Program. The Issuer entered into loan purchase agreements and loan referral agreements with financial institutions and, pursuant to such agreements, purchased loans and originated loans referred to the Issuer by financial institutions.

The Issuer last accessed the capital markets in 2006. All of the proceeds of that bond issue were used in 2007 and 2008 to acquire or originate loans. Because of difficulties in the capital markets and the reduction of lender yields enacted by Congress, the Issuer's Program began to experience noteworthy reductions in loan volume in 2008. Reductions in loan volume have continued in 2009 as the Issuer primarily focused on making loans to serial borrowers. In 2008, the Issuer discontinued loan purchases and ceased making loans to new borrowers. In order to continue to meet obligations to fund loans to existing borrowers, the Issuer borrowed from the State of Arkansas pursuant to the State Line of Credit, and as of June 30, 2010, the Issuer had $24,000,000 outstanding pursuant to the State Line of Credit.

In order to participate in the Issuer's loan purchasing program, each lender was required to be an eligible lender under the Act (each referred to herein as a "Lender"). Each Lender was required to have entered into an agreement for the guarantee of student loans with a guaranty agency. In addition, each Lender was required to have entered into a loan purchase agreement with the Issuer, providing for the manner and terms of purchase of loans in the standard form prescribed by the Issuer from time to time for all Lenders.

The form of loan purchase agreement that was set forth by the Issuer for use in its Program provided that the Issuer would acquire loans from Lenders to the extent of funds available. Such agreements may be terminated by the Issuer on the terms and conditions stated therein. In accordance with the provisions of each loan purchase agreement, the Issuer has assumed the responsibility to obtain full repayment of the loans purchased by the Issuer, without recourse to the Lender except that, in the event (a) the Secretary or a guaranty agency refuses to pay an insurance or guarantee claim submitted by or on behalf of the Issuer because of any circumstance which occurred before the purchase of the loan from the Lender, or (b) the Issuer determines that the loans do not comply with the provisions of the loan purchase agreement and the Program standards of the Issuer issued from time to time, the Issuer has the right to recover from the Lender the unpaid principal of such loans, together with accrued interest thereon, Special Allowance Payments accrued but unpaid, and other expenses that have been incurred by the Issuer in connection with such loan.

As described above, the Issuer's business model since its inception has involved the making and buying of education loans under the FFEL Program. The Issuer's target market is limited to students, or the parents of students, who are residents of Arkansas or attending a higher education institution within Arkansas. The Issuer is well recognized throughout Arkansas as a state agency offering a full menu of higher education financing options for Arkansas students and families. The Issuer has been successful in creating partnerships with a variety of lending institutions participating in the FFEL Program and has operated with two primary objectives when dealing with the lending community: (i) to provide local access to low-cost loans to families in all areas of the State, and (ii) to capture the majority of education loans made within the state of Arkansas, which creates the revenue necessary to support the Issuer's college access programs.

The Issuer provides comprehensive college access programs to assist Arkansas families in achieving access to higher education and provides guidance and resources to high school counselors, college financial aid and admissions personnel, along with individual families. The underlying motivation for all of the Issuer's activities is to help students navigate the cumbersome financial aid process and discover sources of financial aid thereby enabling families to reap the benefits of higher education.

Future Initiatives

As described in "RISK FACTORS" above, in March, 2010, Congress passed the Health Care and Education Affordability Reconciliation Act ("HCEARA") which authorizes nonprofit student loan organizations and state agencies, such as the Issuer, to administer Federal Direct Student Loan accounts

on behalf of the Department of Education. HCEARA allocates a minimum of 100,000 accounts per state to state-based not-for-profit student loan servicers and the Issuer is making preparations to participate as a loan servicer under the authority granted by Congress. The Issuer contemplates participating within a consortium of servicing organizations involving several other states in order to benefit all participants through a shared cost structure. The Issuer must meet extensive federal contracting requirements in order to participate as a federal loan servicer. The Issuer has met preliminary qualifications by providing evidence to the Department of Education that it meets the definition of a "non-for-profit loan servicer" as defined by HCEARA. The Department of Education is expected to provide additional guidance and pricing information in the early fall of 2010. The Issuer has set a target date of July 1, 2011 to begin administering Federal Direct Student Loans. In the meantime, the Issuer will continue taking steps to meet federal contracting requirements.

The Issuer is also investigating the demand and program design for a private student loan program targeting students and parents who require financial aid in addition to, or as an option to, federal student loans.

The Issuer is optimistic about its chances to participate in Federal Direct Student Loan servicing and it will thoughtfully evaluate opportunities to further serve the students and families of Arkansas through a carefully designed alternative loan program. However, in the event the Issuer is unable to participate in either Federal Direct Student Loan servicing or the creation of a private loan program, the Issuer is positioned to ensure sustainability by focusing solely on administering its current loan portfolio. In recent months, the Issuer has actively renegotiated contracts in order to reduce expenses and will continue to evaluate additional options to reduce operating expenses.

Program Agreement

In April 1998, the Issuer entered into a Program Administration Agreement (the "Program Agreement") with Educational Services of America, Inc. ("ESA") a nonprofit, public benefit corporation organized under the laws of the State of Tennessee, pursuant to which ESA served as administrator of the Issuer's Student Loan Finance Program (the "Program"). Effective September 25, 2006, Edfinancial Services, LLC ("Edfinancial") purchased substantially all of the assets which comprised the servicing business and program administration business of ESA. As a result of this acquisition, the Program Agreement was assigned to Edfinancial. Edfinancial was formed as a for-profit Nevada limited liability company by certain prior officers, directors and employees of ESA on July 21, 2006. The most recent Program Agreement was renewed as of May 4, 2009, for the term beginning July 1, 2009 and ending June 30, 2011, and allows for the extension of a similar agreement commencing July 1, 2011, if deemed necessary by the Issuer. The Program Agreement allows for a renegotiation of fees paid by the Issuer as duties required under the agreement are revised due to legislative changes and/or market conditions.

The services provided by Edfinancial pursuant to the Program Agreement do not include administration of the trust estate. The Issuer will act as administrator of the trust estate and will perform all of the tasks related to the trust estate independently from the program administration tasks performed by Edfinancial.

Under the Program Agreement, Edfinancial is required to perform, in accordance with and subject in all respects to the policies established from time to time by the Issuer, all necessary administrative and related activities for the Issuer with respect to the Program, including providing staff and personnel for office operations and communications with firms and persons with whom the Issuer does business in connection with the Program, including, without limitation, schools and their financial aid offices, banks and other lenders, and other Program participants. The Program Agreement requires Edfinancial to maintain offices in the Little Rock, Arkansas area, and Edfinancial currently employs 10

persons in its Little Rock office, all of whom devote substantially all their time to the services provided under the Program Agreement.

The Program Agreement requires Edfinancial to develop and implement marketing, distribution and delivery programs along with student outreach programs in connection with the Issuer's Program. Those programs include, without limitation, internet-based information and assistance services, a borrower voice response system, lender secondary market and loan referral services, electronic loan application and guaranty processing, and automated clearing house transfer and/or electronic funds transfers for disbursements of student loans.

The Issuer pays a monthly fee determined with reference to the aggregate principal amount of student loans outstanding under the Program at the end of each calendar month.

Pursuant to the Program Agreement, Edfinancial is obligated to indemnify the Issuer against loss, liability or expense incurred by the Issuer, including reasonable attorney's fees, which arise out of or relate to Edfinancial's acts or omissions with respect to its obligations under the Program Agreement, subject to the Issuer's obligation to notify Edfinancial promptly of claims and other events for which Edfinancial could be liable.

Description of Incentive Programs

Some of the Eligible Loans that will be pledged to secure the notes are subject to one or more of the incentive programs described in this section.

From May 1, 1995, until June 30, 1998, the Issuer offered a borrower benefit program known as the Advantage Loan Program. Each Stafford or PLUS loan originated during the program period bears interest during repayment by the borrower at a rate equal to the maximum rate of interest otherwise permitted for such loan under the Higher Education Act less 1%.

From July 1, 1998 through April 30, 2006, the Issuer offered the Honor Roll™ Interest Rate Reduction Program. The program applies to Stafford and PLUS loans originated on or after July 1, 1998 and held by the Issuer before entering repayment status. For Stafford and PLUS loans originated on or after July 1, 1998 and before May 1, 2006, borrowers who authorize loan repayment using the ACH system receive a 1.0% reduction in their loan's interest rates and borrowers who make 48 consecutive on-time (i.e., no more than 14 days delinquent) payments receive a 2.5% reduction in their loan's interest rates. For Stafford and PLUS loans originated on or after May 1, 2006, borrowers who authorize loan repayment using the ACH System receive a 1% reduction in their loan's interest rates, borrowers who make 24 consecutive on-time payments receive a 1% reduction in their loan's interest rates and an additional 1% reduction in their loan's interest rates for the first 36 consecutive on-time payments. Borrowers may qualify for any or all benefits.

In April 2002, the Issuer established the Arkansas EdLoan Program in order to encourage individuals to choose a career in education or to continue a career in education by making student loan repayment more affordable. The Arkansas EdLoan Program provides reduced interest rates to borrowers who are employed in career fields experiencing personnel shortages and to borrowers serving in other areas with identified shortages. As of July 1, 2005, the Arkansas EdLoan Program was expanded to encourage individuals to choose or continue a career in nursing. As of May 1, 2006, the Arkansas EdLoan Program was expanded to include individuals employed in law enforcement, paramedics, and individuals serving in the Arkansas National Guard. For borrowers choosing a career in education, the program applies to Stafford loans originated on or after July 1, 1998; for all other Arkansas EdLoan borrows, the program applies to Stafford loans originated on or after July 1, 2005. From the inception of

the EdLoan program through April 30, 2008, borrowers were eligible to receive a 3% rate reduction in their loan's interest rate plus an additional 1.0% reduction for using the ACH system described above to make monthly payments. From May 1, 2008 through June 30, 2008, borrowers were eligible to receive a 1% rate reduction in their loan's interest rate plus and additional 1.0% reduction for using the ACH system. As of July 1, 2008 the Issuer suspended the EdLoan Program.

In July 2004, the Issuer began offering a borrower benefit program to borrowers consolidating their student loans with the Issuer after June 30, 2004. Consolidation loan borrowers who authorize loan repayment using the ACH system receive a 0.25% reduction in their loan's interest rate and borrowers who make 36 consecutive on-time payments receive a 1.0% reduction in their loan's interest rates.

From May 1, 2006, until April 30, 2008, the Issuer offered the Arkansas Opportunity Loan Program, which provides incentives to borrowers to use the Automated Clearinghouse (ACH) system to make loan repayments and to make payments on a timely basis. The program applies to loans originated on or after May 1, 2006. Borrowers who authorize loan repayment using the ACH system receive a 1.0% reduction in their loan's interest rates. Borrowers who make 24 consecutive on-time payments receive a 1% interest rate reduction in their loan's interest rate plus an additional 1% reduction if 36 consecutive on-time payments are made. Borrowers may qualify for either or both benefits.

GUARANTY AGENCIES

General

All of the financed student loans held under the Indenture will be (a) guaranteed as to principal and interest by a guaranty agency acceptable to the Issuer and permitted under the Indenture, to at least the minimum percentage of the principal of and accrued interest on such financed student loan allowed by the terms of the Higher Education Act and reinsured by the Secretary under the Higher Education Act ("Guaranteed Loans"), or (b) insured as to principal and interest by the Secretary, and in all cases (other than an Unsubsidized Loan, a PLUS Loan or an SLS Loan) must be eligible for Interest Subsidy Payments paid by the Secretary.

The Issuer presently expects that approximately 98% of financed student loans which it acquires with proceeds of the notes will be guaranteed by the Student Loan Guarantee Foundation of Arkansas. It is anticipated that substantially all of the remainder of the financed student loans will be guaranteed by other entites authorized to guarantee loans under the Higher Education Act and with which the Issuer or the Trustee maintains a Guaranty Agreement.

Federal Reinsurance

The Higher Education Act establishes a program of federal reimbursement to certain state agencies or private nonprofit corporations administering student loan insurance programs of losses sustained in the operation of their student loan guarantee programs. These guaranty agencies are reimbursed by the Secretary pursuant to certain agreements between the Secretary and the state agency or organization for amounts expended in discharging their student loan guarantee obligations. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM."

The formula for reimbursement amounts is summarized below:

Claims Rate	Guarantor Reinsurance Rate for Loans made prior to October 1, 1993	Guarantor Reinsurance Rate for Loans made between October 1, 1993 and September 30, 1998	Guarantor Reinsurance Rate for Loans made on or after October 1, 1998 [1]
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%, 85% of claims 5% up to 9%; 75% of claims 9% and over

[1] Other than student loans made pursuant to the lender of last resort program or student loans transferred by an insolvent guarantor as to which the amount of reinsurance is equal to 100%.

Student Loan Guarantee Foundation of Arkansas

The information included herein relating to the Student Loan Guarantee Foundation of Arkansas ("SLGFA") has been obtained from SLGFA. None of the Issuer, the Financial Advisor or the Underwriters has independently verified this information and no representation is made by any of these persons as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

SLGFA is a private, nonprofit corporation established in 1967 which administers, services and acts as financial guarantor for student loan programs. The General Assembly of the State, by Act 27 of 1968 (1st Ex. Sess.), designated SLGFA as the agency in the State of Arkansas to administer the student loan provisions of federal law. SLGFA began guaranteeing loans in April 1967, and as of September 30, 2009, approximately $6.68 billion in loans had been guaranteed by SLGFA since the inception of its program with an estimated $2.75 billion then outstanding. Loans to be guaranteed by SLGFA may be originated only by "eligible institutions" (including the Issuer, commercial banks, savings and loan associations, credit unions and federal savings banks) which have entered into an "Agreement to Guarantee Loans" (the "SLGFA Guarantee Agreements") with SLGFA. At present, there are approximately 45 such approved lenders.

As of August 10, 2010, SLGFA employed a staff of 53 full-time employees. SLGFA's corporate purposes are to (a) act as guarantor on loans to assist persons attending or accepted for enrollment at an eligible educational institution to meet their educational expenses; (b) approve financial or credit institutions, insurance companies, or other lenders as eligible lenders for making guaranteed student loans; (c) incur and discharge debts, including defaulted loan obligations that have been guaranteed; (d) make and execute agreements for the administration of the guaranteed student loan program; and (e) perform any other duties necessary for the administration of the guaranteed student loan program.

SLGFA's Board of Directors is composed of eight members. Vacancies on the board are filled by nomination and election by the remaining board members. The board employs an executive director, Ronnie Nichoalds. Mr. Nichoalds has been with SLGFA since 1979. He has served on the National Council for Higher Education Loan Programs, Inc. Board of Directors. Previous employment includes the Arkansas Student Loan Authority, Union National Bank of Arkansas and service in the United States Navy.

Although the General Assembly of the State of Arkansas initially authorized SLGFA, it is not under the control of the State of Arkansas, nor does it receive any funding from the State of Arkansas.

The State of Arkansas is not obligated to appropriate money to pay for guaranteed student loan defaults. SLGFA is obligated to make payments under its SLGFA Guarantee Agreements solely from the revenues or other funds in the guarantee funds maintained by SLGFA. Neither the State of Arkansas nor any political subdivision thereof is obligated to make such payments, and neither the faith and credit nor the taxing power of the State of Arkansas or any of its political subdivisions is pledged to payments to be made by SLGFA under its SLGFA Guarantee Agreements.

The Issuer has entered into an Agreement to Guarantee Loans with SLGFA (the "SLGFA Guarantee Agreement"). Pursuant to the SLGFA Guarantee Agreement, the Issuer or the Trustee, acting on the Issuer's behalf, is entitled to payment from SLGFA of (a) in the case of loans made prior to October 1, 1993, 100% of any proven loss incurred by the holder of the student loan resulting from default, (b) in the case of loans made on or after October 1, 1993 and before July 1, 2006, 98% of any proven loss incurred by the holder of the student loan resulting from default, and (c) in the case of loans made on or after July 1, 2006 and before July 1, 2010, 97% of any proven loss incurred by the holder of the student loan resulting from default (except, with respect to clauses (b) and (c), in the case of properly documented "lender of last resort" loans made pursuant to Section 428(j) of the Act, in which case 100% payment is available). The Issuer is required to exercise reasonable care and due diligence in the making, servicing and collection of the student loan, utilizing the practices and following procedures as outlined in the Act. If SLGFA has probable cause to believe that the Issuer has made a misrepresentation in, or failed to comply with the terms of, the SLGFA Guarantee Agreement, SLGFA may take reasonable action, including the withholding of payments or requiring reimbursements of funds paid to the Issuer. The SLGFA Guarantee Agreement provides that either the Issuer or SLGFA may terminate the agreement on sixty (60) days' notice. Applicable regulations require notice and hearing prior to termination of the SLGFA Guarantee Agreement. Any termination of the SLGFA Guarantee Agreement will not affect SLGFA's guarantee of loans guaranteed prior to such termination.

The 1998 Reauthorization Law requires guaranty agencies to establish two separate funds, a Federal Reserve Account (property of the United States) and an operating fund (property of the guaranty agency). The Federal Reserve Account is to be used to pay lender claims and to pay a default aversion fee to the operating fund. The operating fund is to be used by the guaranty agency to pay its operating expenses. Upon enactment of the 1998 Reauthorization Law, Federal Family Education Loan Program reserves became part of the Federal Reserve Account.

On March 30, 2010, the President signed the Health Care and Education Affordability Reconciliation Act of 2010 (Pub. L. 111-152) into law. This law eliminates origination of new loans under the FFEL Program subsequent to June 30, 2010. SLGFA has been a guarantor of student loans under this program and its predecessors for over 40 years, and currently has an existing loan portfolio in excess of $2.4 billion as of July 31, 2010. SLGFA currently has the responsibility to service its existing portfolio of loans; this includes paying claims to lenders on defaulted loans, performing default aversion, and collecting on defaulted loans. SLGFA is studying ways to reduce costs, and it is currently unclear what funding model will be adopted by the Congress or Department of Education for not for profit guarantors such as the SLGFA. SLGFA is also exploring options to provide services to the United States Department of Education in aid of Direct Lending as a contractor.

As of September 30, 2009, SLGFA's unaudited financial statements reflect the Federal Reserve Account assets of approximately $10.8 million; and net assets of approximately $5.9 million. Through September 30, 2009, the outstanding, unpaid, aggregate amount of principal and interest on loans, which had been guaranteed by SLGFA under the FFEL Program, was approximately $2.75 billion. As of September 30, 2009, the Federal Fund Level as a percent of loans outstanding was calculated at .35%, which exceeds the minimum requirement. Also, as of September 30, 2009, SLGFA had operating fund assets totaling approximately $8.0 million.

SLGFA has paid to the Department of Education all amounts due pursuant to the Federal Balanced Budget Act of 1997 (P.L Law 105-33). SLGFA charges a federal default fee of 1%, which is a federal requirement pursuant to 20 USC §1078(b)(1)(H).

SLGFA's "Loans guaranteed" represents FFEL Program guarantee volume which is the approximate annual principal amount of federally reinsured education loans (including subsidized and unsubsidized Stafford and PLUS loans but excluding consolidation loans) guaranteed by SLGFA for the last five years, which is as follows:

	Loans Guaranteed				
	Federal Fiscal Year ($ in millions)				
Guarantor	**2005**	**2006**	**2007**	**2008**	**2009**
Student Loan Guarantee Foundation of Arkansas . . .	$430	$426	$467	$520	$567

SLGFA's "Claims Rate" or "Trigger Rate" represents the percentage of federal reinsurance claims paid by the Secretary during any fiscal year relative to SLGFA existing portfolio of loans in repayment at the end of the prior fiscal year, which is as follows:

	Claims Rate				
	Federal Fiscal Year				
Guarantor	**2005**	**2006**	**2007**	**2008**	**2009**
Student Loan Guarantee Foundation of Arkansas . . .	2.16%	2.17%	2.72%	3.08%	3.90%

SLGFA's "Recovery Rate" provides a measure of collection efforts against defaulted borrowers after the guarantee claim has been satisfied. The percentage is determined by dividing the amount recovered from borrowers by SLGFA during the fiscal year by the aggregate amount of default claims paid by SLGFA outstanding at the end of the prior fiscal year, which is as follows:

	Recovery Rate				
	Federal Fiscal Year				
Guarantor	**2005**	**2006**	**2007**	**2008**	**2009**
Student Loan Guarantee Foundation of Arkansas . . .	45.23%	48.68%	49.05%	51.04%	41.96%

SLGFA's "Reserve Ratio" complies with the U.S. Department of Education's current calculation, which is determined by dividing the fund balance reserve, including non-cash (loan loss allowance) by the total amount of loans outstanding at the end of the fiscal year, which is as follows:

	Reserve Ratio				
	Federal Fiscal Year				
Guarantor	**2005**	**2006**	**2007**	**2008**	**2009**
Student Loan Guarantee Foundation of Arkansas . . .	.25%	.25%	.29%	.31%	.35%

SERVICING OF THE FINANCED STUDENT LOANS

General

The Issuer covenants in the Indenture that it will keep in force and effect one or more Servicing Agreements whereby one or more Servicers will be responsible for the performance of certain administrative functions in connection with the financed student loans. Currently, the majority of the Issuer's portfolio of loans is being serviced by Edfinancial and Nelnet. Other servicers may be used, so long as the designation of such entity as a "Servicer" does not, at the time of such designation, adversely affect the Rating then applicable to any series of the notes.

The Issuer's Due Diligence Obligation

In servicing its portfolio of student loans, the Issuer is required under the Higher Education Act to use due diligence in the servicing and collection of loans. Failure to comply with these due diligence standards may adversely affect the ability of the Issuer to realize the benefits of guarantee payments and may result in the loss of interest subsidy payments and the Special Allowance Payments. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM."

The information included below relating to Edfinancial and Nelnet has been obtained from Edfinancial and Nelnet and has not been independently verified by the Issuer or the Underwriters. The inclusion of this information is not, and should not be construed as, a representation by the Issuer, the Financial Advisor or the Underwriters or their respective counsel as to its accuracy or completeness or otherwise.

Servicers

The Indenture authorizes Edfinancial (defined below) and Nelnet (defined below) to act as servicers with respect to the financed student loans, and also authorizes other Servicers if the use of such Servicers would not adversely affect the Rating on any of the notes. The Issuer is currently a party to servicing agreements with only Edfinancial and Nelnet (the "Servicing Agreements"). Such Servicing Agreements are intended to comply in all respects with the Authorizing Act and the Higher Education Act. See "—Servicing Agreements" below. Nelnet has serviced loans for the Issuer since July 1, 1995 and Edfinancial has serviced loans for the Issuer since July 1, 1998.

Edfinancial

Edfinancial Services, LLC ("Edfinancial") is empowered by its organizational documents, among other things, to contract with lenders and other makers of educational loans (including those made under the Higher Education Act) to provide administrative services and loan servicing for such educational loans. The principal office of Edfinancial Services is located at 298 North Seven Oaks Drive, Knoxville, Tennessee, with an operations center located at 120 North Seven Oaks Drive, Knoxville, Tennessee, and remote offices located in Jacksonville, Florida and Little Rock, Arkansas. Edfinancial currently provides full student loan servicing for approximately 26 national and regional banks, credit unions and secondary markets involving approximately $9 billion of student loans. Edfinancial employs a corporate staff of approximately 320 full time and part time personnel performing various functions, including loan and guarantee processing, disbursement services, loan servicing, regulatory compliance and internal accounting. Edfinancial is a remote user of the PHEAA servicing system.

Nelnet

Nelnet Servicing, LLC began its education loan servicing operations on January 1, 1978, and provides student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing collections, payment processing, default aversion, claim filing and recovery/collection services. These activities are performed internally for Nelnet's portfolio and for other third-party clients, including the Department of Education. Nelnet has offices located in, among other cities, Aurora, Colorado and Lincoln, Nebraska. As of December 31, 2009, the company serviced more than $37.5 billion of FFEL Program loans and private student loans.

Servicing Agreements

The Edfinancial Servicing Agreement was effective as of July 1, 2009, has been amended and extended and will expire on June 30, 2011. The Nelnet Servicing Agreement is dated as of July 1, 2009, has been amended and extended and will expire on June 30, 2011. The Issuer covenants in the Indenture that at all times the loans will be serviced by a qualified commercial organization. The Servicers are required by the Servicing Agreements to service the Issuer's loans, including the financed student loans subject to the lien of the Indenture, in accordance with the requirements of the Authorizing Act and the Higher Education Act, and rules and regulations promulgated thereunder, including the taking of all steps necessary to maintain the insurance or guarantee coverage on each loan at all times and to exercise due diligence in its administration and collection of the loans. The Servicers are also required to prepare and deliver to the Issuer certain reports related to the Issuer's loans weekly, monthly, quarterly and annually. Substantially all of the Issuer's loans are presently in conformity, and are expected to be in conformity, with such Authorizing Act and Higher Education Act requirements.

Under the Servicing Agreements, all loan payments are made directly to the Servicers and are remitted weekly to the various trustees for the Issuer's bond issues. Each Servicer charges the Issuer a monthly servicing fee based upon the number of loans serviced and the payment status of such loans.

The Issuer covenants under the Indenture to at all times service or provide for the servicing of financed student loans and cause to be diligently enforced and taken all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Servicing Agreements, including the prompt payment of all principal and interest payments and all other amounts due the Issuer thereunder, including all grants, subsidies, donations, insurance payments, Special Allowance Payments and all defaulted payments Guaranteed and/or Insured by the Guaranty Agency and/or by the Secretary which relate to any financed student loans. The Issuer shall not permit the release of the obligations of any Servicer under any Servicing Agreement and shall at all times, to the extent

permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Issuer and the bondholders under or with respect to each Servicing Agreement.

Backup Servicer and Backup Servicing Arrangement

The Issuer has reached an agreement pursuant to which PHEAA will act as Backup Servicer with respect to the financed student loans which are now serviced by Edfinancial. PHEAA's services will be provided pursuant to a Backup Servicing Agreement and related Servicing Agreement (collectively, the "Backup Servicing Arrangement"). If Edfinancial can no longer service financed student loans (and provides 60 days written notice to the Backup Servicer) or if, as determined by the Issuer, the Trustee or the registered owners of at least a majority of the principal amount of the notes outstanding, Edfinancial is in material violation of its obligations to service the financed student loans, and such violation remains uncured after notice thereof and the expiration of any applicable cure period, the Backup Servicer would become the successor Servicer for the financed student loans now serviced by Edfinancial. If the Issuer determines there is such a violation, it will promptly notify the Trustee of such, and the Trustee (which has no duty to make such determination but is required to provide notice of any such material violation to the registered owners) or the registered owners of at least a majority of the principal amount of the notes outstanding shall give 60 days written notice to the Issuer and the Backup Servicer. The servicing agreement between the Issuer and Edfinancial has no limitation on the indemnification obligation of Edfinancial for losses to the trust estate due to servicing deficiencies of Edfinancial. Under the terms of the Backup Servicing Arrangement, PHEAA has the obligation to repurchase loans that lose their guarantee as a result of servicing deficiencies of PHEAA; however, the indemnification obligation of PHEAA for losses to the trust estate due to servicing deficiencies of PHEAA is limited to ten percent (10%) of the total dollar value of student loans serviced by PHEAA pursuant to the Backup Servicing Arrangement. The Backup Servicing Arrangement has been executed by the parties thereto and has been approved and executed by the Office of Attorney General for the Commonwealth of Pennsylvania.

PHEAA

The following information has been furnished by PHEAA for use in this Offering Memorandum. Neither the Issuer nor the Underwriters makes any guarantee or any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of PHEAA subsequent to the date hereof.

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

As of June 30, 2010, PHEAA had approximately 2,400 employees. PHEAA's two principal servicing products are its full servicing operation (in which it performs all student loan servicing functions on behalf of its customers) and its remote servicing operation (in which it provides only data processing services to its customers that have their own servicing operations). As of June 30, 2010, PHEAA services approximately 4.4 million student loan accounts representing an aggregate of approximately $71.0 billion outstanding principal amount for its full servicing customers which consist of national and regional banks and credit unions, secondary markets, and government entities, including $13.6 billion serviced for the Department of Education. Under PHEAA's remote servicing operation, the

remote clients service approximately 2.0 million student borrowers representing approximately $32.3 billion outstanding principal amount.

PHEAA's most recent audited financial reports are available at www.pheaa.org. The website is not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

FEES AND EXPENSES

The annual fees payable by the Issuer are set forth in the table below. In addition, Edfinancial, Nelnet, the Issuer and the Trustee may be paid or reimbursed for certain of their expenses. The priority of payment of such fees and expenses is described below in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds."

Fees	Recipient	Amount
Administration Fee	Arkansas Student Loan Authority	0.10% [1]
Servicing Fee	Servicers	0.70% [2]
Trustee Fee	Wells Fargo Bank, National Association	Up to 0.015% [3]

[1] As a percentage of the Pool Balance as of the end of the preceding month. One-twelfth of the amount referenced above is payable on each monthly payment date. Certain operating fees in an amount not to exceed $50,000 will also be paid annually.

[2] Monthly servicing fees paid from the trust estate are paid monthly according to schedules set forth in each servicing agreement.

[3] Amount referenced above is the maximum trustee fee per annum permitted without obtaining rating confirmation/notification and will be paid as a percentage of the principal amount of the notes outstanding.

The fees described above may be increased if the Issuer obtains a rating confirmation/notification with respect to such increase.

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USE OF PROCEEDS

The estimated sources and uses are expected to be applied as follows. All amounts reflected in the table below are estimates and the final amounts will not be determined until the date of issuance.

Source of Funds:	
Par amount of the notes	$267,500,000
Original Issue Discount	(1,724,718)
Contribution	19,781,843 [1]
Total	$285,557,125
Uses:	
FFELP Loans pledged to Acquisition Fund	$282,500,000 [2]
Deposit to Capitalized Interest Fund	2,000,000
Deposit to Reserve Fund	706,250
Deposit to Collection Fund	350,875
Total	$285,557,125

[1] The contribution amount shown consists of a combination of student loans and cash provided by the Issuer.
[2] Approximately $265,775,282 of proceeds from the sale of the notes, plus cash contributed by the Issuer, will result in release of approximately $282,500,000 in aggregate principal amount of FFELP Loans presently pledged by the Issuer under the 2000 Indenture and the State Line of Credit.

THE FINANCED STUDENT LOANS

The student loans expected to be pledged to the Trustee were and will be loans made to finance post-secondary education that is made under the Higher Education Act. Loans that meet the foregoing criteria are sometimes referred to in this Offering Memorandum as "eligible loans."

The Issuer has agreed to purchase or provide a substitute for, or may have the right to require the Servicer or a Seller to purchase, a financed student loan from the trust estate created under the Indenture. This right against the Issuer arises generally if a financed student loan ceases to be guaranteed or insured (and a guarantee or insurance claim is not paid by a guaranty agency or by the United States) or is determined to be encumbered by a lien other than the lien of the Indenture and if the same is not cured within the applicable cure period. This right against a Servicer arises generally as the result of a breach of certain covenants with respect to such student loan, in the event such breach materially adversely affects the interests of the Issuer in that financed student loan and is not cured within the applicable cure period. Additionally, any remedies that the Issuer has with respect to the financed student loans from a third-party under a student loan purchase agreement, an origination agreement or a servicing agreement will be assigned and pledged to the Trustee under the Indenture.

CHARACTERISTICS OF THE FINANCED STUDENT LOANS
(As of the Statistical Cut-off Date)

As of June 30, 2010, the statistical cut-off date, the characteristics of the pool of student loans the Issuer expects to pledge to the Trustee pursuant to the Indenture on the date of issuance were collectively as described below. The aggregate outstanding principal balance of the student loans in each of the following tables includes the principal balance due from borrowers, which does not include total accrued interest of approximately $3,814,401. The percentages set forth in the tables below may not always add to 100% and the balances may not always add to $286,679,611 due to rounding.

The aggregate characteristics of the entire pool of student loans expected to be pledged on the date of issuance, including the composition of the student loans and the related borrowers, the related guarantors, the distribution by student loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented below since the information presented below is as of the statistical cut-off date, and the date that the financed student loans will be pledged to the Trustee under the Indenture will occur after that date.

The Issuer offers a variety of borrower incentive programs for student loans originated or acquired by it that, among other things, provide for an interest rate reduction for borrowers that make payments on their loans electronically. See “THE ISSUER’S STUDENT LOAN FINANCE PROGRAM.”

Composition of the Financed Student Loan Portfolio
(As of the Statistical Cut-off Date)

Aggregate Outstanding Principal Balance	$ 286,679,611
Number of Borrowers*	19,498
Average Outstanding Principal Balance Per Borrower	$14,703
Number of Loans	43,505
Average Outstanding Principal Balance Per Loan	$6,590
Weighted Average Remaining Term to Scheduled Maturity (Months)**	190
Weighted Average Payments Made (Months)	66.3
Weighted Average Annual Borrower Interest Rate***	4.63%
Weighted Average Special Allowance Payment Repayment Margin to 3-Month Commercial Paper	2.53%
Weighted Average Special Allowance Payment Repayment Margin to 91-Day Treasury Bill	3.07%

* A single borrower can have more than one account if such borrower had different types of underlying FFELP loans with certain characteristics.

** The weighted average remaining term to scheduled maturity shown in the table above was determined from the statistical cut-off date to the scheduled maturity date of the applicable student loan, including any current deferral or forbearance periods, but without giving effect to any deferral or forbearance periods that may be granted in the future.

*** The weighted average annual borrower interest rate shown in the table above was determined without including any special allowance payments or any rate reductions that may be earned by borrowers in the future.

Distribution of the Financed Student Loans by Loan Type
(As of the Statistical Cut-off Date)

Loan Type	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Stafford-Unsubsidized	9,517	$ 30,565,233	10.66%
Stafford-Subsidized	18,578	42,908,656	14.97
Consolidation-Unsubsidized	6,906	105,810,230	36.91
Consolidation-Subsidized	7,548	103,238,519	36.01
PLUS	856	3,805,036	1.33
SLS	100	351,938	0.12
Total	43,505	$286,679,611	100.00%

Distribution of the Financed Student Loans by Range of Annual Borrower Interest Rate
(As of the Statistical Cut-off Date)

Range of Annual Borrower Interest Rate	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than or equal to 2.00%	6,266	$ 20,163,106	7.03%
2.01% - 3.00%	15,909	65,965,212	23.01
3.01% - 4.00%	6,027	47,509,020	16.57
4.01% - 5.00%	2,732	41,027,348	14.31
5.01% - 6.00%	1,950	22,953,674	8.01
6.01% - 7.00%	6,885	46,891,421	16.36
7.01% - 8.00%	2,913	31,826,550	11.10
Greater than 8.00%	823	10,343,280	3.61
Total	43,505	$286,679,611	100.00%

Distribution of the Financed Student Loans by School Type
(As of the Statistical Cut-off Date)

School Type	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
2-Year	6,502	$ 22,705,399	7.92%
4-Year +	33,632	231,077,581	80.60
Graduate	43	327,882	0.11
Proprietary	1,631	9,888,405	3.45
Other/Unknown	1,697	22,680,344	7.91
Total	43,505	$286,679,611	100.00%

Distribution of the Financed Student Loans by SAP Interest Rate Index
(As of the Statistical Cut-off Date)

SAP Interest Rate Index	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
90-day CP Index	35,265	$257,611,980	89.86%
91-day T-Bill Index	8,240	29,067,631	10.14
Total	43,505	$286,679,611	100.00%

Distribution of the Financed Student Loans by Borrower Payment Status
(As of the Statistical Cut-off Date)

Borrower Payment Status	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
In School*	1,332	$ 3,533,298	1.23%
Grace	379	1,723,168	0.60
Deferment	7,207	43,868,774	15.30
Forbearance	4,998	46,639,540	16.27
Repayment (First Year)	1,065	3,284,977	1.15
Repayment (Second Year)	2,013	7,591,723	2.65
Repayment (Third Year)	3,429	25,266,335	8.81
Repayment (More than 3 Years)	21,226	147,887,719	51.59
Claims Filed	1,856	6,884,078	2.40
Total	43,505	$286,679,611	100.00%

*Nelnet loans that are in grace are listed as in school.

Distribution of the Financed Student Loans by Range of Days Delinquent
(As of the Statistical Cut-off Date)

Range of Days Delinquent	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Not in Repayment	15,772	$102,648,858	35.81%
0-30 days	20,078	144,958,528	50.56
31-60 days	1,352	8,597,603	3.00
61-90 days	956	5,542,714	1.93
91-120 days	781	4,143,366	1.45
121-150 days	688	3,891,955	1.36
151-180 days	399	2,963,670	1.03
181 days and above	3,479	13,932,918	4.86
Total	43,505	$286,679,611	100.00%

Distribution of the Financed Student Loans by Range of Date of Disbursement
(Dates Correspond to Changes in Special Allowance Payment)
(As of the Statistical Cut-off Date)

Range of Date of Disbursement	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Pre April 1, 2006	31,312	$172,351,551	60.12%
April 1, 2006 – September 30, 2007	8,764	89,383,720	31.18
October 1, 2007 and before July 1, 2010	3,429	24,944,340	8.70
Total	43,505	$286,679,611	100.00%

For FFELP loans disbursed on or after April 1, 2006 and before July 1, 2010, if the stated interest rate is higher than the rate applicable to such FFELP loan including Special Allowance Payments, the holder of the FFELP loan must credit the difference to the Department of Education. FFELP loans disbursed on or after October 1, 2007 have a higher SAP margin for eligible not-for-profit lenders such as the Issuer than for for-profit lenders, but have a 40 bps to 70 bps lower Special Allowance Payment margin than loans originated on or after January 1, 2000 and before October 1, 2007.

Distribution of the Financed Student Loans by Range of Date of Disbursement
(Dates Correspond to Changes in Guaranty Percentages)
(As of the Statistical Cut-off Date)

Range of Date of Disbursement	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
July 1, 2006 and before July 1, 2010	11,285	$101,706,745	35.48%
October 1, 1993 – June 30, 2006	30,549	180,886,219	63.10
Pre October 1, 1993	1,671	4,086,648	1.43
Total	43,505	$286,679,611	100.00%

Student loans disbursed prior to October 1, 1993 are 100% guaranteed by the guarantee agency. Student loans disbursed on or after October 1, 1993 and before July 1, 2006 are 98% guaranteed by the applicable guaranty agency. Student loans for which the first disbursement is made on or after July 1, 2006 and before July 1, 2010 are 97% guaranteed by the applicable guaranty agency.

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Distribution of the Financed Student Loans by Range of Outstanding Principal Balance
(As of the Statistical Cut-off Date)

Range of Outstanding Principal Balance	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than $500	3,149	$ 822,249	0.29%
$500 to $999	3,479	2,619,420	0.91
$1,000 to $1,999	7,430	11,002,675	3.84
$2,000 to $2,999	7,423	18,721,983	6.53
$3,000 to $3,999	4,343	15,008,965	5.24
$4,000 to $5,999	5,527	27,331,295	9.53
$6,000 to $7,999	2,512	17,269,342	6.02
$8,000 to $9,999	1,849	16,521,894	5.76
$10,000 to $14,999	2,840	34,784,743	12.13
$15,000 to $19,999	1,724	29,800,447	10.40
$20,000 to $24,999	1,156	25,743,752	8.98
$25,000 to $29,999	646	17,639,455	6.15
$30,000 to $34,999	446	14,362,288	5.01
$35,000 to $39,999	292	10,921,689	3.81
$40,000 to $49,999	261	11,498,665	4.01
$50,000 to $59,999	136	7,420,825	2.59
$60,000 to $69,999	77	4,973,753	1.73
$70,000 to $79,999	56	4,184,735	1.46
$80,000 to $89,999	55	4,659,126	1.63
$90,000 to $99,999	43	4,069,159	1.42
$100,000 to $109,999	24	2,513,940	0.88
$110,000 to $119,999	15	1,713,754	0.60
$120,000 to $129,999	8	986,471	0.34
$130,000 to $139,999	5	667,625	0.23
$140,000 to $149,999	5	731,668	0.26
$150,000 or more	4	709,693	0.25
Total	43,505	$286,679,611	100.00%

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Distribution of the Financed Student Loans by Range of Remaining Term to Scheduled Maturity (As of the Statistical Cut-off Date)

Range of Remaining Term to Scheduled Maturity (in months)	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than or equal to 24	2,501	$ 1,616,218	0.56%
25 – 36	1,702	2,184,351	0.76
37 – 48	1,747	2,777,550	0.97
49 – 60	1,869	3,846,125	1.34
61 – 72	1,981	5,195,268	1.81
73 – 84	2,305	7,321,817	2.55
85 – 96	2,824	10,518,984	3.67
97 – 108	5,589	22,069,066	7.70
109 – 120	10,841	39,212,378	13.68
121 – 144	2,694	23,729,595	8.28
145 – 168	1,917	19,979,840	6.97
169 – 192	1,729	20,227,482	7.06
193 – 220	1,652	25,368,306	8.85
221 – 300	3,373	61,882,931	21.59
Greater than 300	781	40,749,701	14.21
Total	43,505	$286,679,611	100.00%

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The following chart shows the geographic distribution of the student loans based on the permanent billing addresses of the borrowers as shown on the Servicers' records:

Distribution of the Financed Student Loans by Geographic Location
(As of the Statistical Cut-off Date)

Geographic Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Alabama	180	$ 1,524,721	0.53%
Alaska	71	547,269	0.19
Arizona	141	1,104,849	0.39
Arkansas	32,852	203,962,166	71.15
California	414	2,990,709	1.04
Colorado	220	2,284,264	0.80
Connecticut	32	376,313	0.13
Delaware	4	41,883	0.01
District of Columbia	30	417,231	0.15
Florida	408	4,123,509	1.44
Georgia	371	3,297,575	1.15
Hawaii	29	153,532	0.05
Idaho	16	58,705	0.02
Illinois	291	2,104,606	0.73
Indiana	179	1,461,086	0.51
Iowa	49	329,889	0.12
Kansas	180	1,351,561	0.47
Kentucky	103	988,701	0.34
Louisiana	602	3,714,893	1.30
Maine	8	114,959	0.04
Maryland	111	946,152	0.33
Massachusetts	53	870,055	0.30
Michigan	124	997,999	0.35
Minnesota	101	620,301	0.22
Mississippi	322	2,438,349	0.85
Missouri	925	5,305,382	1.85
Montana	25	173,882	0.06
Nebraska	56	264,401	0.09
Nevada	40	386,123	0.13
New Hampshire	19	94,300	0.03
New Jersey	52	488,693	0.17
New Mexico	48	706,697	0.25
New York	115	1,136,962	0.40
North Carolina	204	2,044,623	0.71
North Dakota	8	20,898	0.01
Ohio	102	1,115,756	0.39
Oklahoma	614	5,015,382	1.75
Oregon	51	742,095	0.26
Pennsylvania	120	1,129,525	0.39
Puerto Rico	3	34,335	0.01
Rhode Island	14	135,331	0.05

Distribution of the Financed Student Loans by Geographic Location
(As of the Statistical Cut-off Date)

Geographic Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
South Carolina	87	1,033,177	0.36
South Dakota	9	60,197	0.02
Tennessee	924	7,596,608	2.65
Texas	2,584	17,807,162	6.21
Utah	37	225,822	0.08
Vermont	15	194,056	0.07
Virginia	236	1,693,865	0.59
Washington	126	934,560	0.33
West Virginia	49	418,770	0.15
Wisconsin	53	430,122	0.15
Wyoming	3	21,315	0.01
Virgin Islands	2	2,628	0.00
Armed Forces	31	116,584	0.04
Armed Forces Pacific	13	29,564	0.01
Unknown	49	499,520	0.17
Total	43,505	$286,679,611	100.00%

Distribution of the Financed Student Loans by Servicer
(As of the Statistical Cut-off Date)

Servicer	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Edfinancial Services, LLC	38,073	$252,948,600	88.23%
Nelnet Servicing, LLC	5,432	33,731,012	11.77
Total	43,505	$286,679,611	100.00%

Distribution of the Financed Student Loans by Guaranty Agency
(As of the Statistical Cut-off Date)

Guaranty Agency	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Student Loan Guarantee Foundation of Arkansas	42,425	$276,188,597	96.34%
United Student Aid Funds	746	8,658,929	3.02
Tennessee Student Assistance Corporation	258	1,380,823	0.48
Other	76	451,262	0.16
Total	43,505	$286,679,611	100.00%

DESCRIPTION OF THE NOTES

General

The notes will be issued pursuant to the terms of an Indenture of Trust (the "Indenture") between the Issuer and Wells Fargo Bank, National Association, as Trustee. The Indenture and the notes will each be governed by the laws of the State. The following summary describes the material terms of the notes and related provisions of the Indenture. However, it is not complete and is qualified in its entirety by the actual provisions of the Indenture and the notes. Certain other provisions of the Indenture are described in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" and "SUMMARY OF THE INDENTURE PROVISIONS."

Interest Payments

Interest will accrue on the notes at the interest rate described below during each interest accrual period. The initial interest accrual period for the notes begins on the date of issuance and ends on November 25, 2010. For all other quarterly distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day before such quarterly distribution date.

Interest on the notes will be payable to the noteholders on each quarterly distribution date commencing November 26, 2010. Subsequent quarterly distribution dates for the notes will be on the twenty-fifth day of each February, May, August and November, or if any such day is not a business day, the next business day. Interest accrued but not paid on any quarterly distribution date will be due on the next quarterly distribution date together with an amount equal to interest on the unpaid amount at the rate per annum described below.

The interest rate on the notes for each interest accrual period, except for the initial interest accrual period, will be equal to three-month LIBOR plus 0.90%. The LIBOR rate for the notes for the initial interest accrual period will be calculated by reference to the following formula:

x + [(a / b * (y-x)] plus (0.90%), as calculated by the Trustee.
where:

x = two-month LIBOR;

y = three-month LIBOR;

a = 10 (the actual number of days from the maturity date of two-month LIBOR to the first quarterly distribution date); and

b = 30 (the actual number of days from the maturity date of two-month LIBOR to the maturity date of three-month LIBOR).

The Trustee will calculate the rate of interest on the notes on the LIBOR determination date described below. The amount of interest distributable to holders of the notes for each $1,000 in principal amount will be calculated by applying the interest rate applicable for the interest accrual period to the principal amount of $1,000, multiplying that product by the actual number of days in the interest accrual period divided by 360, and rounding the resulting figure to the fifth decimal point.

While the interest rate on the notes shall be calculated as set forth above, the interest rate to be paid on the notes is limited by the maximum interest rate allowed by the laws of the State, which, for purposes of the notes, is 17% per annum.

Calculation of LIBOR

For each interest accrual period, LIBOR will be obtained by the Trustee by reference to the London interbank offered rate for deposits in U.S. Dollars having a maturity of three months which appears on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related LIBOR determination date. The LIBOR determination date will be the second business day before the beginning of each interest accrual period. If this rate does not appear on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. Dollars, having the relevant maturity and in a principal amount of not less than U.S. $1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR determination date, to prime banks in the London interbank market by four major banks selected by the Trustee. The Trustee will request the principal London office of each bank to provide a quotation of its rate. If the banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Administrator, at approximately 11:00 a.m., New York time, on that LIBOR determination date, for loans in U.S. Dollars to leading European banks having the relevant maturity and in a principal amount of not less than U.S. $1,000,000. If the banks selected as described above do not provide such quotations, three-month LIBOR in effect for the applicable interest accrual period will be three-month LIBOR in effect for the previous accrual period.

"*Business day*" means:

- for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and
- for all other purposes, any day other than a Saturday, Sunday, holiday or other day on which the Federal Reserve Bank or banks located in St. Louis, Missouri, or the city in which the applicable corporate trust office of the Trustee is located (initially, Little Rock, Arkansas), are authorized or permitted by law or executive order to close.

Principal Distributions

The aggregate outstanding principal balance will be due and payable in full for the notes on the November 2043 quarterly distribution date. The actual date on which the final distribution on the notes will be made may be earlier than the maturity date set forth above as a result of a variety of factors.

Principal payments will be made to the noteholders on each quarterly distribution date in an amount generally equal to the funds available for the payment of principal as described below under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds."

There may not be sufficient funds available to pay the full principal distribution amount on each quarterly distribution date. Amounts on deposit in the Reserve Fund in excess of the specified Reserve Fund balance will be transferred to the Collection Fund and will be applied as described under "—The Collection Fund; Flow of Funds." Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes or (b) on any

quarterly distribution date when the market value of securities and cash in the Reserve Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

Principal will be paid until the notes are paid in full.

The term "*Principal Distribution Amount*" means an amount equal to:

- for each quarterly distribution date, the amount, if any, remaining after the payments and transfers described in *first* through *sixth* bullet points under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" herein have been made; and

- on the final maturity date for the notes, the amount necessary to reduce the aggregate principal balance of the notes to zero.

In addition to the principal payments described above, any money remaining in the Collection Fund after payment of interest and principal distribution amounts on the notes and the Issuer's operating expenses will be used to make additional payments of principal on the notes. Such additional payments of principal could result in the notes being paid in full prior to their final maturity.

Optional Purchase

The Issuer may, but is not required to, purchase from the trust estate created under the Indenture the remaining financed student loans ten business days prior to any quarterly distribution date when the Pool Balance is 10% or less of the initial Pool Balance. If this purchase option is exercised, the financed student loans will be sold to the Issuer free from the lien of the Indenture, and the proceeds will be used on the succeeding quarterly distribution date to repay outstanding notes, which will result in early retirement of the notes.

If the Issuer exercises its purchase option, the purchase price is subject to a prescribed minimum purchase price. The prescribed minimum purchase price is the amount that, when combined with amounts on deposit in the funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the notes then outstanding on the related quarterly distribution date to zero;

- pay to the noteholders the interest payable on the related quarterly distribution date; and

- pay any rebate fees and other amounts payable to the Department of Education, pay amounts payable under any joint sharing agreements or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, and pay unpaid administration fees and expenses, servicing fees and expenses and trustee fees and expenses.

"*Pool Balance*" for any date means the aggregate principal balance of the student loans held by the Issuer on that date, including accrued interest that is expected to be capitalized, after giving effect to the following, without duplication:

- all payments received by the Issuer through that date from borrowers;

- all amounts received by the Issuer through that date from purchases of financed student loans from the lien of the Indenture;
- all liquidation proceeds and realized losses on the financed student loans through that date;
- the amount of any adjustment to balances of the financed student loans that any Servicer makes (with respect to a Servicer other than the Issuer, under a servicing agreement) through that date; and
- the amount by which guarantor reimbursements of principal on defaulted student loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

Mandatory Auction

If any notes are outstanding and the Issuer does not notify the Trustee of its intention to exercise its right to repurchase the financed student loans in the trust estate created under the Indenture ten business days prior to any quarterly distribution date when the Pool Balance is 10% or less of the initial Pool Balance, all of the remaining student loans in the trust estate will be offered for sale by the Trustee before the next succeeding quarterly distribution date. The Issuer and unrelated third parties may offer to purchase the trust estate's student loans in the auction. The net proceeds of any auction sale will be used to retire any outstanding notes on the next quarterly distribution date after receipt of such proceeds.

The Trustee will solicit and resolicit new bids from all participating bidders until only one bid remains or the remaining bidders decline to resubmit bids. The Trustee will accept the highest bid remaining if it equals or exceeds both the minimum purchase price described above and the fair market value of the student loans remaining in the trust estate created under the Indenture. If the highest bid after the solicitation process does not equal or exceed both the minimum purchase price described above and the fair market value of the student loans remaining in the trust estate, the Trustee will not complete the sale. If the sale is not completed, the Trustee may, but will not be obligated to, solicit bids for the sale of the trust estate's student loans at the end of future collection periods using procedures similar to those described above. If the Issuer requests (in writing) it to do so, the Trustee will be obligated to make such solicitations. The Trustee may or may not succeed in soliciting acceptable bids for the trust estate's student loans either on the auction date or subsequently.

If the financed student loans are not sold as described above, on each subsequent quarterly distribution date, all amounts on deposit in the Collection Fund after giving effect to all withdrawals will continue to be distributed as payments of principal on the notes, until they have been paid in full.

Prepayment, Yield and Maturity Considerations

Generally, all of the financed student loans are pre-payable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower's default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee payments with respect to such loans. The rates of payment of principal on the notes and the yield on the notes may be affected by prepayments of the financed student loans. Because prepayments generally will be paid through to noteholders as distributions of principal, it is likely that the actual final payments on the notes will occur prior to the final maturity date of the notes. Accordingly, in the event that the financed student loans experience significant prepayments, the actual final payments on the notes may occur substantially before the final maturity date, causing a shortening of the weighted average life of the notes. Weighted average life refers

to the average amount of time that will elapse from the date of issuance of a note until each dollar of principal of such note will be repaid to the investor.

The rate of prepayments on the financed student loans cannot be predicted and may be influenced by a variety of economic, social and other factors. Generally, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates payable on the financed student loans. In addition, the Issuer is obligated to purchase from the trust estate created under the Indenture (or substitute a similar student loan) any financed student loan that ceases to be guaranteed or insured (and a guarantee or insurance claim is not paid by a guaranty agency or by the United States) or is determined to be encumbered by a lien other than the lien of the Indenture and if the same is not cured within the applicable cure period. A Servicer other than the Issuer is obligated to purchase any financed student loan as a result of a breach of certain covenants with respect to such student loan, in the event such breach materially adversely affects the interests of the Issuer in that financed student loan and is not cured within the applicable cure period.

However, scheduled payments with respect to the financed student loans may be reduced and the maturities of financed student loans may be extended, including pursuant to grace periods, deferral periods and forbearance periods. The rate of payment of principal on the notes and the yield on the notes may also be affected by the rate of defaults resulting in losses on the financed student loans that may have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of the guaranty agencies to make guarantee payments on such financed student loans. In addition, the maturity of certain of the financed student loans may extend beyond the final maturity date for the notes.

More information on weighted average lives, expected maturities and percentages of original principal remaining at certain quarterly distribution dates is set forth in “APPENDIX C—WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT CERTAIN QUARTERLY DISTRIBUTION DATES FOR THE NOTES.”

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

General

The notes will be limited obligations of the Issuer secured by and payable solely from the discrete trust estate pledged by the Issuer to the Trustee under the Indenture. The following assets will serve as security for the notes:

- student loans purchased with money from the Acquisition Fund or otherwise acquired or originated and pledged or credited to the Acquisition Fund;
- revenues, consisting of all principal and interest payments, proceeds, charges and other income received by the Trustee or the Issuer on account of any financed student loan, including payments of and any insurance proceeds with respect to, guarantee payments, interest, interest benefit payments and any special allowance payments with respect to any financed student loan, and investment income from all funds created under the Indenture and any proceeds from the sale or other disposition of the financed student loans; and
- all moneys and investments held in the funds created under the Indenture.

Funds

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

- Acquisition Fund;
- Capitalized Interest Fund;
- Collection Fund;
- Department Rebate Fund; and
- Reserve Fund.

Money transferred from the Issuer or any other Servicer to the Trustee on account of the financed student loans will be deposited into the Collection Fund for distribution in accordance with the terms of the Indenture. The Trustee will invest money held in funds created under the Indenture in investment securities at the direction of the Issuer. Investment securities may be purchased by or through the Trustee and its affiliates. Money in any fund created under the Indenture may be pooled for purposes of investment.

Fund Deposits

As described under "USE OF PROCEEDS," certain of the proceeds from the sale of the notes will be used to make the initial deposits to the Capitalized Interest Fund and the Reserve Fund described below. Certain of the remaining proceeds will be used to release certain FFELP loans presently pledged by the Issuer under the 2000 Indenture and the State Line of Credit. Such released FFELP loans will be pledged to the Trustee and credited to the Trust Estate in the books and records of the applicable Servicer.

Acquisition Fund; Purchase of Student Loans

On the date of issuance, FFELP loans pledged to the 2000 Indenture and the State Line of Credit will be deposited into the Acquisition Fund created under the Indenture. All such FFELP loans expected to be released from the liens of the 2000 Indenture and the State Line of Credit on or about the date of issuance have been identified and are described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" herein. Student loans deposited in the Acquisition Fund that are pledged to the trust estate created under the Indenture will be held by the Trustee or its agent or bailee and accounted for as a part of the Acquisition Fund. Except for the limited repurchase or substitution obligations of the Issuer described herein, all of the student loans to be deposited in the Acquisition Fund will be so deposited or acquired on or about the date of issuance.

Reserve Fund

On the date of issuance, a deposit will be made to the Reserve Fund in an amount equal to approximately $706,250, which is approximately 0.25% of the initial Pool Balance. On each quarterly distribution date or monthly payment date, to the extent that money in the Collection Fund is not sufficient to pay amounts owed to the Department of Education and the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay certain of the Issuer's operating expenses, including administration fees and expenses, servicing fees and expenses, trustee fees and expenses and the interest then due on the notes, the amount of the deficiency will be transferred from the Reserve Fund to the Collection Fund, to the extent moneys are not available to be transferred to the Collection Fund from the Capitalized Interest Fund. Money withdrawn from the Reserve Fund will be restored through transfers from the Collection Fund as

available. The Reserve Fund is subject to a specified Reserve Fund balance equal to the greater of (a) 0.25% of the Pool Balance as of the close of business on the last day of the related collection period and (b) $500,000, or such lesser amount as may be agreed to by the rating agencies as evidenced by a rating confirmation/notification.

The Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the noteholders and to decrease the likelihood that the noteholders will experience losses. In some circumstances, however, the Reserve Fund could be reduced to zero. Amounts on deposit in the Reserve Fund in excess of the specified Reserve Fund balance will be transferred to the Collection Fund and will be applied as described under "—The Collection Fund; Flow of Funds." Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes or (b) on any quarterly distribution date when the market value of securities and cash in the Reserve Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

Capitalized Interest Fund

On the date of issuance, approximately $2,000,000 will be deposited into the Capitalized Interest Fund. If on any quarterly distribution date or monthly payment date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the U.S. Department of Education and to the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay administration fees and expenses, servicing fees and expenses, trustee fees and expenses and interest on the notes, then money on deposit in the Capitalized Interest Fund will be transferred to the Collection Fund to cover the deficiency, prior to any amounts being transferred from the Reserve Fund. Amounts released from the Capitalized Interest Fund will not be replenished. Any amounts on deposit in the Capitalized Interest Fund on the November 2012 quarterly distribution date will be transferred from the Capitalized Interest Fund to the Collection Fund.

Department Rebate Fund

The Trustee will establish the Department Rebate Fund as part of the trust estate created under the Indenture. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. The Issuer expects that the Department of Education will reduce the special allowance and interest benefit payments payable to the Issuer by the amount of any such rebates owed by the Issuer. However, in certain circumstances the Issuer may owe a payment to the Department of Education or to another trust if amounts were deposited into the trust estate that represent amounts that are allocable to student loans that are not financed student loans. If the Issuer believes that it is required to make any such payment, the Issuer will direct the Trustee to deposit into the Department Rebate Fund from the Collection Fund the estimated amounts of any such payments. Money in the Department Rebate Fund will be transferred to the Collection Fund to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Issuer, or will be paid to the Department of Education or another trust if necessary to discharge the Issuer's rebate obligation. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM—Special Allowance Payments."

Collection Fund; Flow of Funds

Approximately $350,875 will be deposited into the Collection Fund on the date of issuance. The Trustee will credit to the Collection Fund all revenues derived from financed student loans; all proceeds of any sale of financed student loans; all amounts received under any joint sharing agreement; any amounts transferred from the Capitalized Interest Fund, the Reserve Fund, and the Department Rebate

Fund; and any earnings on investment of funds and accounts established under the Indenture as they are earned.

Servicing fees and expenses and administration fees and expenses will be paid to the Administrator (initially the Issuer) on each monthly payment date from money available in the Collection Fund. The amount of the initial servicing fee and administration fee payable in the *third* and *fourth* bullet points below is specified under the caption "FEES AND EXPENSES" herein and each such fee is subject to increase only upon receipt of a rating confirmation/notification. The Administrator will be responsible for paying when due any fees or expenses owed to the Servicers and to the backup servicer under any Backup Servicing Arrangement. In addition, each month money available in the Collection Fund will be used to pay amounts due to the U.S. Department of Education and the guaranty agencies with respect to financed student loans and amounts required to be deposited into the Department Rebate Fund and may be used to recall claims with respect to or repurchase student loans (only to the extent such student loans were previously financed student loans) from the applicable guaranty agency or any Servicer only if such claim recall or repurchase is required by the related guarantee agreement, servicing or other agreement, is strongly encouraged by the common manual or related regulations, or is required by federal law or regulations. On each quarterly distribution date, prior to an event of default, money available in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available;

- to make any payments required under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans;
- to the Trustee, the trustee fees and expenses and any prior unpaid trustee fees and expenses;
- to the Administrator (initially the Issuer), the servicing fees and expenses and any prior unpaid servicing fees and expenses;
- to the Administrator (initially the Issuer), the administration fees and expenses and any prior unpaid administration fees and expenses;
- to the noteholders, to pay interest due on the notes;
- to the Reserve Fund, the amount, if any, necessary to restore the Reserve Fund to the specified Reserve Fund balance; and
- to pay to the noteholders all remaining amounts until the notes are paid in full.

Flow of Funds After Events of Default

Following the occurrence of an event of default that results in an acceleration of the maturity of the notes, and after the payment of certain fees and expenses, payments of principal and interest on the notes will be made, ratably, without preference or priority of any kind, until the notes are paid in full. See "SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default."

Investment of Funds Held by Trustee

The Trustee will invest amounts credited to any fund established under the Indenture in investment securities described in the Indenture pursuant to orders received from the Issuer. In the

absence of an order, and to the extent practicable, the Indenture requires the Trustee to invest amounts held under the Indenture in money market funds.

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

BOOK-ENTRY REGISTRATION

General

The following information concerning DTC and DTC's book-entry system has been obtained from information made publicly available by DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the Issuer and the Underwriters take no responsibility for the accuracy of such statements.

Investors acquiring beneficial ownership interests in the notes issued in book-entry form may hold their notes in the United States through DTC (as defined under the caption "Depositary Institutions" below) or in Europe through Clearstream or Euroclear (each as defined under the caption "Depositary Institutions" below) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

Principal and interest payments on the notes are to be made to Cede & Co. DTC's practice is to credit direct participant's accounts upon receipt of funds and corresponding detail information from the Issuer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and shall be the responsibility of the participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal and interest to Cede & Co. is the responsibility of the Issuer, or the Trustee. Disbursement of such payments to direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants. Under a book-entry format, noteholders may experience a delay in their receipt of payments, since payments will be forwarded by the Trustee to Cede & Co., which will forward the payments to its participants who will then forward them to indirect participants or noteholders.

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

DTC has advised that it will take any action permitted to be taken by a noteholder under the Indenture only at the direction of one or more participants to whose accounts with DTC the notes are credited. Clearstream and Euroclear will take any action permitted to be taken by a noteholder under the Indenture on behalf of a participant only in accordance with their relevant rules and procedures and subject to the ability of the relevant depositary to effect these actions on its behalf through DTC.

Neither DTC nor Cede & Co. will consent or vote with respect to the notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer, or the Trustee, as appropriate, as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date.

None of the Issuer, the Trustee or the Underwriters will have any responsibility or obligation to any DTC participants, Clearstream participants or Euroclear participants or the persons for whom they act as nominees with respect to the accuracy of any records maintained by DTC, Clearstream or Euroclear or any participant, the payment by DTC, Clearstream or Euroclear or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the notes, the delivery by any DTC participant, Clearstream participant or Euroclear participant of any notice to any beneficial owner which is required or permitted under the terms of the Indenture to be given to noteholders or any other action taken by DTC.

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

Form, Denomination and Trading. The notes will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof, and may be held and transferred, and will be offered and sold, in principal balances of not less than these minimum denominations.

Interests in the notes will be represented by one or more global note certificates held through DTC (each, a "U.S. global note certificate"). On or about the date of issuance for the issuance of the notes, the Issuer will deposit a U.S. global note certificate for the notes with the applicable DTC custodian, registered in the name of Cede & Co., as nominee of DTC.

At all times the global note certificates will represent the outstanding principal balance, in the aggregate, of the notes. At all times, with respect the notes, there will be only one U.S. global note certificate for such notes.

DTC will record electronically the outstanding principal balance of the notes represented by a U.S. global note certificate held within its system. DTC will hold interests in a U.S. global note certificate on behalf of its account holders through customers' securities accounts in DTC's name on the books of its depositary. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's name on the books of its respective depositary which in turn will hold positions in customers' securities accounts in such depositary's name on the books of DTC. Citibank N.A. will act as depositary for Clearstream and JP Morgan Chase will act as depositary for Euroclear. Except as described below, no person acquiring a book-entry note will be entitled to receive a physical certificate representing the notes. Unless and until definitive certificates are issued, it is anticipated that the only holder of global note certificates will be Cede & Co., as nominee of DTC.

Interests in the global note certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream as applicable, and their respective direct and indirect participants. Transfers between participants will occur in accordance with DTC Rules. Transfers between Clearstream participants and Euroclear participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in

accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions to the depositaries.

Because of time-zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a participant will be received with value on DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Identification Numbers and Payments to the Global Certificates. The Issuer will apply to DTC for acceptance in its book-entry settlement systems of the notes. The notes will have the CUSIP numbers, ISINs and European Common Codes, as applicable, set forth in the "SUMMARY OF TERMS." Payments of principal, interest and any other amounts payable under each global note certificate will be made to or to the order of the relevant clearing system's nominee as the registered owner of such global note certificate.

Because of time zone differences, payments to noteholders that hold their positions through a European clearing system will be made on the business day following the applicable distribution date, in accordance with customary practices of the European clearing systems. No payment delay to noteholders clearing through DTC will occur on any distribution date unless, as set forth above, those noteholders' interests are held indirectly through participants in European clearing systems.

Depositary Institutions. The Depository Trust Company, or DTC, is a limited-purpose trust company organized under the laws of the State of New York, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency" registered under Section 17A of the Securities Exchange Act. DTC was created to hold securities for its participating organizations and to facilitate the clearance and settlement of securities transactions between those participants through electronic book-entries, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations, including Euroclear and Clearstream. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Some direct participants and/or their representatives own part of the Depositary Trust Company Corporation, the parent of DTC.

In accordance with its normal procedures, DTC is expected to record the positions held by each of its participants in notes issued in book-entry form, whether held for its own account or as nominee for another person. In general, beneficial ownership of book-entry notes will be subject to the rules, regulations and procedures governing DTC and its participants as in effect from time-to-time.

Purchases of the notes under the DTC system must be made by or through direct participants, which receive a credit for the notes on DTC records. The ownership interest of each actual purchaser of each series of notes, or beneficial owner, is in turn to be recorded on the direct and indirect participants' records. Beneficial owners shall not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners shall not receive certificates representing their ownership interests in the notes, except in the event that use of the book-entry system for the series of any notes is discontinued.

To facilitate subsequent transfers, all notes deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of such notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of notes; DTC's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time-to-time.

Clearstream Banking, société anonyme, Luxembourg ("Clearstream"), is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (the "CSSF"). Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Euroclear was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in numerous currencies, including United States Dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transactions with DTC described above. Euroclear is operated by Euroclear Bank S.A./NV.

All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks, central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law. The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations (see "CERTAIN FEDERAL INCOME TAX CONSIDERATIONS"). Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a noteholder under the Indenture on behalf of a Clearstream participant or Euroclear participant only in accordance with the relevant rules and procedures and subject to the relevant Depositary's ability to effect such actions on its behalf through DTC.

Global Clearance, Settlement and Tax Document Procedures

For additional information on the global clearance, settlement and tax documents procedures with respect to book-entry securities, see "APPENDIX B—GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES."

TRUSTEE

The Issuer will issue the notes pursuant to the Indenture by and between the Issuer and Wells Fargo Bank, National Association ("Wells Fargo"), as Trustee.

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

Wells Fargo Bank, National Association is a national banking association organized under the laws of the United States and a wholly owned subsidiary of Wells Fargo & Company, a holding company with assets in excess of $1.3 trillion. Wells Fargo Bank, National Association has acted as indenture trustee on numerous asset-backed securities transactions involving pools of student loans.

The Issuer may maintain customary banking relations on arm's-length terms with the Trustee.

Subject to the terms of the Indenture, the Trustee will act on behalf of the bondholders and represent their interests in the exercise of its rights under the Indenture. See "SUMMARY OF THE INDENTURE PROVISIONS—The Trustee" for additional information regarding the responsibilities of the Trustee. The Trustee will have no obligation to administer, service or collect the financed student loans or to maintain or monitor the administration, servicing or collection of those loans.

SUMMARY OF THE INDENTURE PROVISIONS

The following is a summary of some of the provisions in the Indenture. This summary does not cover every detail contained in the Indenture and reference should be made to the Indenture and is subject to all of the terms and conditions of the Indenture in its entirety for a full and complete statement of its provisions.

Parity and Priority of Lien

The provisions of the Indenture are generally for the equal benefit, protection and security of the registered owners under the Indenture.

The revenues and other money, financed student loans and other assets the Issuer pledges under the Indenture will be free and clear of any pledge, lien, charge or encumbrance, other than that created by the Indenture. If any financed student loan is found to have been subject to a lien at the time such financed student loan was pledged to the trust estate created under the Indenture, the Issuer will cause such lien to be released, will purchase such financed student loan from the trust estate for a purchase price equal to its principal amount plus any unamortized premium, if any, and interest accrued thereon or will replace such financed student loan with another eligible loan with substantially identical characteristics which replacement eligible loan will be free and clear of liens at the time of such replacement.

Except as otherwise provided in the Indenture, the Issuer:

- will not create or voluntarily permit to be created any debt, lien or charge on the financed student loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture;
- will not take any action or fail to take any action that would result in the lien of the Indenture or the priority of that lien for the notes thereby secured being lost or impaired; and
- will pay or cause to be paid, or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the financed student loans.

Representations and Warranties

The Issuer will represent and warrant in the Indenture that:

- it is duly authorized to issue the notes and to execute and deliver the Indenture and to make the pledge to the payment of notes under the Indenture;
- all necessary action for the issuance of the notes and the execution and delivery of the Indenture has been duly and effectively taken; and
- the notes in the hands of the registered owners are and will be valid and enforceable obligations of the Issuer secured by and payable solely from the trust estate created under the Indenture.

Sale of Financed Student Loans

Except under limited circumstances described in the Indenture (including, but not limited to, the repurchase obligations of the Issuer under the Indenture as described herein under "—Parity and Priority of Lien" and "—Servicing and Enforcement of the Servicing Agreements"), financed student loans may not be sold, transferred or otherwise disposed of by the Trustee free from the lien of the Indenture while any notes are outstanding. However, if necessary for administrative purposes, the Issuer may sell financed student loans free from the lien of the Indenture, so long as the sale price for any financed student loan is not less than the amount required to prepay in full such financed student loan under the terms thereof, including all accrued interest thereon and any unamortized premium, the collective aggregate principal balance of all such sales does not exceed 5% of the initial Pool Balance and the collective aggregate principal balance of all such sales in any calendar year does not exceed 1% of the Pool Balance as of the first date of such calendar year (or as of the date of issuance with respect to the first calendar year).

Further Covenants

The Issuer will cause financing statements to be filed in any jurisdiction necessary to perfect the security interest it grants under the Indenture. The Trustee will cause continuation statements to be filed in any jurisdiction necessary to maintain the security interest granted by the Issuer under the Indenture.

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

The Issuer will keep and maintain proper books of account relating to its Program including all dealings or transactions of or in relation to the business and affairs of the Issuer which relate to the notes. Within 180 days of the close of each fiscal year, the Issuer will receive an audit of the Issuer by an independent certified public accountant. A copy of each audit report showing in reasonable detail the financial condition of the Issuer as at the close of each fiscal year will be filed with the Trustee within 30 days after it is received by the Issuer and will be available for inspection by any registered owner.

Statements to Noteholders

For each collection period, the Trustee will forward to each clearing agency (or in the case of definitive notes any requesting registered owner) unless such report is posted on the Issuer's web site, a report setting forth information with respect to the notes and financed student loans as of the end of such period, including the following:

- descriptions of portfolio characteristics;
- identification of remaining note balances;
- descriptions of amounts of the distribution allocable to principal and interest of the notes;
- changes in Pool Balance over the distribution period;

- fees paid by the trust estate; and
- limited descriptions of activity in the Reserve Fund, Collection Fund and Acquisition Fund.

Servicing and Enforcement of the Servicing Agreements

The Issuer will at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs under the Authorizing Act and the Program and will establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel. All persons employed by the Issuer will be qualified for their respective positions.

The Issuer will cause to be diligently enforced and taken all reasonable steps, actions and proceedings necessary for the enforcement of, all material terms, covenants and conditions of all servicing agreements, including, without limitation, the prompt payment of all principal and interest payments and all other amounts due the Issuer thereunder. Except to the extent expressly permitted by the Indenture, the Issuer:

(a) will not permit the release of any material obligations of any Servicer under the related servicing agreement, except in conjunction with amendments or modifications permitted by the Indenture and will defend, enforce, preserve and protect the material rights of the Issuer and the Trustee thereunder;

(b) will not consent or agree to or permit any amendment or modification of any servicing agreement which will materially adversely affect the rights or security of the Trustee or the noteholders; and

(c) will duly and punctually perform and observe each of its obligations to each Servicer under the related servicing agreement in accordance with the terms thereof.

Notwithstanding the foregoing, the Indenture does not prevent the Issuer from taking any action to replace any Servicer or from consenting or agreeing to, or permitting, any amendments, modifications to, or waivers with respect to, any servicing agreement, subject to the conditions set forth in the Indenture.

If at any time any Servicer fails in any material respect to perform its obligations under its servicing agreement or under the Higher Education Act or if any servicing audit shows any material deficiency in the servicing of financed student loans by any Servicer, the Issuer will, or will cause the Servicer to, cure the failure to perform or the material deficiency or remove such Servicer and appoint another Servicer.

If any financed student loan ceases to be guaranteed or insured, and as a result thereof, a guarantee or insurance claim with respect to such financed student loan is rejected by the applicable guaranty agency or an insurance claim is not paid by the United States and the same is not cured within 180 days after such rejection or if any financed student loan is determined to be encumbered by any lien other than the lien of the Indenture, then the Issuer will either: (a) purchase such financed student loan from the trust estate created under the Indenture for a purchase price equal to its principal amount plus unamortized premium, if any, and interest accrued thereon; or (b) replace such financed student loan with another financed student loan of substantially identical characteristics.

The Issuer covenants to maintain a Backup Servicing Arrangement with a third-party servicer and agrees to pay the fees and expenses associated therewith.

Additional Covenants With Respect to the Higher Education Act

The Issuer is an eligible lender under the Higher Education Act and covenants in the Indenture to maintain its status as an eligible lender.

The Issuer is also responsible for the following actions, among others, with respect to the Higher Education Act:

- administering, operating and maintaining the Issuer's program with respect to Eligible Loans in such manner as to ensure that the Program and the financed student loans will benefit from the benefits available under the Higher Education Act and the federal program of reimbursement for student loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program;

- entering into, or causing the Trustee to enter into on its behalf, any guarantee agreement, maintaining such guarantee agreement and diligently enforcing its rights thereunder and not voluntarily consenting to or permitting any rescission of or consenting to any amendment to or otherwise taking any action under or in connection with any guarantee agreement which in any manner would materially adversely affect the rights of the noteholders under the Indenture;

- causing to be diligently enforced, and causing to be taken all reasonable steps necessary or appropriate for the enforcement of all terms, covenants and conditions of all financed student loans and agreements in connection with the financed student loans, including the prompt payment of all principal and interest payments and all other amounts due to the Issuer thereby and not releasing the obligations of any borrower or agreeing to, permitting, allowing or causing any amendment or modification of any financed student loan except to the extent permitted by the Indenture;

- maintaining and causing the benefits of the guarantee agreements, certificates of insurance, the interest benefit payments and the special allowance payments to be held for the benefit of the Trustee and enforcing its rights under the guarantee agreements and not voluntarily permitting or consenting to any amendment or rescission or taking any action that would adversely affect the registered owners;

- complying with all United States and state statutes, rules, and regulations which apply to the Program and to the financed student loans;

- taking all actions reasonably necessary to enforce all material provisions of any of its student loan purchase agreements requiring the seller to repurchase student loans which have lost or never had their guarantee due to actions or omissions of the seller; and

- administering and collecting (or causing to be administered and collected) all financed student loans in a competent, diligent, and orderly fashion and in accordance with all applicable requirements of the Higher Education Act, the Secretary, the regulations of the Secretary and each guaranty agency, and the Indenture.

The Trustee will have no obligation to administer, service or collect the financed student loans or to maintain or monitor the administration, servicing or collection of those loans.

Continued Existence; Successor

The Issuer will preserve and keep in full force and effect its existence, rights and franchises as a body politic and corporate constituting a public instrumentality of the State except as may otherwise be permitted by the Indenture. The Issuer will not sell, transfer or otherwise dispose of all or substantially all of its assets (except financed student loans if such sale, transfer or disposition will discharge the Indenture in accordance therewith), consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge with such issuer. These restrictions do not apply to a transaction where the transferee or the surviving or resulting entity irrevocably and unconditionally assumes the obligation to perform and observe the Issuer's agreements and obligations under the Indenture and the Issuer receives a rating confirmation/notification.

Events of Default

The Indenture will define the following events as events of default:

- default in the due and punctual payment of any interest on any note when the same becomes due and payable and such default will continue for a period of five days;
- default in the due and punctual payment of the principal of any note when the same becomes due and payable on the final maturity date of the note;
- default in the performance or observance of any other of the Issuer's covenants, agreements or conditions contained in the Indenture or in the notes, and continuation of such default for a period of 90 days after written notice thereof is given to the Issuer by the Trustee; and
- the occurrence of an event of bankruptcy.

Remedies on Default

Possession of Trust Estate. Upon the happening of any event of default relating to the Issuer, the Trustee may, and, at the written direction of the registered owners of at least a majority of the principal amount of the notes outstanding, will enter into and upon and take possession of any portion of the trust estate of the Issuer created under the Indenture that may be in the custody of others, and all property comprising the trust estate, may exclude the Issuer wholly therefrom and may have, hold, use, operate, manage and control those assets. The Trustee may also, in the name of the Issuer or otherwise, conduct such Issuer's business and collect and receive all charges, income and revenues of the trust estate. After deducting all expenses incurred and all other proper outlays authorized in the Indenture, and all payments which may be made as reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Trustee will apply the rest and residue of the money received by the Trustee as follows:

FIRST, to the Department of Education, any department rebate interest amount and monthly rebate fee due and owing thereto, to any guaranty agency amounts due and owing to such guaranty agency, and to any party to any joint sharing agreement to which the Issuer may be a party or to any other person or trust estate entitled to any amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, any amounts due and owing thereto;

SECOND, to the Trustee for fees and any costs and out-of-pocket expenses of the Trustee due and owing;

THIRD, to the Servicers, any servicing fees due and remaining unpaid by the Administrator constituting part of administration and servicing fees;

FOURTH, to the noteholders for amounts due and unpaid on the notes for interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the notes for such interest;

FIFTH, to noteholders for amounts due and unpaid on the notes for principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the notes for principal; and

SIXTH, to the Issuer.

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

However, the Trustee is prohibited from selling the financed student loans following an event of default (whether or not the principal of all outstanding notes will have been declared due and payable), other than a default in the payment of any principal or any interest on any note, unless:

- The registered owners of all of the notes outstanding consent to such sale;
- The proceeds of such sale are sufficient to pay in full all outstanding notes at the date of such sale pursuant to terms of the Indenture describing discharge of the Indenture; or
- The Issuer or the Administrator determines that the collections on the financed student loans would not be sufficient on an ongoing basis to make all payments on such notes as such payments would have become due if such notes had not been declared due and payable, and the Trustee obtains the consent of the registered owners of at least 66-2/3% in aggregate principal amount of the notes outstanding to such sale.

Appointment of Receiver. If an event of default occurs, and all of the outstanding notes under the Indenture have been declared due and payable, and if any judicial proceedings are commenced to enforce any right of the Trustee or of the registered owners under the Indenture or otherwise, then as a matter of right, the Trustee will be entitled to the appointment of a receiver for the trust estate created under the Indenture.

Accelerated Maturity. If an event of default occurs and is continuing, the Trustee or the registered owners of a majority in aggregate principal amount of the notes then outstanding under the Indenture may declare the principal of all notes issued under the Indenture, and then outstanding, and the interest thereon, immediately due and payable. Such declaration of acceleration may be rescinded before a judgment or decree for the payment of the money due has been obtained by the Trustee if a majority of the registered owners of the notes then outstanding provide written notice to the Issuer and the Trustee and (a) if the Issuer has paid or deposited with the Trustee amounts sufficient to pay all principal and interest due on all notes and all other amounts that would then be due under the Indenture upon such notes if the event of default giving rise to such acceleration had not occurred and all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, any Servicer, and their agents and counsel and (b) any other event of default has been cured or waived.

Direction of Trustee. If an event of default occurs, the registered owners of a majority in aggregate principal amount of the notes then outstanding under the Indenture, upon indemnifying the Trustee for its fees and expenses, will have the right to direct and control the Trustee as to the method of taking any and all proceedings for any sale of any or all of the trust estate created under the Indenture, or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms of the Indenture to be discontinued or delayed.

Right to Enforce in Trustee. No registered owner will have any right as a registered owner to institute any suit, action or proceedings for the enforcement of the provisions of the Indenture or for the execution of any trust thereunder or for the appointment of a receiver or for any other remedy under the Indenture. All rights of action under the Indenture are vested exclusively in the Trustee, unless and until the Trustee fails for 30 days to institute an action, suit or proceeding after the registered owners of the requisite principal amount of the notes then outstanding:

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

Waivers of Events of Default. The Trustee will waive an event of default under the Indenture and its consequences and rescind any declaration of acceleration of the notes due under the Indenture upon the written request of the registered owners of at least a majority in aggregate principal amount of the notes then outstanding under the Indenture. However, any event of default in the payment of the principal of or interest due on any note issued under the Indenture may not be waived unless prior to the waiver or rescission, provision will have been made for payment of all arrears of interest or all arrears of payments of principal and all expenses of the Trustee in connection with such default. A waiver or rescission of one default will not affect any subsequent or other default, or impair any rights or remedies consequent to any subsequent or other default.

The Trustee

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

- except during the continuance of an event of default, the Trustee undertakes to perform only those duties as are specifically set forth in the Indenture;

- except during the continuance of an event of default and in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform as to form with the requirements of the Indenture and whether or not they contain the statements required under the Indenture;

- in case an event of default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; and

- before taking any action under the Indenture requested by registered owners, the Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the registered owners, as applicable, for the reimbursement of all expenses to which it may be put and to protect it against liability arising from any action taken by the Trustee.

Indenture Trustee May Act Through Agents. The Trustee may execute any of the trusts or powers under the Indenture and perform any duty thereunder, either itself or by or through its attorneys, agents, or employees. The Trustee will not be answerable or accountable for any default, neglect or misconduct of any such attorneys, agents or employees, if reasonable care has been exercised in the appointment. The Issuer will pay all reasonable costs incurred by the Trustee and all reasonable compensation to all such persons as may reasonably be employed in connection with the trusts of the Indenture.

Duties of the Trustee. The Trustee will not make any representations as to the title of the Issuer in the trust estate created under the Indenture or as to the security afforded thereby and by the Indenture, or as to the validity or sufficiency of the Indenture or the notes issued thereunder. If no event of default as defined in the Indenture has occurred, the Trustee is required to perform only those duties specifically required of it under the Indenture. The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, appraisal, opinion, or document of the Issuer or a Servicer or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with experts and with counsel (who may but need not be counsel for the Issuer, for the Trustee, or for a registered owner), and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered, and in respect of any determination made by it under the Indenture in good faith and in accordance with the opinion of such counsel.

The Trustee will not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture; provided, however, that the Trustee will be liable for its negligence or willful misconduct in taking such action. The Trustee is authorized to enter into agreements with other persons, in its capacity as Trustee, in order to carry out or implement the terms and provisions of the Indenture. The Trustee will not be liable with respect to any action taken, suffered or omitted to be taken in good faith in accordance with the Indenture or any other transaction document or at the direction of the registered owners

evidencing the appropriate percentage of the aggregate principal amount of the outstanding notes relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture or any other transaction document.

Indemnification of Trustee. The Trustee is generally under no obligation or duty to perform any act at the request of registered owners or to institute or defend any suit to protect the rights of the registered owners under the Indenture unless properly indemnified and provided with security to its satisfaction. The Trustee is not required to take notice, or be deemed to have knowledge, of any default or event of default of the Issuer under the Indenture (other than an event of default described in the first two bullet points under "—Events of Default" above) unless and until it will have been specifically notified in writing of the default or event of default by the registered owners or the Issuer.

However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts created by the Indenture, enforce any of its rights or powers under the Indenture, or do anything else in its judgment proper to be done by it as Trustee, without assurance of reimbursement or indemnity. In that case, the Trustee will be reimbursed or indemnified by the registered owners requesting that action, if any, or by the Issuer in all other cases, for all reasonable and documented fees, expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred unless such reasonable and documented fees, expenses, liabilities, outlays and counsel fees and other reasonable disbursements are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. The Trustee will not be liable for, and will be held harmless by the Issuer from, any liability arising from following any Issuer orders, instructions or other directions upon which it is authorized to rely under the Indenture or other agreement to which it is a party. If the Issuer or the registered owners, as appropriate, fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, subject only to the prior lien of the notes for the payment of the principal thereof and interest thereon from the Collection Fund.

The Issuer will agree to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expenses incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts under the Indenture, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Indenture arising from the trust estate created under the Indenture. The Issuer will indemnify and hold harmless the Trustee against any and all claims, demands, suits, actions or other proceedings and all liabilities, costs and expenses whatsoever caused by any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering document distributed in connection with the issuance of the Issuer's notes or caused by any omission or alleged omission from such offering document of any material fact required to be stated therein or necessary in order to make the statements made therein in the light of the circumstances under which they were made, not misleading.

Compensation of Trustee. The Issuer will pay to the Trustee reasonable compensation for the services rendered by it under the Indenture, and also all of its advances, counsel fees and other expenses reasonably made or incurred in and about the execution and administration of the trust created by the Indenture. Any successor Trustee may not materially increase the trustee fee without obtaining a confirmation from each rating agency that such increase will not, in and of itself, result in a downgrade of any of the ratings then applicable to the notes, or cause any rating agency to suspend, withdraw or qualify the ratings than applicable to the notes. If not paid by the Issuer, the Trustee will have a lien on all money held pursuant to the Indenture, subject only to the prior lien of the notes for the payment of the principal and interest thereon from the Collection Fund, unless the Trustee is adjudicated to have incurred liability in connection with its services under the Indenture due to the Trustee's negligence or willful misconduct.

Resignation of Trustee. The Trustee and any successor to the Trustee may resign and be discharged by giving the Issuer notice in writing specifying the date on which the resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a qualified successor Trustee will have been appointed pursuant to the Indenture. If no successor Trustee has been appointed by that date or within 90 days of the Issuer receiving the Trustee's notice, whichever is longer, then the Trustee may either (a) appoint a temporary successor Trustee meeting the eligibility requirements of a trustee under the Indenture; or (b) request a court of competent jurisdiction to (i) require the Issuer to appoint a successor Trustee within three days of the receipt of citation or notice by the court or (ii) appoint a successor Trustee itself meeting the eligibility requirements of the Indenture.

Removal of Trustee. The Trustee or any successor to the Trustee may be removed:

- at any time by the registered owners of a majority in aggregate principal amount of the notes then outstanding under the Indenture;
- by the Issuer for cause or upon the sale or other disposition of the Trustee or its trust functions; or
- by the Issuer without cause so long as no event of default exists or has existed within the last 30 days.

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

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

Successor Trustee. If the Trustee or any successor to the Trustee resigns, is dissolved, is removed or otherwise is disqualified to act or is incapable of acting, or in case control of the Trustee or of any successor to the Trustee or of its officers is taken over by any public officer or officers, the Issuer may appoint a successor Trustee. The Issuer will cause notice of the appointment of a successor Trustee to be mailed to the registered owners at the address of each registered owner appearing on the note registration books maintained by the Trustee, as registrar.

Every successor Trustee will be required to meet the following eligibility criteria (which also apply to the initial Trustee):

- will be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein;
- have a reported capital and surplus of not less than $50,000,000;
- will be authorized under the law to exercise corporate trust powers in the State, be subject to supervision or examination by a federal or state authority; and
- will be an eligible lender under the Higher Education Act so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the financed student loans.

Merger of the Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee

will be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, will be the successor of the Trustee under the Indenture, provided such corporation will be otherwise qualified and eligible under the Indenture, without the execution or filing of any paper of any further act on the part of any other parties thereto.

Supplemental Indentures

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

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

- to amend the Indenture to provide for use of a surety bond or other financial guaranty instrument in lieu of cash and/or investment securities in all or any portion of the Reserve Fund, so long as such action will not adversely affect the ratings of any of the notes;

- to make any other change with a confirmation by the rating agencies of their ratings of the notes; or

- to make any other change (other than changes with respect to any matter requiring a confirmation by the rating agencies of their ratings of the notes unless such confirmation has been delivered to the Trustee or the notes are not rated at the time) which, in the judgment of the Trustee, is not materially adverse to the registered owners of any notes outstanding under the Indenture.

Supplemental Indentures Requiring Consent of Registered Owners. Any amendment of the Indenture other than those listed above must be approved by the registered owners of not less than a majority of the collective aggregate principal amount of the notes then outstanding under the Indenture, provided that the changes described below may be made in a supplemental indenture only with the consent of the registered owners of all notes then outstanding (except for the second bullet below which only requires the consent of the registered owners of the affected notes):

- an extension of the maturity date of the principal of or the interest on any note;

- a reduction in the principal amount of any note or the rate of interest thereon;

- a privilege or priority of any note under the Indenture over any other note except as otherwise provided in the Indenture;

- a reduction in the principal amount of the notes required for consent to such supplemental indenture; or

- the creation of any lien other than a lien ratably securing all of the notes at any time outstanding under the Indenture except as otherwise provided in the Indenture.

Additional Limitation on Modification of Indenture. None of the provisions of the Indenture will permit an amendment to the provisions of the Indenture which permits the transfer of all or part of the financed student loans or the granting of an interest therein to any person other than an eligible lender under the Higher Education Act or a Servicer, unless the Higher Education Act or regulations promulgated thereunder are modified so as to permit the same.

Trusts Irrevocable

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

Satisfaction of Indenture

If the registered owners are paid all the principal of and interest due on their notes at the times and in the manner stipulated in the Indenture and if all other persons are paid any other amounts payable and secured under the Indenture, then the pledge of the trust estate will thereupon terminate and be discharged. The Trustee will execute and deliver to the Issuer instruments to evidence the discharge and

satisfaction, and the Trustee will pay all money held by it under the Indenture to the party entitled to receive it under the Indenture.

Notes will be considered to have been paid if money for their payment or redemption has been set aside and is being held in trust by the Trustee. Any outstanding note will be considered to have been paid if the note is to be redeemed on any date prior to its stated maturity and notice of redemption has been given as provided in the Indenture and on said date there will have been deposited with the Trustee either money or certain non-callable governmental obligations which are unconditionally and fully guaranteed by the United States of America or any agency or instrumentality thereof, the principal of and the interest on which when due will provide money which, together with any money deposited with the Trustee at the time, will be sufficient to pay when due the principal of and interest to become due on the note on and prior to the redemption date or stated maturity, as the case may be.

CREDIT ENHANCEMENT

Credit enhancement for the notes will consist of overcollateralization, excess interest and cash on deposit in the Capitalized Interest Fund and the Reserve Fund.

As described in "USE OF PROCEEDS," on the date of issuance, the proceeds from the sale of the notes, together with cash and FFELP loans contributed by the Issuer, will be deposited to the credit of the Reserve Fund, the Capitalized Interest Fund and the Acquisition Fund. Certain of the proceeds will be used to release FFELP loans presently pledged by the Issuer under the 2000 Indenture and the State Line of Credit. Such released FFELP loans and the FFELP loans contributed by the Issuer will be pledged to the Trustee. After (i) the issuance of the notes and the deposit of the proceeds and cash contributions by the Issuer to the Capitalized Interest Fund and the Reserve Fund and (ii) the pledge of the financed student loans to the Trustee expected to be made on or about the date of issuance, the ratio of the Pool Balance, plus amounts on deposit in the Capitalized Interest Fund, the Collection Fund and Reserve Fund, to the aggregate principal amount of the notes outstanding on the date of the issuance, is expected to be approximately 106.75%. All the FFELP loans expected to be released to or contributed to the trust estate on the date of issuance have been identified and are described herein under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

On the date of issuance, deposits in the amounts of approximately $2,000,000 and $706,250 will be made to the Capitalized Interest Fund and the Reserve Fund, respectively. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES." The Reserve Fund and Capitalized Interest Fund are intended to enhance the likelihood of timely distributions of interest to the noteholders and to decrease the likelihood that the noteholders will experience losses. To the extent of available funds, the Reserve Fund will be replenished so that amounts on deposit therein do not fall below the specified Reserve Fund balance. Amounts withdrawn from the Capitalized Interest Fund will not be replenished.

The value of the financed student loans to be deposited into the Acquisition Fund on the date of issuance, together with the cash to be deposited on the date of issuance into the Capitalized Interest Fund and the Reserve Fund, will exceed the original principal balance of the notes to be issued by the Issuer, which excess will represent the initial overcollateralization for the trust estate created under the Indenture and a portion of the credit enhancement.

Credit enhancement will not provide protection against all risks of loss and may not guarantee payment to noteholders of all amounts to which they are entitled. If losses or shortfalls occur that exceed the amount covered by the credit enhancement or that are not covered by the credit enhancement, noteholders will bear their allocable share of deficiencies. The Issuer is not issuing any subordinate notes.

To the extent that the credit enhancement described above is exhausted, the notes will bear any risk of loss.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA ("ERISA Plans"). Section 4975 of the Code imposes substantially similar prohibited transaction restrictions on certain employee benefit plans, including tax-qualified retirement plans described in Section 401(a) of the Code ("Qualified Retirement Plans") and on individual retirement accounts and annuities described in Sections 408 (a) and (b) of the Code ("IRAs," collectively, with Qualified Retirement Plans, "Tax-Favored Plans"). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Non-ERISA Plans"), are not subject to the requirements set forth in ERISA or the prohibited transaction restrictions under Section 4975 of the Code. Accordingly, the assets of such Non-ERISA Plans may be invested in the notes without regard to the ERISA or Code considerations described below, provided that such investment is not otherwise subject to the provisions of other applicable federal and state law ("Similar Laws"). Any governmental plan or church plan that is qualified under Section 401(a) and exempt from taxation under Section 501(a) of the Code is, nevertheless, subject to the prohibited transaction rules set forth in Section 503 of the Code.

In addition to the imposition of general fiduciary requirements, including those of investment prudence and diversification and the requirement that an ERISA Plan's investment of its assets be made in accordance with the documents governing such ERISA Plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans ("Plan" or collectively "Plans") and entities whose underlying assets include "plan assets" by reason of Plans investing in such entities with persons ("Parties in Interest" or "Disqualified Persons" as such terms are defined in ERISA and the Code, respectively) who have certain specified relationships to the Plans, unless a statutory, class or administrative exemption is available. Parties in Interest or Disqualified Persons that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA or Section 4975 of the Code unless a statutory, class or administrative exemption is available. Section 502(l) of ERISA requires the Secretary of the U.S. Department of Labor (the "DOL") to assess a civil penalty against a fiduciary who violates any fiduciary responsibility under ERISA or commits any other violation of part 4 of Title I of ERISA or any other person who knowingly participates in such breach or violation. If the investment constitutes a prohibited transaction under Section 408(e) of the Code, the IRA may lose its tax-exempt status.

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

Plan Asset Regulation

The DOL has promulgated a regulation set forth at 29 C.F.R. § 2510.3-101 (the "Plan Asset Regulation") concerning whether or not the assets of an ERISA Plan would be deemed to include an interest in the underlying assets of an entity (such as the Issuer) for purposes of the general fiduciary responsibility provisions of ERISA and for the prohibited transaction provisions of ERISA and Section 4975 of the Code, when a Plan acquires an "equity interest" in such entity. ERISA Section 3(42) defines

the term "plan assets." Depending upon a number of factors set forth in the Plan Asset Regulation, "plan assets" may be deemed to include either a Plan's interest in the assets of an entity (such as the Issuer) in which it holds an equity interest or merely to include its interest in the instrument evidencing such equity interest. For purposes of this section, the terms "plan assets" ("Plan Assets") and the "assets of a Plan" have the meaning specified in the Plan Asset Regulation and ERISA Section 3(42) and include an undivided interest in the underlying interest of an entity which holds Plan Assets by reason of a Plan's investment therein (a "Plan Asset Entity").

Under the Plan Asset Regulation, the assets of the Issuer would be treated as Plan Assets if a Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Asset Regulation is applicable. The Plan Asset Regulation provides an exemption from "plan asset" treatment for securities issued by an entity if such securities are debt securities under applicable state law with no "substantial equity features." If the notes are treated as having substantial equity features, a Plan or a Plan Asset Entity that purchases notes could be treated as having acquired a direct interest in the Issuer. In that event, the purchase, holding, transfer or resale of the notes could result in a transaction that is prohibited under ERISA or the Code. While not free from doubt, on the basis of the notes as described herein, it appears that the notes should be treated as debt without substantial equity features for purposes of the Plan Asset Regulation.

In the event that the notes cannot be treated as indebtedness for purposes of ERISA, under an exception to the Plan Asset Regulation, the assets of a Plan will not include an interest in the assets of an entity, the equity interests of which are acquired by the Plan, if at no time do Plans in the aggregate own 25% or more of the value of any class of equity interests in such entity, as calculated under the Plan Asset Regulation and ERISA Section 3(42). Because the availability of this exception depends upon the identity of the noteholders at any time, there can be no assurance that the notes will qualify for this exception and that the Issuer's assets will not constitute a Plan Asset subject to ERISA's fiduciary obligations and responsibilities. Therefore, neither a Plan nor a Plan Asset Entity should acquire or hold notes in reliance upon the availability of this exception under the Plan Asset Regulation.

Prohibited Transactions

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

The Underwriters, the Trustee, the Servicers or their affiliates may be the sponsor of, or investment advisor with respect to, one or more Plans. Because these parties may receive certain benefits in connection with the sale of or holding of notes, the purchase of notes using Plan Assets over which any

of these parties or their affiliates has investment authority might be deemed to be a violation of a provision Title I of ERISA or Section 4975 of the Code. Accordingly, notes may not be purchased using the assets of any Plan if any of the Underwriters, the Trustee, the Servicers or their affiliates has investment authority for those assets, or is an employer maintaining or contributing to the Plan, unless an applicable prohibited transaction exemption is available and such prohibited transaction exemption covers such purchase.

Purchaser's/Transferee's Representations and Warranties

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

Consultation With Counsel

Any Plan fiduciary or other investor of Plan Assets considering whether to acquire or hold notes on behalf of or with Plan Assets of any Plan or Plan Asset Entity, and any insurance company that proposes to acquire or hold notes, should consult with its counsel with respect to the potential applicability of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code with respect to the proposed investment and the availability of any prohibited transaction exemption. A fiduciary with respect to a Non-ERISA Plan which is a Tax Favored Plan that proposes to acquire or hold notes should consult with counsel with respect to the applicable federal, state and local laws.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material federal income tax consequences of the purchase, ownership and disposition of notes for the investors described below and is based on the advice of Williams & Anderson PLC, as tax counsel to the Issuer. A form of the legal opinion of Williams & Anderson PLC is attached hereto as Appendix G. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of whom may be subject to special rules. In addition, this summary is generally limited to investors who will hold the notes as "capital assets" (generally, property held for investment) within the meaning of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder (the "Code"). Except to the extent discussed below under "Foreign Investors" this discussion is not applicable to non-United States persons not subject to federal income tax on their worldwide income **Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the notes.** Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Characterization of the Trust

Based upon certain assumptions and certain representations of the Issuer, Williams & Anderson PLC will render its opinion, with respect to the notes to the effect that the notes will be treated as debt of the Issuer, rather than as an interest in the financed student loans, and that the trust created under the Indenture (for purposes of this section of the Offering Memorandum, the "Trust") will not be characterized for federal income tax purposes as creating an association or publicly traded partnership taxable as a corporation. Unlike a ruling from the Service, such opinion is not binding on the courts or the Service. Therefore, it is possible that the Service could assert that, for purposes of the Code, the transaction contemplated by this Offering Memorandum constitutes a sale of the financed student loans (or an interest therein) to the owners of the notes (solely for purposes of this section of the Offering Memorandum, the "registered owners") or that the relationship which will result from this transaction is that of a partnership or an association taxable as a corporation.

If, instead of treating the transaction as creating secured debt of the Issuer, the transaction were treated as creating a partnership among the registered owners and the Issuer, the resulting partnership would not be subject to federal income tax. Rather, the Issuer and each registered owner would be taxed individually on their respective distributive shares of the partnership's income, gain, loss, deductions and credits generated by the trust estate created under the Indenture. In such case, the amount and timing of items of income and deduction of the registered owner would differ from the anticipated treatment of the notes as debt instruments.

If, alternatively, it were determined that the Trust is an entity classified as a corporation or a publicly traded partnership taxable as a corporation and treated as having purchased the financed student loans, the Trust would be subject to federal income tax at corporate income tax rates on the income it derives from the financed student loans, which would reduce the amounts available for payment to the registered owners. Cash payments to the registered owners generally would be treated as dividends for tax purposes to the extent of such corporation's accumulated and current earnings and profits.

Characterization of the Notes as Indebtedness

The Issuer and the registered owners will express in the Indenture their intent that for federal income tax purposes the notes will be indebtedness of the Issuer secured by the financed student loans. The Issuer and the registered owners, by accepting the notes, have agreed to treat the notes as indebtedness of the Issuer for federal income tax purposes. The Issuer intends to treat this transaction as a financing reflecting the notes as its indebtedness for tax and financial accounting purposes.

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

The Issuer believes, based on the advice of counsel, that it has retained the preponderance of the primary benefits and burdens associated with ownership of the financed student loans and should, thus, be treated as the owner of the financed student loans for federal income tax purposes. If, however, the

Service were successfully to assert that this transaction should be treated as a sale of the financed student loans, the Service could further assert that the entity created pursuant to the Indenture, as the owner of the financed student loans for federal income tax purposes, should be deemed engaged in a business and, therefore, characterized as a publicly traded partnership taxable as a corporation.

Taxation of Interest Income of Registered Owners

Payments of interest with regard to the notes will be includible as ordinary income when received or accrued by the registered owners in accordance with their respective methods of tax accounting and applicable provisions of the Code. If the notes are deemed to be issued with original issue discount, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest, as defined below, allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated pro rata to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days the holder owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Original issue discount is the stated redemption price at maturity of a debt instrument over its issue price. The stated redemption price at maturity includes all payments with respect to an instrument other than interest unconditionally payable at a fixed rate or a qualified variable rate at fixed intervals of one year or less ("qualified stated interest"). The Issuer expects that interest payable with respect to the notes will constitute qualified stated interest and that the notes will not be issued with original issue discount.

Payments of interest received with respect to the notes may also constitute "investment income" for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential registered owners or the beneficial owners should consult their own tax advisors concerning the treatment of interest payments with regard to the notes.

A purchaser who buys a note at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified *de minimis* amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the notes which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of these provisions of the Code indicates that the same prepayment assumption used to calculate original issue discount should be utilized. Each potential investor should consult the investor's tax advisor concerning the application of the market discount rules to the notes.

A purchaser who buys a note at a premium—that is, an amount in excess of the amount payable at maturity—will be considered to have purchased the note with "amortizable bond premium" equal to the amount of such excess. The purchaser may elect to amortize such bond premium as an offset to interest income and not as a separate deduction item as it accrues under a constant yield method, or other allowable method, over the remaining term of the note. The purchaser's tax basis in the note will be reduced by the amount of the amortized bond premium. Any such election shall apply to all debt instruments, other than instruments the interest on which is excludable from gross income, held by the purchaser at the beginning of the first taxable year for which the election applies or thereafter acquired

and is irrevocable without the consent of the IRS. Bond premium on a note held by a purchaser who does not elect to amortize the premium will decrease the gain or increase the loss otherwise recognized on the disposition of the note. Prospective holders should consult their tax advisors regarding the amortization of bond premium.

The annual statement regularly furnished to registered owners for federal income tax purposes will include information regarding the accrual of payments of principal and interest with respect to the notes. As noted above, the Issuer believes, based on the advice of counsel, that it will retain ownership of the financed student loans for federal income tax purposes. If instead the Indenture is deemed to create a pass-through entity as the owner of the financed student loans for federal income tax purposes instead of the Issuer (assuming such entity is not, as a result, taxed as an association), the owners of the notes could be required to accrue payments of interest more rapidly than otherwise would be required.

Sale or Exchange of Notes

If a holder sells a note, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the holder's basis in such note. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15%. However, if a note was acquired subsequent to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income. In the event any of the notes are issued with original issue discount, in certain circumstances a portion of the gain can be recharacterized as ordinary income.

If the term of a note were materially modified, in certain circumstances a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to the redemption provisions and, in the case of a nonrecourse obligation such as the notes, those which involve the substitution of collateral. Each potential holder of a note should consult its own tax advisor concerning the circumstances in which the notes would be deemed reissued and the likely effects, if any, of such reissuance.

Backup Withholding

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

State, Local or Foreign Taxation

Pursuant to the Authorizing Act, the notes and interest thereon shall be exempt from all state, county, and municipal taxes levied in the State, and such exemption shall include income, inheritance and estate taxes imposed by the State, and any county or municipality in the State.

Other than with respect to the State, the Issuer makes no representations regarding the tax consequences of purchase, ownership or disposition of the notes under the tax laws of any state, locality

or foreign jurisdiction. Investors considering an investment in the notes should consult their own tax advisors regarding such tax consequences.

Limitation on the Deductibility of Certain Expenses

Under Section 67 of the Code, an individual may deduct certain miscellaneous itemized deductions only to the extent that the sum of such deductions for the taxable year exceeds 2% of his or her adjusted gross income. None of such miscellaneous itemized deductions are deductible by individuals for purposes of the alternative minimum tax. If contrary to expectation, the Trust were treated as the owner of the student loans (and not as an association taxable as a corporation), then the Issuer believes that a substantial portion of the expenses to be generated by the Trust could be subject to the foregoing limitations. As a result, each potential holder should consult his or her personal tax advisor concerning the application of these limitations to an investment in the notes.

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. If, contrary to expectations, one or more of the notes were considered equity for tax purposes and if one or more other notes were considered debt for tax purposes, those notes treated as equity likely would be subject to acquisition indebtedness and likely would generate unrelated business taxable income. However, as noted above, counsel has advised the Issuer that the notes will be characterized as debt for federal income tax purposes. Therefore, except to the extent any registered owner incurs acquisition indebtedness with respect to a note, interest paid or accrued with respect to such note may be excluded by each tax-exempt registered owner from the calculation of unrelated business taxable income. Each potential tax-exempt registered owner is urged to consult its own tax advisor regarding the application of these provisions.

European Union Directive on the Taxation of Savings Income

The European Union has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from July 1, 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

The withholding tax provisions of the Directive could apply to payments on securities made through the Luxembourg paying agent. It is expected that holders will be able to take steps to keep payments from being subject to such withholding tax, for example, by receiving payments from a paying agent within the European Union but outside Luxembourg, Belgium and Austria (such as from the United Kingdom), although the possibility that withholding tax will eventually be levied in some situations cannot be precluded. In any event, details of payments made from a Member State on the notes will likely have to be reported to the tax or other relevant authorities under the Directive or local law, including, for example, to Member States in cases where recipients are located in the jurisdiction where payments are actually made.

Foreign Investors

A noteholder which is not a U.S. person ("foreign holder") will not be subject to U.S. federal income or withholding tax in respect of interest income or gain on the notes if certain conditions are satisfied, including: (1) the foreign holder provides an appropriate statement, signed under penalties of perjury, identifying the foreign holder as the beneficial owner and stating, among other things, that the foreign holder is not a U.S. person, (2) the foreign holder is not a "10 percent shareholder" or "related controlled foreign corporation" with respect to the Trust, and (3) the interest income is not effectively connected with a United States trade or business of the noteholder. The foregoing exemption does not apply to contingent interest or market discount. To the extent these conditions are not met, a 30% withholding tax will apply to interest income on the notes, unless an income tax treaty reduces or eliminates such tax or the interest is effectively connected with the conduct of a trade or business within the United States by such foreign holder. In the latter case, such foreign holder will be subject to U.S. federal income tax with respect to all income from the notes at regular rates applicable to U.S. taxpayers, and may be subject to the branch profits tax if it is a corporation. A "U.S. person" is: (i) a citizen or resident of the United States, (ii) a corporation (or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions.

Generally, a foreign holder will not be subject to federal income tax on any amount which constitutes capital gain upon the sale, exchange, retirement or other disposition of a note unless such foreign holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met, or unless the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder. If the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder, such holder will generally be subject to U.S. federal income tax with respect to such gain in the same manner as U.S. holders, as described above, and a foreign holder that is a corporation could be subject to a branch profits tax on such income as well.

ADDITIONAL INFORMATION; REPORTS TO NOTEHOLDERS

Quarterly reports concerning the Issuer will be delivered to noteholders as described under "SUMMARY OF THE INDENTURE PROVISIONS—Statements to Noteholders." Generally, you will receive those reports not from the Issuer, but through Cede & Co., as nominee of The Depository Trust Company and registered owner of the notes. See "BOOK-ENTRY REGISTRATION." These periodic reports will contain information concerning the financed student loans and certain activities of the Issuer during the period since the previous report.

These reports, together with additional information regarding the Issuer, may be found from time to time at http://www.aslafinancials.info/. The website is not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

UNDERWRITING

Subject to the terms and conditions to be set forth in a Note Purchase Agreement among the Issuer, RBC Capital Markets Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriters"), the Underwriters have agreed to purchase the notes at a price equal to the principal amount of the notes, as set forth below, less original issue discount.

Initial Purchaser	Series 2010-1 Notes
RBC Capital Markets Corporation	$187,250,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	80,250,000
Total	$267,500,000

The Underwriters will be paid an underwriting fee of $1,539,431 from other proceeds of the Issuer. After the initial offering, the prices of the notes may change.

Until the initial distribution of notes is completed, the rules of the Securities and Exchange Commission may limit the ability of the Underwriters and selling group members to bid for and purchase the notes. As an exception to these rules, the Underwriters are permitted to engage in transactions that stabilize the price of the notes. These transactions consist of bids of purchase for the purpose of pegging, fixing or maintaining the price of the notes.

Purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases.

Neither the Issuer nor the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the notes. In addition, neither the Issuer nor the Underwriters makes any representation that the Underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Issuer has agreed to indemnify the Underwriters and under certain limited circumstances, the Underwriters will indemnify the Issuer, against certain civil liabilities, including liabilities under the Securities Act.

FINANCIAL ADVISOR

Stephens Inc. ("Stephens") has acted as independent financial advisor to the Issuer with respect to the issuance of the notes. Stephens is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Offering Memorandum and the appendices hereto.

LEGAL PROCEEDINGS

Other than as discussed below, there is no controversy or litigation of any nature now pending or, to the knowledge of the Issuer, threatened to restrain or enjoin the issuance, sale, execution or delivery of the notes, or in any way contesting or affecting the validity of the notes, any proceedings of the Issuer taken with respect to the issuance or sale thereof, the pledge or application of any moneys or securities provided for the payment of the notes or the due existence or powers of the Issuer.

Federal False Claims Act Lawsuit

On September 28, 2009, the Issuer was served with a First Amended Complaint (the "Complaint") in a qui tam lawsuit filed against it and nine other student loan lenders. A qui tam lawsuit is a civil case brought by one or more individuals (a "relator") on behalf of the federal government for an alleged submission to the government of a false claim for payment.

The Complaint alleged that the defendants knowingly presented and caused to be presented to the Department of Education false and fraudulent claims, records and statements in order to obtain illegal special allowance payments on FFELP loans in violation of the Federal False Claims Act. The Complaint alleged that from 2002 through 2006, defendants submitted claims to the Department of Education for special allowance payments on certain FFELP loans at a rate of 9.5% ("9.5% Loans"), which the relator alleged is higher than that allowed under applicable law.

The original Complaint was filed in the United States District Court for the Eastern District of Virginia on September 21, 2007 under seal. Following the government's decision not to intervene, the Complaint was unsealed on August 24, 2009 at that time. The relator thereafter pursued the case at its own expense on behalf of the government.

The Complaint alleged that the Issuer unlawfully increased its balance of 9.5% Loans from $56,000,000 at the end of fiscal year 2001 to $182,000,000 three years later and submitted 9.5% special allowance payment claims on this unlawfully inflated balance in the amount of approximately $12,100,000. The Complaint alleged that while certain repayments were made, the repayments appeared to be inadequate. The Complaint sought civil penalties and treble the amount of damages sustained by the federal government in connection with the alleged overbilling.

On December 1, 2009, the District Court dismissed the Issuer from the lawsuit on the basis that, as a state agency, it is not a "person" subject to suit by a relator under the False Claims Act.

The relator has the right to appeal this dismissal. The Issuer denies any liability under the Complaint and will vigorously defend any appeal or further proceedings; however, it cannot predict the ultimate outcome of this qui tam case or any liability that may result.

LEGAL MATTERS

The Issuer has been represented in connection with certain aspects of the authorization, issuance, offer, sale and delivery of the notes by its note counsel, Williams & Anderson PLC, who will pass on certain legal matters for the Issuer. Certain legal matters will be passed on for the Underwriters by Kutak Rock LLP.

RELATED PARTIES

In May 2009, RBC Capital Markets Corporation ("RBCCM"), on behalf of itself and certain affiliates, entered into a Consent with the United States Securities and Exchange Commission ("SEC"), and an Assurance of Discontinuance with the New York Attorney General's office pursuant to which RBCCM agreed to offer to repurchase, at par, auction rate securities held by approximately 2,200 retail brokerage clients in the United States. RBCCM also agreed to continue to work with issuers and other interested parties to provide liquidity solutions for institutional investors not covered by the repurchase offer. Both documents, which were filed in court and are publicly available on the regulators' websites, finalized earlier term sheet settlements on substantially similar terms. Subsequent to such repurchases, and as of August 15, 2010, RBCCM holds $3,900,000 of the Issuer's auction rate securities in inventory. On June 28, 2010, the SEC announced that RBCCM had satisfied its settlement obligation to use best efforts to provide institutional investors with opportunities to liquidate their auction rate securities holdings. RBCCM also is a defendant in civil claims by institutions who purchased auction rate securities from RBCCM.

In addition, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") has agreed to continue to work with issuers and other interested parties to provide liquidity solutions for institutional

investors not covered by repurchase offers. Merrill Lynch and its affiliates hold approximately $2,650,000 of the Issuer's auction rate securities. While the Issuer, RBCCM and Merrill Lynch believe that the defeasance of the Issuer's outstanding auction rate securities is of considerable benefit to the Issuer, it should be noted that the sale of the notes and the application of the proceeds thereof to defease all of the Issuer's outstanding auction rate securities benefits RBCCM and Merrill Lynch and their respective affiliates by liquidating illiquid inventory. Simultaneously with the issuance of the notes, the Underwriters have agreed to sell and the Issuer has agreed to purchase from proceeds of the notes and other available funds, the auction rate securities held by the Underwriters at a discount to the current outstanding principal amount of such auction rate securities.

RATINGS

It is a condition to the issuance of the notes that they be rated by two nationally recognized statistical rating organizations, Moody's and Fitch, in each of their respective highest rating categories. The specific ratings required for the notes are described under "SUMMARY OF TERMS—Rating of the Notes."

A securities rating addresses the likelihood of the receipt by owners of the notes of payments of principal and interest with respect to their notes from assets in the trust estate created under the Indenture. The rating takes into consideration the characteristics of the financed student loans, and the structural, legal and tax aspects associated with the rated notes. On a quarterly basis each agency rating the notes is provided with servicing reports describing the performance of the underlying assets in the prior period.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Neither the Issuer nor the Underwriters has undertaken any responsibility either to bring to the attention of the holders of the affected notes any proposed change in or withdrawal of such ratings or to oppose any such proposed revision. Any such change in or withdrawal of the ratings could have an adverse effect on the market price of the affected notes. See "CONTINUING DISCLOSURE."

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the SEC (the "Rule"), the Issuer will enter into a continuing disclosure agreement with respect to the notes (a "Continuing Disclosure Agreement") setting forth the undertaking of the Issuer regarding continuing disclosure with respect to the notes. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix D attached hereto. The Issuer has not, in the past five years, failed to comply with any previous undertaking to provide annual reports or notices of material events in accordance with the Rule.

GLOSSARY OF TERMS

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

"*Administrator*" means the Issuer or any successor to the Issuer performing the administrative duties of the Issuer under the Indenture including, without limitation, any financial, reporting or other calculations with respect to the trust estate created under the Indenture required to be made by the Issuer thereunder.

"*Book-Entry Form*" or "*Book-Entry System*" means a form or system under which (a) the beneficial right to principal and interest may be transferred only through a book-entry; (b) physical securities in registered form are issued only to a securities depository or its nominee as registered owner, with the securities "immobilized" to the custody of the securities depository; and (c) the book-entry is the record that identifies the owners of beneficial interests in that principal and interest.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended from time-to-time.

"*Collection Period*" means, with respect to the first Quarterly Distribution Date, the period beginning on the Date of Issuance and ending on October 31, 2010, and with respect to each subsequent Quarterly Distribution Date, the Collection Period shall mean the three calendar months immediately preceding such Quarterly Distribution Date.

"*Eligible Lender*" shall mean any "eligible lender," as defined in the Higher Education Act, and which has received an eligible lender designation from the Secretary with respect to loans made under the Higher Education Act.

"*Eligible Loan*" shall mean any loan made to finance post-secondary education that is made under the Higher Education Act.

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

"*Financed*" when used with respect to student loans, shall mean or refer to (a) student loans acquired or refinanced by the trust estate with balances in the Acquisition Fund or otherwise deposited in or accounted for in the Acquisition Fund or otherwise constituting a part of the trust estate, including, without limitation, the student loans referenced in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Acquisition Fund; Purchase of Student Loans"; and (b) student loans substituted or exchanged for financed student loans, but does not include student loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

"*Fitch*" shall mean Fitch, Inc., Fitch Ratings Ltd., their subsidiaries and their successors and assigns.

"*Guarantee*" or "*Guaranteed*" shall mean, with respect to a student loan, the insurance or guarantee by a guaranty agency pursuant to such guaranty agency's guarantee agreement of the maximum percentage of the principal of and accrued interest on such student loan allowed by the terms of the Higher Education Act with respect to such student loan at the time it was originated (but without giving effect to adjustments for "exceptional performer" status under the Higher Education Act) and the coverage of such student loan by the federal reimbursement contracts, providing, among other things, for reimbursement to a guaranty agency for payments made by it on defaulted student loans insured or guaranteed by a guaranty agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular student loan.

"*Guarantee Agreements*" shall mean a guarantee or lender agreement between the Trustee or the Issuer and a guaranty agency, and any amendments thereto.

"*Higher Education Act*" shall mean the Higher Education Act of 1965, as amended or supplemented from time-to-time, or any successor federal act and all regulations, directives, bulletins, and guidelines promulgated from time-to-time thereunder.

"*Indenture*" shall mean the indenture of trust between the Issuer and the Trustee, including all supplements and amendments thereto.

"*Interest Benefit Payment*" shall mean an interest payment on student loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

"*Investment Securities*" shall mean:

(a) direct obligations of, or obligations on which the timely payment of the principal of and interest on which are unconditionally and fully guaranteed by, the United States of America or any agency or instrumentality thereof, including, but not limited to, direct or fully guaranteed (i) U.S. Treasury obligations, (ii) Farmers Home Administration Certificates of Beneficial Ownership, (iii) General Services Administration participation certificates, (iv) U.S. Maritime Administration guaranteed Title XI financing, (v) Small Business Administration guaranteed participation certificates and guaranteed pool certificates, (vi) U.S. Department of Housing and Urban Development local authority bonds, and (vii) Washington Metropolitan Area Transit Authority guaranteed transit bonds; provided, however, such obligations must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, not have an "r" suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(b) debentures of the Federal Housing Administration;

(c) certain debt instruments of certain government-sponsored agencies, including: (i) Federal Home Loan Mortgage Corporation debt obligations, (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes, (iii) Federal Home Loan Banks consolidated debt obligations; (iv) the Federal National Mortgage Association debt obligations; (v) Financing Corp. ("FICO") debt obligations; and (vi) Resolution Funding Corp ("REFCORP") debt obligations or any agency or instrumentality of the United States of America which shall be

established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; provided, however, such obligations must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary, not have an "r" suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(d) federal funds, unsecured certificates of deposit, interest bearing time or demand deposits, banker's acceptances, and repurchase agreements or other similar banking arrangements with a maturity of 12 months or less with any domestic commercial banks (including those of the Trustee); provided, however, (i) that, at the time of deposit or purchase, such depository institution has commercial paper which is rated "A-1/P-1" by Moody's and "AA-/F1+" by Fitch, (ii) that ratings of holding companies shall not be considered ratings of the banks; and (iii) such banking arrangements must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, not have an "r" suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(e) debt obligations maturing in 365 days or less that are rated at least "Aa-/P-1" by Moody's and "AA-/F1+" by Fitch which (i) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (ii) do not have an "r" suffix attached to the rating, and (iii) have interest which is tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(f) commercial paper, including that of the Trustee and any of its Affiliates, which is rated in the single highest classification, "P-1" by Moody's and "F1+" by Fitch, and which matures not more than 365 days after the date of purchase; provided, however, such commercial paper shall (i) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (ii) not have an "r" suffix attached to the rating, and (iii) have interest which is tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(g) investments in certain short-term debt, including commercial paper, federal funds, repurchase agreements, unsecured certificates of deposit, time deposits, and banker's acceptances, of issuers rated "P-1" by Moody's and "AA-/F1-" by Fitch; provided, however, (i) only amounts in the Collection Fund may be invested under this clause (g), (ii) the total amount of such investments shall not represent more than 20% of the outstanding principal amount of the Notes, (iii) each such investment shall not mature beyond 30 days, (iv) such investments shall have a predetermined fixed dollar amount of principal due at maturity that cannot vary, (v) if such investments are rated, such investments shall not have an "r" suffix attached to the rating, and (vi) such investments shall have interest which is tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

(h) investments in a money market fund rated at least "Aaa" by Moody's and "AAA/V1+" if rated by Fitch, including funds for which the Trustee or an affiliate thereof acts as investment advisor or provides other similar services for a fee; and

(i) any other investment with a Rating Confirmation/Notification from each Rating Agency.

"*Joint Sharing Agreement*" shall mean any agreement entered into in the future among the Issuer, the Trustee and the trustee under another indenture of trust of the Issuer to properly allocate payments from, and liabilities to, the U.S. Department of Education on student loans among the trust estate created under the Indenture and any other trust estate established by the Issuer, as any such agreement may be amended or supplemented from time to time.

"Moody's" shall mean Moody's Investors Service, Inc., its subsidiaries and its successors and assigns.

"*Noteholder*" shall mean the registered owner of a note.

"*Participant*" means a member of, or participant in, the depository.

"*Rating Agency*" shall mean each of Fitch and Moody's and their successors and assigns or any other rating agency requested by the Issuer to maintain a rating on any of its notes.

"*Rating Confirmation/Notification*" means, (i) a letter or other written communication from each rating agency (other than (a) Fitch and (b) any other rating agency that has provided notification that it will no longer provide rating confirmations for proposed actions, failures to act or other events in student loan financing transactions) then providing a rating for any of the notes, stating that a proposed action, failure to act, or other event specified therein will not, in and of itself, result in a downgrade of any of the ratings then applicable to the notes, or cause any rating agency (other than (a) Fitch and (b) any other rating agency that has provided notification that it will no longer provide rating confirmations for proposed actions, failures to act or other events in student loan financing transactions) to suspend, withdraw or qualify the ratings then applicable to the notes, or (ii) with respect to (a) Fitch and (b) any other rating agency that has provided written notification that it will no longer provide rating confirmations for proposed actions, failures to act or other events in student loan financing transactions, such rating agency shall have been given notice of such event at least ten days prior to the occurrence of such event (or, if ten days' advance notice of such event is impracticable, as much advance notice as is practicable) and such rating agency shall not have issued any written notice that the occurrence of such event will cause such rating agency to downgrade any of the ratings then applicable to the notes or cause such rating agency to suspend, withdraw or qualify the ratings then applicable to the notes.

"*Registered Owner*" shall mean the person in whose name a note is registered in the note registration books of the Trustee.

"*Secretary*" shall mean the Secretary of the Department of Education or any successor to the pertinent functions thereof under the Higher Education Act.

"*Servicer*" shall mean Edfinancial Services, LLC, Nelnet Servicing, LLC and the Pennsylvania Higher Education Assistance Agency, and any other additional Servicer or successor Servicer selected by the Issuer, so long as the Issuer obtains a rating confirmation/notification as to each such other Servicer.

"*Special Allowance Payments*" shall mean the special allowance payments authorized to be made by the Secretary by Section 438 of the Higher Education Act, or similar allowances, if any, authorized from time-to-time by federal law or regulation.

"*Supplemental Indenture*" shall mean an agreement supplemental to the Indenture executed pursuant to the Indenture.

APPENDIX A

DESCRIPTION OF THE FFEL PROGRAM

Beginning on July 1, 2010, FFELP Loans made pursuant to the Higher Education Act will no longer be originated, and new federal student loans will be originated solely under the Federal Direct Student Loan Program (the "Direct Loan Program"). However, FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired or are anticipated to be acquired by the Issuer (including the loans described in this Offering Memorandum under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS") continue to be subject to the provisions of the FFEL Program. The following description of the FFEL Program has been provided solely to explain certain of the provisions of the FFEL Program applicable to FFELP Loans made on or after July 1, 1998 and prior to July 1, 2010. Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP Loans (including Consolidation Loans) may be made or insured under the FFEL Program, and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make or insure loans under the FFEL Program (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an Act of Congress enacted after the date of enactment of SAFRA (hereinafter defined).

The following summary of the FFEL Program, as established by the Higher Education Act, does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.

The Higher Education Act provides for several different educational loan programs (collectively, the "Federal Family Education Loan Program" or "FFEL Program," and the loans originated thereunder, "Federal Family Education Loans" or "FFELP Loans"). Under the FFEL Program, state agencies or private nonprofit corporations administering student loan insurance programs ("Guaranty Agencies" or "Guarantors") are reimbursed for portions of losses sustained in connection with FFELP Loans, and holders of certain loans made under such programs are paid subsidies for owning such loans. Certain provisions of the Federal Family Education Loan Program are summarized below.

The Higher Education Act has been subject to frequent amendments and federal budgetary legislation, the most significant of which has been the passage of H.R. 4872 (the "Health Care and Education Affordability Reconciliation Act of 2010" or "HCEARA") which terminates originations of FFELP Loans under the FFEL Program after June 30, 2010 such that all new federal student loans will be originated under the Direct Loan Program on and after July 1, 2010. A summary of certain recent amendments to the FFEL Program under the Higher Education Act culminating in HCEARA follows:

- September 2007: Congress passed, and former President Bush signed into law, the College Cost Reduction and Access Act of 2007, cutting more than $20 billion from the FFEL Program.

- May 2008: In response to disruptions in the credit markets and the announcement by several lenders that they will no longer originate FFELP Loans, the Ensuring Continued Access to Student Loans Act of 2008 (the "Ensuring Continued Access to Student Loans Act") was enacted and signed into law by former President Bush on May 7, 2008. The Ensuring Continued Access to Student Loans Act amended the Higher Education Act to (a) increase annual loan limits and aggregate loan limits on federal unsubsidized loans for dependent and independent undergraduate students; (b) provide deferrals to parent borrowers to begin repayment of PLUS Loans (hereinafter defined) which were first disbursed on or after August 1, 2008 six months and one day after the student ceases to

carry at least one half the normal full-time academic workload (this provision was further amended to, among other things, apply to PLUS Loans which were first disbursed on or after July 1, 2008 by the hereinafter discussed Higher Education Opportunity Act which became law on August 14, 2008); (c) provide lenders temporary discretionary authority under extenuating circumstances to exclude mortgage payments that are fewer than 180 days delinquent and/or other debt that is not more than 89 days delinquent from consideration when evaluating parent eligibility for PLUS Loans made to parents of dependent students (this provision was further amended by the Higher Education Opportunity Act to apply to loans first disbursed prior to July 1, 2008 and new temporary authority was given to lenders to deal with extenuating circumstances for loans first disbursed on or after July 1, 2008); and (d) provide temporary authority to the Secretary of the United States Department of Education (the "Secretary") to purchase certain FFELP Loans first disbursed on or after October 1, 2003 and before July 1, 2009 from any eligible lender on such terms as are, subject to certain other conditions, in the best interest of the United States (this provision was further modified by P.L. 110-350 which became law on October 7, 2008 to allow the Secretary to additionally purchase certain FFELP Loans first disbursed on or after July 1, 2009 but before July 1, 2010 and by P.L. 111-39 which became law on July 1, 2009 to allow the Secretary to purchase certain FFELP Loans rehabilitated pursuant to the Higher Education Act). Through certain "Dear Colleague" letters issued to members of the higher education lending community, the Secretary created three programs (defined and described herein under the heading "Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans") to utilize its temporary purchasing authority under the Ensuring Continued Access to Student Loans Act and P.L. 110-350: (1) the Put Program, (2) the Purchase of Participation Interests Program and (3) the Asset-Backed Commercial Paper Conduit Program.

- August 2008: The Higher Education Opportunity Act was enacted and signed into law by former President Bush. The Higher Education Opportunity Act amended the Higher Education Act to, among other things: (a) extend the Secretary's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act through September 30, 2014 (however, this provision was further amended by HCEARA to only allow the Secretary authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act before July 1, 2010), (b) allow graduate and professional students to receive, like parent borrowers of PLUS Loans, in-school deferment for PLUS Loans first disbursed on or after July 1, 2008 for a six month period beginning on the day after the date the student ceases to carry at least one-half the normal full-time academic workload, (c) allow FFEL Program borrowers to consolidate their loans under the Direct Loan Program in order to use the no accrual of interest benefit offered to active duty service members under the Direct Loan Program for not more than sixty months for loans first disbursed on or after October 1, 2008, (d) extend the authority to make Consolidation Loans (hereinafter defined) under the Higher Education Act through September 30, 2014 (however, this provision was further amended by HCEARA to only allow the Secretary authority to make Consolidation Loans under the Higher Education Act before July 1, 2010), (e) only allow FFEL Program borrowers to be eligible for loan rehabilitation once and (f) beginning in fiscal year 2012, prohibit an eligible institution from participating in any program under the Higher Education Act if such eligible institution's cohort default rate is 30% or higher (rather than 25% or higher). There are also numerous other administrative changes contained in the Act.

- September 2009: On September 17, 2009, the United States House of Representatives adopted H.R. 3221 ("The Student Aid and Fiscal Responsibility Act of 2009" or "SAFRA"). SAFRA contains language terminating the origination of FFELP Loans under the FFEL Program by July 1, 2010, which language was later amended and enacted through HCEARA.

- March 2010: On March 21, 2010, in connection with the federal budget reconciliation and appropriation process, the United States House of Representatives adopted HCEARA. HCEARA includes a revised version of SAFRA previously adopted by the United States House of Representatives in September 2009. On March 25, 2010, the United States Senate passed an amended version of HCEARA and sent the reconciliation package to the House of Representatives. That same night, the House of Representatives voted to adopt HCEARA. On March 30, 2010, President Obama signed HCEARA whereby HCEARA became law. ***Due to the enactment of HCEARA, FFELP Loans made pursuant to the Higher Education Act will no longer be originated and new federal student loans will be originated solely under the Direct Loan Program beginning on July 1, 2010.***

Federal Family Education Loans

Several types of loans are authorized as Federal Family Education Loans pursuant to the Federal Family Education Loan Program. These include: (a) loans to students meeting certain financial needs tests with respect to which the federal government makes interest payments available to reduce student interest cost during periods of enrollment ("Subsidized Stafford Loans"); (b) loans to students made without regard to financial need with respect to which the federal government does not make such interest payments ("Unsubsidized Stafford Loans" and, collectively with Subsidized Stafford Loans, "Stafford Loans"); (c) loans to graduate students, professional students, or parents of dependent students ("PLUS Loans"); and (d) loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans ("Consolidation Loans").

Generally, a FFELP Loan may be made only to a United States citizen or permanent resident or otherwise eligible individual under federal regulations who (a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution; (b) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution; (c) has agreed to notify promptly the holder of the loan of any address change; (d) is not in default on any federal education loans; (e) meets the applicable "need" requirements; and (f) has not committed a crime involving fraud or obtaining funds under the Higher Education Act which funds have not been fully repaid. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. With certain exceptions, an institution with a cohort default rate that is equal to or greater than 25% for each of the three most recent fiscal years for which data are available is not an eligible institution under the Higher Education Act. However, beginning in fiscal year 2012, the threshold is raised from 25% to 30%.

Subsidized Stafford Loans First Disbursed On or Prior to June 30, 2010

The Higher Education Act provides for federal (a) insurance or reinsurance of eligible Subsidized Stafford Loans, (b) interest benefit payments for borrowers remitted to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (c) special allowance payments representing an additional subsidy paid by the Secretary to such holders of eligible Subsidized Stafford Loans.

Subsidized Stafford Loans are eligible for reinsurance under the Higher Education Act if the eligible student to whom the loan is made has been accepted or is enrolled in good standing at an eligible institution of higher education or vocational school and is carrying at least one-half the normal full-time workload at that institution. In connection with eligible Subsidized Stafford Loans there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. The Secretary has discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subject to these limits, Subsidized Stafford Loans are available to borrowers in amounts not exceeding their unmet need for financing as provided in the Higher Education Act.

Unsubsidized Stafford Loans First Disbursed On or Prior to June 30, 2010

Unsubsidized Stafford Loans are available for students who do not qualify for Subsidized Stafford Loans due to parental and/or student income or assets in excess of permitted amounts. In other respects, the general requirements for Unsubsidized Stafford Loans are essentially the same as those for Subsidized Stafford Loans. The interest rate, the loan fee requirements and the special allowance payment provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the Secretary does not make interest benefit payments and the loan limitations are determined without respect to the expected family contribution. The borrower is required to pay interest from the time such loan is disbursed or capitalize the interest until repayment begins.

PLUS Loan Program

The Higher Education Act authorizes PLUS Loans to be made to graduate students, professional students, or parents of eligible dependent students. Only graduate students, professional students and parents who do not have an adverse credit history are eligible for PLUS Loans. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of Guaranty Agencies and the Secretary in providing federal reinsurance on the loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest benefit payments are not available under the PLUS Program and special allowance payments are more restricted.

As of July 1, 2009, PLUS Loans made to parents of dependent students ("Parent PLUS Loans") became subject to a loan origination rights auction to be held in each state every two years. The winning lenders in each state will be those two lenders whose bids reflect the lowest amount of special allowance payments. If a lender has one of the two winning bids within the state, the lender must enter into an agreement with the Secretary to originate PLUS Loans to eligible borrowers within that state and to accept special allowance payments at the rate bid by the second-lowest bidder in the state's auction. Failure to enter into such an agreement may subject the lender to various sanctions, including, but not limited to, a penalty assessment in the amount of the additional costs incurred by the Secretary in obtaining another eligible lender to originate such eligible PLUS Loans; a prohibition of bidding by such lender in other auctions under this program; and the limitation, suspension or termination of the lender's participation in the FFEL Program. These two lenders will be the only lenders in each respective state allowed to originate Parent PLUS Loans for the cohort of students at institutions of higher education within such state until the students graduate or leave the institutions of higher education. Lenders may, however, bid in multiple states. The Secretary shall choose an eligible lender-of-last-resort for each state to serve the students in the event that there is not a winning bid. The maximum bid given by each lender cannot exceed the average bond equivalent rates for three month commercial paper rates (as quoted by the Federal Reserve in Publication H-15 or its successor) in effect for the quarter less the applicable interest rate for the loan plus 1.79%. The unpaid principal and interest of a defaulted Parent PLUS Loan will be

99% guaranteed by a Guaranty Agency. The Secretary will not collect any loan fees for Parent PLUS Loans originated as a result of the auction. The initial Parent PLUS Loan origination rights auction was initially scheduled to be held on April 15, 2009 within each state, but the Department of Education cancelled the initial auction on April 9, 2009 due to the fact that it could not generate sufficient interest to participate in the auction amongst eligible lenders in each state.

The Consolidation Loan Program

The Higher Education Act authorizes a program under which certain borrowers may consolidate their various student loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. The authority to make such Consolidation Loans expires on June 30, 2010. Consolidation Loans may be made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured student loans incurred under and pursuant to the Federal Family Education Loan Program (other than Parent PLUS Loans) selected by the borrower, as well as loans made pursuant to the Perkins Loan Program, the Health Professions Student Loan Programs and the Direct Loan Program. Consolidation Loans made pursuant to the Direct Loan Program must conform to the eligibility requirements for Consolidation Loans under the Federal Family Education Loan Program. The borrowers may be either in repayment status or in a grace period preceding repayment, but the borrower may not still be in school. Delinquent or defaulted borrowers are eligible to obtain Consolidation Loans if they agree to re-enter repayment through loan consolidation. Borrowers may add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. Further, a married couple who agrees to be jointly and severally liable is to be treated as one borrower for purposes of loan consolidation eligibility. A Consolidation Loan will be federally insured or reinsured only if such loan is made in compliance with the requirements of the Higher Education Act.

The Higher Education Act authorizes the Secretary to offer the borrower a Direct Consolidation Loan with repayment provisions authorized under the Higher Education Act and terms consistent with a Consolidation Loan made pursuant to the FFEL Program. In addition, the Secretary may offer the borrower of a Consolidation Loan a Direct Consolidation Loan for one of three purposes: (a) providing the borrower with an income contingent repayment plan (or income-based repayment plan as of July 1, 2009) if the borrower's delinquent loan has been submitted to a Guaranty Agency for default aversion (or, as of July 1, 2009, if the loan is already in default); (b) allowing the borrower to participate in a public service loan forgiveness program offered under the Direct Loan Program or (c) allowing the borrower to use the no accrual of interest for active duty service members benefit offered under the Direct Loan Program for not more than sixty months for loans first disbursed on or after October 1, 2008. In order to participate in the public service loan forgiveness program, the borrower must not have defaulted on the Direct Loan; must have made 120 monthly payments on the Direct Loan after October 1, 2007 under certain income based repayment plans, a standard 10-year repayment plan for certain Direct Loans, or a certain income contingent repayment plan; and must be employed in a public service job at the time of forgiveness and during the period in which the borrower makes each of his 120 monthly payments. A public service job is defined broadly and includes working at an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended and restated (the "IRC"), which is exempt from taxation under Section 501(a) of the IRC. No borrower may, however, receive a reduction of loan obligations under both the public service loan forgiveness program offered under the Direct Loan Program and the following programs: (a) the loan forgiveness program for teachers offered under both the FFEL Program and the Direct Loan Program, (b) the loan forgiveness program for service in areas of national need offered under the FFEL Program and (c) the loan repayment program for civil legal assistance attorneys offered under the FFEL Program.

Federal Direct Student Loan Program

The Student Loan Reform Act of 1993 established the Direct Loan Program. The first loans under the Direct Loan Program were made available for the 1994-1995 academic year. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the United States Department of Education (the "Department of Education"), make loans to students or parents without application to or funding from outside lenders or Guaranty Agencies. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including extended, graduated and income contingent repayment plans, forbearance of payments during periods of national service and consolidation under the Direct Loan Program of existing student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the Direct Loan Program. The Direct Loan Program also provides certain programs under which principal may be forgiven or interest rates may be reduced. Direct Loan Program repayment plans, other than income contingent plans, must be consistent with the requirements under the Higher Education Act for repayment plans under the FFEL Program. Due to the enactment of HCEARA, FFELP Loans made pursuant to the Higher Education Act will no longer be originated, and new federal student loans will be originated, solely under the Direct Loan Program beginning on July 1, 2010.

HCEARA additionally temporarily granted the Secretary authority to make a Federal Direct Consolidation Loan to a borrower (a) who has one or more loans in two or more of the following categories: (i) loans made under the Direct Loan Program, (ii) loans purchased by the Secretary pursuant to the provisions described herein under "—Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans," and (iii) loans made under the FFEL Program that are held by an eligible lender; (b) who has not yet entered repayment on one or more of such loans in any of the categories described in clause (a)(i)-(iii) herein; and (c) whose application for such Federal Direct Consolidation Loan is received by the Secretary on or after July 1, 2010 and before July 1, 2011.

Interest Rates

Subsidized and Unsubsidized Stafford Loans. Subsidized and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 which are in in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.70%, with a maximum rate of 8.25%. Subsidized Stafford Loans and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 in all other payment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.30%, with a maximum rate of 8.25%. The rate is adjusted annually on July 1.

Subsidized Stafford Loans disbursed on or after July 1, 2006 and before July 1, 2010 bear interest at progressively lowered rates described below. Subsidized Stafford Loans made on or after July 1, 2006 but before July 1, 2008 bear interest at a rate equal to 6.80% per annum. Subsidized Stafford Loans made on or after July 1, 2008 but before July 1, 2009 bear interest at a rate equal to 6.00% per annum. Subsidized Stafford Loans made on or after July 1, 2009 but before July 1, 2010 will bear interest at a rate equal to 5.60% per annum.

Unsubsidized Stafford Loans made on or after July 1, 2006 and before July 1, 2010 bear interest at a rate equal to 6.80% per annum.

PLUS Loans. PLUS Loans made on or after October 1, 1998 but before July 1, 2006 bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.10%, with a maximum rate of 9.00%. The rate is adjusted annually on July 1. PLUS Loans made on or after July 1, 2006 and before July 1, 2010 bear interest at a rate equal to 8.50% per annum.

Consolidation Loans. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998 and that was disbursed before July 1, 2010 bear interest at a fixed rate equal to the lesser of (a) the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest one-eighth of 1.00% or (b) 8.25%.

Servicemembers Civil Relief Act – 6.00% Interest Rate Limitation. As of August 14, 2008, FFELP Loans incurred by a servicemember, or by a servicemember and the servicemember's spouse jointly, before the servicemember enters military service may not bear interest at a rate in excess of 6.00% during the period of military service. It is not clear at this time, however, if this interest rate limitation applies to a servicemember's already existing student loans or only to new student loans incurred by the servicemember on or after August 14, 2008 but prior to the servicemember's military service.

Loan Disbursements

The Higher Education Act generally requires that Stafford Loans and PLUS Loans made to cover multiple enrollment periods, such as a semester, trimester, or quarter, be disbursed by eligible lenders in at least two separate disbursements. The Higher Education Act also generally requires that the first installment of such loans made to a student who is entering the first year of a program of undergraduate education and who has not previously obtained a FFEL Program loan (a "First FFEL Student") must be presented by the institution to the student 30 days after the First FFEL Student begins a course of study. However, certain institutions whose cohort default rate is less than 10% prior to October 1, 2011 and less than 15% on or after October 1, 2011 for each of the three most recent fiscal years for which data are available may (a) disburse any such loan made in a single installment for any period of enrollment that is not more than a semester, trimester, quarter, or 4 months and (b) deliver any such loan that is to be made to a First FFEL Student prior to the end of the 30 day period after the First FFEL Student begins his or her course of study at the institution.

Loan Limits

A Stafford Loan borrower may receive a subsidized loan, an unsubsidized loan, or a combination of both for an academic period. Generally, the maximum amount of Stafford Loans, made prior to July 1, 2007, for an academic year cannot exceed $2,625 for the first year of undergraduate study, $3,500 for the second year of undergraduate study and $5,500 per year for the remainder of undergraduate study. The maximum amount of Stafford Loans, made on or after July 1, 2007, for an academic year cannot exceed $3,500 for the first year of undergraduate study and $4,500 for the second year of undergraduate study. The aggregate limit for undergraduate study is $23,000 (excluding PLUS Loans). Dependent undergraduate students may receive an additional unsubsidized Stafford Loan of up to $2,000 per academic year, with an aggregate maximum of $31,000. Independent undergraduate students may receive an additional Unsubsidized Stafford Loan of up to $6,000 per academic year for the first two years and up to $7,000 per academic year thereafter, with an aggregate maximum of $57,500. The maximum amount of subsidized loans for an academic year for graduate students is $8,500. Graduate students may borrow an additional Unsubsidized Stafford Loan of up to $12,000 per academic year. The Secretary has discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study.

The total amount of all PLUS Loans that (a) parents may borrow on behalf of each dependent student or (b) graduate or professional students may borrow for any academic year may not exceed the student's estimated cost of attendance minus other financial assistance for that student as certified by the eligible institution which the student attends.

Repayment

General. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins six months after the date a borrower ceases to pursue at least a half-time course of study (the six month period is the "Grace Period"). Repayment of interest on an Unsubsidized Stafford Loan begins immediately upon disbursement of the loan; however, the lender may capitalize the interest until repayment of principal is scheduled to begin. Except for certain borrowers as described below, each loan generally must be scheduled for repayment over a period of not more than 10 years after the commencement of repayment. The Higher Education Act currently requires minimum annual payments of $600, including principal and interest, unless the borrower and the lender agree to lesser payments. Regulations of the Secretary require lenders to offer borrowers standard, graduated, income-sensitive, or, as of July 1, 2009 for certain eligible borrowers, income-based repayment plans. Use of income-based repayment plans may extend the ten-year maximum term.

Effective July 1, 2009, a new income-based repayment plan became available to certain FFEL Program borrowers and Direct Loan Program borrowers. To be eligible to participate in the plan, the borrower's annual amount due on loans made to a borrower prior to July 1, 2010 with respect to FFEL Program borrowers and prior to July 1, 2014 with respect to Direct Loan Program borrowers (as calculated under a standard 10-year repayment plan for such loans) must exceed 15% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. With respect to any loan made to a new Direct Loan Program borrower on or after July 1, 2014, the borrower's annual amount due on such loans (as calculated under a standard 10-year repayment plan for such loans) must exceed 10% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. Such a borrower may elect to have his payments limited to the monthly amount of the above-described result. Furthermore, the borrower is permitted to repay his loans over a term greater than 10 years. The Secretary will repay any outstanding principal and interest on eligible FFEL Program loans and cancel any outstanding principal and interest on eligible Direct Loan Program loans for borrowers who participated in the new income-based repayment plan and, for a period of time prescribed by the Secretary (but not more than 25 years for a borrower whose loan was made prior to July 1, 2010 with respect to FFEL Program loans and prior to July 1, 2014 with respect to Direct Loan Program loans and not more than 20 years for a Direct Loan Program borrower whose loan was made on or after July 1, 2014), have (a) made certain reduced monthly payments under the income-based repayment plan; (b) made certain payments based on a 10-year repayment period when the borrower first made the election to participate in the income-based repayment plan; (c) made certain payments based on a standard 10-year repayment period; (d) made certain payments under an income-contingent repayment plan for certain Direct Loan Program loans; or (e) have been in an economic hardship deferment.

Borrowers of Subsidized Stafford Loans and of the subsidized portion of Consolidation Loans, and borrowers of similar subsidized loans under the Direct Loan Program receive additional benefits under the new income-based repayment program: the Secretary will pay any unpaid interest due on the borrower's subsidized loans for up to three years after the borrower first elects to participate in the new income-based repayment plan (excluding any periods where the borrower has obtained economic hardship deferment). For both subsidized and unsubsidized loans, interest is capitalized when the borrower either ends his participation in the income-based repayment program or begins making certain payments under the program calculated for those borrowers whose financial hardship has ended.

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed, subject to deferral. For parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible, upon the request of the parent, to begin repayment on the later of (a) six months and one day after the student for whom the loan is borrowed ceases to carry at least one-half of the normal full-time academic workload (as determined by the school) and (b) if the parent borrower is also a student, six months and one day after the date such parent borrower ceases to carry at least one-half such a workload. Similarly, graduate and professional student borrowers whose loans were first disbursed on or after July 1, 2008 may begin repayment six months and one day after such student ceases to carry at least one-half the normal full-time academic workload (as determined by the school). Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program for all PLUS Loans except those PLUS Loans which are made, insured, or guaranteed on behalf of a dependent student; such excepted PLUS Loans are not eligible for the income-based repayment plan which became effective on July 1, 2009. Furthermore, eligible lenders may determine for all PLUS Loan borrowers (a) whose loans were first disbursed on or after July 1, 2008 that extenuating circumstances exist if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (1) is or has been delinquent for 180 days or less on the borrower's residential mortgage loan payments or on medical bills, and (2) does not otherwise have an adverse credit history, as determined by the lender in accordance with the regulations promulgated under the Higher Education Act prior to May 7, 2008 and (b) whose loans were first disbursed prior to July 1, 2008 that extenuating circumstances exist if between January 1, 2007 through December 31, 2009, a PLUS Loan applicant (1) is or has been delinquent for 180 days or less on the borrower's residential mortgage loan or on medical bills and (2) is not and has not been delinquent on the repayment of any other debt for more than 89 days during the period.

Consolidation Loans enter repayment on the date the loan is disbursed. The first payment is due within 60 days after all holders of the loan have discharged the liabilities of the borrower on the loan selected for consolidation. Consolidation Loans which are not being paid pursuant to income-sensitive repayment plans (or, as of July 1, 2009, income-based repayment plans) must generally be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding student loans (but no longer than 30 years). Consolidation Loans may also be repaid pursuant to the new income-based repayment plan which became effective on July 1, 2009. However, Consolidation Loans which have been used to repay a PLUS Loan that has been made, insured, or guaranteed on behalf of a dependent student are not eligible for this new income-based repayment plan.

FFEL Program borrowers who accumulate outstanding FFELP Loans on or after October 7, 1998 totaling more than $30,000 may receive an extended repayment plan, with a fixed annual or graduated payment amount paid over a longer period of time, not to exceed 25 years. A borrower may accelerate principal payments at any time without penalty. Once a repayment plan is established, the borrower may annually change the selection of the plan.

Deferment and Forbearance Periods. No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest accrues and must be paid. Generally, Deferment Periods include periods (a) when the borrower has returned to an eligible educational institution on a half-time basis or is pursuing studies pursuant to an approved graduate fellowship or an approved rehabilitation training program for disabled individuals; (b) not in excess of three years while the borrower is seeking and unable to find full-time employment; (c) while the borrower is serving on active duty during a war or other military operation or national emergency, is performing qualifying National Guard duty during a war or other military operation or national emergency, and for 180 days following the borrower's demobilization date for the above-described services; (d) during the 13 months following service if the borrower is a member of the National Guard, a member of a reserve

component of the military, or a retired member of the military who (i) is called or ordered to active duty, and (ii) is or was enrolled within six months prior to the activation at an eligible educational institution; (e) if the borrower is in active military duty, or is in reserve status and called to active duty; and (f) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which Forbearance is mandatory. Mandatory Forbearance periods include, but are not limited to, periods during which the borrower is (i) participating in a medical or dental residency and is not eligible for deferment; (ii) serving in a qualified medical or dental internship program or certain national service programs; or (iii) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, Forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Master Promissory Notes

Since July 2000, all lenders are required to use a master promissory note (the "MPN") for new Stafford Loans. Unless otherwise notified by the Secretary, each institution of higher education that participates in the FFEL Program may use a master promissory note for FFELP Loans. The MPN permits a borrower to obtain future loans without the necessity of executing a new promissory note. Borrowers are not, however, required to obtain all of their future loans from their original lender, but if a borrower obtains a loan from a lender which does not presently hold a MPN for that borrower, that borrower will be required to execute a new MPN. A single borrower may have several MPNs evidencing loans to multiple lenders. If multiple loans have been advanced pursuant to a single MPN, any or all of those loans may be individually sold by the holder of the MPN to one or more different secondary market purchasers.

Interest Benefit Payments

The Secretary is to pay interest on Subsidized Stafford Loans while the borrower is a qualified student, during a Grace Period or during certain Deferment Periods. In addition, those portions of Consolidation Loans that repay Subsidized Stafford Loans or similar subsidized loans made under the Direct Loan Program are eligible for interest benefit payments. The Secretary is required to make interest benefit payments to the holder of Subsidized Stafford Loans in the amount of interest accruing on the unpaid balance thereof prior to the commencement of repayment or during any Deferment Period. The Higher Education Act provides that the holder of an eligible Subsidized Stafford Loan, or the eligible portions of Consolidation Loans, shall be deemed to have a contractual right against the United States to receive interest benefit payments in accordance with its provisions.

Special Allowance Payments

The Higher Education Act provides for special allowance payments to be made by the Secretary to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.50%. Amounts derived from recoveries of principal on loans made prior to October 1, 1993 may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than $100,000,000 on loans for which special allowances were paid in the most recent

quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. The special allowance payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

Subject to the foregoing, the formulas for special allowance payment rates for Subsidized and Unsubsidized Stafford Loans are summarized in the following chart. The term "T-Bill" as used in this table and the following table, means the average 91-day Treasury bill rate calculated at a "bond equivalent rate" in the manner applied by the Secretary as referred to in Section 438 of the Higher Education Act. The term "Three Month Commercial Paper Rate" means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper rates reported in the Federal Reserve's Statistical Release H-15.

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.10% [1]
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.80% [2]
On or after January 1, 2000 (and before July 1, 2010)	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.34% [3]
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.94% [4]
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.79% [5]

[1] Substitute 2.50% in this formula while such loans are in the in-school or grace period.
[2] Substitute 2.20% in this formula while such loans are in the in-school or grace period.
[3] Substitute 1.74% in this formula while such loans are in the in-school or grace period.
[4] Substitute 1.34% in this formula while such loans are in the in-school or grace period.
[5] Substitute 1.19% in this formula while such loans are in the in-school or grace period.

The formulas for special allowance payment rates for PLUS Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000 (and before July 1, 2010)	Three Month Commercial Paper Rate less Applicable Interest Rate +2.64%
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.94%
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.79%

The formulas for special allowance payment rates for Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000 (and before July 1, 2010)	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.64%
On or after October 1, 2007 and before July 1, 2010 if an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.24%
On or after October 1, 2007 and before July 1, 2010 if an eligible lender other than an eligible not-for-profit lender (or an eligible lender trustee on its behalf) is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.09%

Special allowance payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary offsets interest benefit payments and special allowance payments by the amount of origination fees and lender loan fees described in the following section.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive special allowance payments has a contractual right against the United States to receive those payments during the life of the loan. Receipt of special allowance payments, however, is conditioned on the eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of federal regulations or Guaranty Agencies' requirements.

The Higher Education Act provides that for FFELP Loans first disbursed on or after April 1, 2006 and before July 1, 2010, lenders must remit to the Secretary any interest paid by a borrower which is in excess of the special allowance payment rate set forth above for such loans.

Loan Fees

Insurance Premium. For loans guaranteed before July 1, 2006, a Guaranty Agency is authorized to charge a premium, or guarantee fee, of up to 1.00% of the principal amount of the loan, which may be deducted proportionately from each installment of the loan. Generally, Guaranty Agencies have waived this fee since 1999. For loans guaranteed on or after July 1, 2006 that are first disbursed before July 1, 2010, a federal default fee equal to 1.00% of principal must be paid into such Guaranty Agency's Federal Student Loan Reserve Fund (hereinafter defined as the "Federal Fund").

Origination Fee. Lenders are authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.00% of the principal amount of the loan for loans disbursed prior to July 1, 2006; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 1.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; and 0.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010. The Secretary is authorized to charge borrowers of Direct Loans 4.00% of the principal amount of the loan for loans disbursed prior to February 8, 2006. A lender may charge a lesser origination fee to Stafford Loan borrowers so long as the lender does so consistently with respect to all borrowers who reside in or attend school in a particular state. For borrowers of Direct Loans other than Federal Direct Consolidation Loans

and Federal Direct PLUS Loans, the Secretary may charge such borrowers as follows: 3.00% of the principal amount of the loan for loans disbursed on or after February 8, 2006 and before July 1, 2007; 2.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 2.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 1.00% of the principal amount of the loan for loans disbursed on or after July 1, 2010. These fees must be deducted proportionately from each installment payment of the loan proceeds prior to payment to the borrower. The lenders must pass the origination fees received under the FFEL Program on to the Secretary.

Lender Loan Fee. The lender of any FFELP Loan is required to pay to the Secretary an additional origination fee equal to 0.50% of the principal amount of the loan for loans first disbursed on or after October 1, 1993, but prior to October 1, 2007. For all loans first disbursed on or after October 1, 2007 and before July 1, 2010, the lender must pay an additional origination fee equal to 1.00% of the principal amount of the loan.

The Secretary collects from the lender or subsequent holder of the loan the maximum origination fee authorized (regardless of whether the lender actually charges the borrower) and the lender loan fee, either through reductions in interest benefit payments or special allowance payments or directly from the lender or holder of the loan.

Rebate Fee on Consolidation Loans. The holder of any Consolidation Loan for which the first disbursement was made on or after October 1, 1993, is required to pay to the Secretary a monthly fee equal to .0875% (1.05% per annum) of the principal amount plus accrued unpaid interest on the loan. However, for Consolidation Loans for which applications were received from October 1, 1998 to January 31, 1999, inclusive, the monthly rebate fee is approximately equal to .0517% (.62% per annum) of the principal amount plus accrued interest on the loan.

Insurance and Guarantees

A Guaranty Agency guarantees Federal Family Education Loans made to students or parents of students by eligible lenders. A Guaranty Agency generally purchases defaulted student loans which it has guaranteed with its reserve fund (as described under "—Guarantor Reserves"). A Federal Family Education Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments. If the loan is guaranteed by a Guarantor in accordance with the provisions of the Higher Education Act, the Guarantor is to pay the holder a percentage of such amount of the loss subject to a reduction (as described in 20 U.S.C. §1075(b)) within 90 days of notification of such default. The default claim package submitted to a Guaranty Agency must include all information and documentation required under the Federal Family Education Loan Program regulations and such Guaranty Agency's policies and procedures.

The Higher Education Act gives the Secretary of Education various oversight powers over the Guaranty Agencies. These include requiring a Guaranty Agency to maintain its reserve fund at a certain required level and taking various actions relating to a Guaranty Agency if its administrative and financial condition jeopardizes its ability to meet its obligations.

Federal Insurance. The Higher Education Act provides that, subject to compliance with such Act, the full faith and credit of the United States is pledged to the payment of insurance claims and ensures that such reimbursements are not subject to reduction. In addition, the Higher Education Act

provides that if a Guarantor is unable to meet its insurance obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new Guarantor capable of meeting such obligations or until a successor Guarantor assumes such obligations. Federal reimbursement and insurance payments for defaulted loans are paid from the student loan insurance fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

Guarantees. If the loan is guaranteed by a Guarantor in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the Guarantor for a statutorily set percentage (98% for loans first disbursed prior to July 1, 2006 and 97% for loans first disbursed on or after July 1, 2006 but before July 1, 2010) of the unpaid principal balance of the loan plus accrued unpaid interest on any defaulted loan so long as the eligible lender has properly serviced such loan. Under the Higher Education Act, the Secretary enters into a guarantee agreement and a reinsurance agreement (the "Guarantee Agreements") with each Guarantor which provides for federal reimbursement for amounts paid to eligible lenders by the Guarantor with respect to defaulted loans.

Guarantee Agreements. Pursuant to the Guarantee Agreements, the Secretary is to reimburse a Guarantor for the amounts expended in connection with a claim resulting from the death of a borrower; bankruptcy of a borrower; total and permanent disability of a borrower (including those borrowers who have been determined by the Secretary of Veterans Affairs to be unemployable due to a service-connected condition); inability of a borrower to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death, has lasted continuously for at least 60 months, or can be expected to last continuously for at least 60 months; the death of a student whose parent is the borrower of a PLUS Loan; certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure; borrowers whose borrowing eligibility was falsely certified by the eligible institution; or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a Guarantor's claims rate experience for federal reimbursement purposes. Generally, educational loans are non dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary is to reimburse a Guarantor for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below. See "Education Loans Generally Not Subject to Discharge in Bankruptcy" herein.

The Secretary may terminate Guarantee Agreements if the Secretary determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such Guarantee Agreements, the Secretary is authorized to provide the Guarantor with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the Guarantor, ensure the uninterrupted payment of claims, or ensure that the Guarantor will make loans as the lender-of-last-resort. On May 7, 2008, Treasury funds were further authorized to be appropriated for emergency advances to Guarantors to ensure such Guarantors are able to act as lenders-of-last-resort and to assist Guarantors with immediate cash needs, claims, or any demands for loans under the lender-of-last-resort program.

If the Secretary has terminated or is seeking to terminate Guarantee Agreements, or has assumed a Guarantor's functions, notwithstanding any other provision of law: (a) no state court may issue an order affecting the Secretary's actions with respect to that Guarantor; (b) any contract entered into by the Guarantor with respect to the administration of the Guarantor's reserve funds or assets purchased or acquired with reserve funds shall provide that the contract is terminable by the Secretary upon 30 days

notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets or is inconsistent with the terms or purposes of the Higher Education Act; and (c) no provision of state law shall apply to the actions of the Secretary in terminating the operations of the Guarantor. Finally, notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a Guarantor (other than outstanding student loan guarantees under the Higher Education Act), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the Guarantor, minus any necessary liquidation or other administrative costs.

Reimbursement. The amount of a reimbursement payment on defaulted loans made by the Secretary to a Guarantor is subject to reduction based upon the annual claims rate of the Guarantor calculated to equal the amount of federal reimbursement as a percentage of the original principal amount of originated or guaranteed loans in repayment on the last day of the prior fiscal year. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The formula for reimbursement amounts is summarized below:

Claims Rate	**Guarantor Reinsurance Rate for Loans made prior to October 1, 1993**	**Guarantor Reinsurance Rate for Loans made between October 1, 1993 and September 30, 1998**	**Guarantor Reinsurance Rate for Loans made on or after October 1, 1998 and prior to July 1, 2010[1]**
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%, 85% of claims 5% up to 9%; 75% of claims 9% and over

[1] Student loans made pursuant to the lender-of-last resort program have an amount of reinsurance equal to 100%; student loans transferred by an insolvent Guarantor have an amount of reinsurance ranging from 80% to 100%.

The amount of loans guaranteed by a Guarantor which are in repayment for purposes of computing reimbursement payments to a Guarantor means the original principal amount of all loans guaranteed by a Guarantor less: (a) guarantee payments on such loans, (b) the original principal amount of such loans that have been fully repaid, and (c) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary may withhold reimbursement payments if a Guarantor makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. A supplemental guarantee agreement is subject to annual renegotiation and to termination for cause by the Secretary.

Under the Guarantee Agreements, if a payment by the borrower on a FFELP Loan guaranteed by a Guarantor is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the borrower's payment. The Secretary's equitable share of the borrower's payment equals the amount remaining after the Guarantor has deducted from such payment: (a) the percentage amount equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made with respect to the loan and (b) as of October 1, 2007, 16% of the borrower's payments (to be used for the Guarantor's Operating Fund (hereinafter defined)). The percentage deduction for use of the borrower's payments for the Guarantor's Operating Fund varied prior to October 1, 2007: from October 1, 2003 through and including September 30, 2007, the percentage in

effect was 23% and prior to October 1, 2003, the percentage in effect was 24%. The Higher Education Act further provides that on or after October 1, 2006, a Guarantor may not charge a borrower collection costs in an amount in excess of 18.50% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower; provided that the Guarantor must remit to the Secretary a portion of the collection charge equal to 8.50% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009, a Guarantor must remit to the Secretary any collection fees on defaulted loans paid off with consolidation proceeds by the borrower which are in excess of 45% of the Guarantor's total collections on defaulted loans in any one federal fiscal year.

Lender Agreements. Pursuant to most typical agreements for guarantee between a Guarantor and the originator of the loan, any eligible holder of a loan insured by such a Guarantor is entitled to reimbursement from such Guarantor, subject to certain limitations, of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability, certain medically determinable physical or mental impairment, or bankruptcy of the student borrower at the rate of 98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006 and 97% for loans in default made on or after July 1, 2006 but prior to July 1, 2010. Certain holders of loans may receive higher reimbursements from Guarantors. For example, lenders of last resort may receive reimbursement at a rate of 100% from Guarantors.

Guarantors generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable Guarantor in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable Guarantor all right accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a Guarantor from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

Any holder of a loan is required to exercise due care and diligence in the servicing of the loan and to utilize practices which are at least as extensive and forceful as those utilized by financial institutions in the collection of other consumer loans. If a Guarantor has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its agreement for guarantee, the Guarantor may take reasonable action including withholding payments or requiring reimbursement of funds. The Guarantor may also terminate the agreement for cause upon notice and hearing.

Rehabilitation of Defaulted Loans. Under the Higher Education Act, the Secretary of Education is authorized to enter into an agreement with each Guaranty Agency pursuant to which a Guaranty Agency sells defaulted student loans that are eligible for rehabilitation to an eligible lender. For a defaulted student loan to be rehabilitated, the borrower must request rehabilitation and the applicable Guaranty Agency must receive an on time, voluntary, full payment each month for 12 consecutive months. However, effective July 1, 2006, for a student loan to be eligible for rehabilitation, the applicable Guaranty Agency must receive 9 payments made within 20 days of the due date during 10 consecutive months. Upon rehabilitation, a student loan is eligible for all the benefits under the Higher Education Act for which it would have been eligible had no default occurred.

A Guaranty Agency repays the Secretary an amount equal to 81.5% of the outstanding principal balance of the student loan at the time of sale to the lender multiplied by the reimbursement percentage in effect at the time the student loan was reimbursed. The amount of such repayment is deducted from the amount of federal reimbursement payments for the fiscal year in which such repayment occurs, for purposes of determining the reimbursement rate for that fiscal year.

Loans Subject to Repurchase. The Higher Education Act requires a lender to repurchase student loans from a Guaranty Agency, under certain circumstances, after a Guaranty Agency has paid for the student loan through the claim process. A lender is required to repurchase: (a) a student loan found to be legally unenforceable against the borrower; (b) a student loan for which a bankruptcy claim has been paid if the borrower's bankruptcy is subsequently dismissed by the court or, as a result of the bankruptcy hearing, the student loan is considered non dischargeable and the borrower remains responsible for repayment of the student loan; (c) a student loan which is subsequently determined not to be in default; or (d) a student loan for which a Guaranty Agency inadvertently paid the claim.

Guarantor Reserves

Each Guarantor is required to establish a Federal Fund which, together with any earnings thereon, are deemed to be property of the United States. Each Guarantor is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, a certain percentage of default collections equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made, insurance premiums, 70% of payments received after October 7, 1998 from the Secretary for administrative cost allowances for loans insured prior to that date, and other receipts as specified in regulations. A Guarantor is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A Guarantor is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the Guarantor. A Guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year for loans originated on or after October 1, 2003 and first disbursed before July 1, 2010, 30% of payments received after October 7, 1998 for the administrative cost allowances for loans insured prior to that date, the account maintenance fee paid by the Secretary for Direct Loan Program loans in the amount of .06% of the original principal amount of the outstanding loans insured, any default aversion fee that is paid, the Guarantor's 16% retention on collections of defaulted loans and other receipts as specified in the regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans guaranteed on or after July 1, 2006 and first disbursed before July 1, 2010, Guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1.00% of the principal amount of the loan.

The Higher Education Act provides for a recall of reserves from each Federal Fund in certain years, but also provides for certain minimum reserve levels which are protected from recall. The Secretary is authorized to enter into voluntary, flexible agreements with Guarantors under which various statutory and regulatory provisions can be waived; provided, however, the Secretary is not authorized to waive, among other items, any deposit of default aversion fees by Guarantors. In addition, under the Higher Education Act, the Secretary is prohibited from requiring the return of all of a Guarantor's reserve funds unless the Secretary determines that the return of these funds is in the best interest of the operation of the FFEL Program, or to ensure the proper maintenance of such Guarantor's funds or assets or the

orderly termination of the Guarantor's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a Guarantor to: (a) return to the Secretary all or a portion of its reserve fund which the Secretary determines is not needed to pay for the Guarantor's program expenses and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the Guarantor's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure.

Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans

On May 7, 2008, the Ensuring Continued Access to Student Loans Act temporarily granted the Secretary the authority to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after October 1, 2003, but prior to July 1, 2009 on such terms as are, subject to certain other conditions, in the best interest of the United States. On October 7, 2008, P.L. 110-350 became law and additionally granted the Secretary the power to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after July 1, 2009, but prior to July 1, 2010. On July 1, 2009, P.L. 111-39 became law and further expanded the Secretary's purchase authority to include FFELP Loans rehabilitated pursuant to 20 U.S.C. § 1078-6.

In order to purchase loans (other than rehabilitated loans), the Secretary must make a determination that adequate loan capital is not available to meet demand for Stafford Loans and PLUS Loans. Any purchase of loans, however, by the Secretary may not create any net cost for the United States government (including any servicing costs associated with the loans). The Secretary must additionally fulfill various other requirements in order to purchase loans, including a notice with certain details which must be published in the Federal Register prior to any purchase. Eligible lenders, in turn, must use the funds provided by the Secretary to ensure their continued participation in the FFEL Program, to originate new FFELP Loans to students, and, with respect to funds received from rehabilitated FFELP Loan sales to the Secretary, to purchase such rehabilitated FFELP Loans pursuant to 20 U.S.C. § 1078-6(a). Pursuant to P.L. 110-350, the Secretary's authority to purchase loans expired on July 1, 2010.

Through certain "Dear Colleague" letters issued to members of the higher education lending community, the Secretary has created three programs (defined and described below) to utilize its temporary purchasing authority: (1) the Put Program, (2) the Purchase of Participation Interests Program and (3) the Asset-Backed Commercial Paper Conduit Program.

Put Program.

2008-2009 Academic Year Put Program. Initially, in a May 21, 2008 "Dear Colleague" letter, the Secretary only committed to exercising the purchasing authority granted under the Ensuring Continued Access to Student Loans Act for eligible loans originated during the 2008 2009 academic year (the "Put Program"). On July 1, 2008, the Department of Education published the terms and conditions of the Put Program for the 2008-2009 academic year in the Federal Register (specifically, 73 FR 37422, as later corrected by 73 FR 41048). The Federal Register required eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program to the Department of Education by July 31, 2008. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2008; additionally, the first disbursement must be scheduled to be made on or after May 1, 2008 but no later than July 1, 2009, and the loan must be fully disbursed no later than September 30, 2009; (b) unless the participating lender has entered into a Master Participation

Agreement (described under the Purchase of Participation Interests Program below) with the Department of Education, each participating lender must enter into a Master Loan Sale Agreement with the Department of Education and provide a statement setting forth representations, warranties, and guarantees required by the Department of Education in the Federal Register notice on or prior to March 31, 2009; (c) each participating lender who has entered into a Master Participation Agreement with the Department of Education must also enter into the Master Loan Sale Agreement with the Department of Education on or prior to July 1, 2009 if the lender wishes to redeem any of the participation interests sold to the Department of Education in its eligible loans, (d) each participating lender must exercise, if at all, its option to sell its fully disbursed eligible Stafford Loans and PLUS Loans to the Department of Education on or before August 31, 2009 (per the Department of Education's Loan Purchase Programs Electronic Announcement #71 which extended the deadline to submit the 45-day notice to sell loans from August 14, 2009 to August 31, 2009, allowing for a final purchase date of October 15, 2009); and (e) all loan sales for which the participating lender has properly exercised its option must be completed on or before October 15, 2009 (per the Department of Education's Loan Purchase Programs Electronic Announcement #71 which extended the final loan purchase date from September 30, 2009 to October 15, 2009 in order to accommodate possible increased activity at the end of program year 2009).

2009-2010 Academic Year Put Program. Due to continued tightening in the credit markets and concern among students, schools, and lenders regarding the availability of FFELP Loans for the 2009-2010 academic year, the Secretary further committed in a November 10, 2008 "Dear Colleague" letter, pursuant to the authority granted by P.L. 110-350, to replicating the Put Program for the 2009-2010 academic year. On January 15, 2009, the Department of Education published the terms and conditions of the Put Program for the 2009-2010 academic year in the Federal Register (specifically, 74 FR 2518). The Federal Register requires eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program as it relates to the 2009-2010 academic year to the Department of Education. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2009; additionally, the first disbursement must be scheduled to be made on or after May 1, 2009 but no later than July 1, 2010, and the loan must be fully disbursed no later than September 30, 2010; (b) unless the participating lender has entered into a Master Participation Agreement (described under the Purchase of Participation Interests Program below) with the Department of Education, each participating lender must enter into a 2009 Master Loan Sale Agreement with the Department of Education and provide a statement setting forth representations, warranties, and guarantees required by the Department of Education in the Federal Register notice on or prior to March 31, 2010; (c) each participating lender who has entered into a Master Participation Agreement (described under the Purchase of Participation Interests Program below) with the Department of Education must also enter into the 2009 Master Loan Sale Agreement with the Department of Education on or prior to July 1, 2010 if the lender wishes to redeem any of the participation interests sold to the Department of Education in its eligible loans, (d) each participating lender must exercise, if at all, its option to sell its fully disbursed eligible Stafford Loans and PLUS Loans to the Department of Education on or before August 14, 2010; and (e) all loan sales for which the participating lender has properly exercised its option must be completed on or before September 30, 2010.

Purchase of Participation Interests Program.

2008-2009 Academic Year Purchase of Participation Interests Program. In a May 21, 2008 "Dear Colleague" letter, the Secretary, utilizing its temporary authority under the Ensuring Continued Access to Student Loans Act, announced a new financing program to make capital available to FFEL Program lenders, whereby the Secretary committed to purchasing participation interests (the "Purchase of Participation Interests Program") in pools of eligible Stafford Loans and PLUS Loans made by FFEL

Program lenders for the 2008-2009 academic year and holding those participation interests until September 30, 2009 (provided, however, that the Department of Education's participation interests may be reduced through loan sales made pursuant to the Put Program until October 15, 2009 per the Department of Education's Loan Purchase Programs Electronic Announcement #71). On July 1, 2008, the Department of Education published the terms and conditions of the Purchase of Participation Interests Program for the 2008-2009 academic year in the Federal Register (specifically, 73 FR 37422, as later corrected by 73 FR 41048). The Federal Register requires eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program and the Purchase of Participation Interests Program to the Department of Education by July 31, 2008. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2008; additionally, the first disbursement must be scheduled to be made on or after May 1, 2008 but no later than July 1, 2009, and the loan must be fully disbursed no later than September 30, 2009, (b) each participating lender must enter into a Master Participation Agreement with the Department of Education and a third-party custodian acceptable to the Department of Education prior to the earlier of July 1, 2009 or the closing date of the sale of the first participation interest to the Department of Education, (c) each participating lender must exercise, if at all, its option to sell participation interests in their eligible loans to the Department of Education on or before August 1, 2009 (provided, however, certain sales of participation interests may occur as late as September 30, 2009), (d) any participation interests purchased by the Department of Education will be held by the Department of Education until the earlier of (i) the date the participating lender notifies the Department of Education that it will no longer participate in the Purchase of Participation Interests Program (by redeeming its loans from the third-party custodian and, if desired by the participating lender, by selling such redeemed loans to the Department of Education in accordance with the Put Program), (ii) the effective date of any termination event such as, but not limited to, the bankruptcy, insolvency, or other adverse event with respect to the participating lender, and (iii) September 30, 2009 (provided, however, that settlement of final loan sale transactions may occur until October 15, 2009 per the Department of Education's Loan Purchase Programs Electronic Announcement #71).

<u>2009-2010 Academic Year Purchase of Participation Interests Program</u>. P.L. 110-350 additionally granted the Secretary the power to purchase eligible Stafford Loans and PLUS Loans from eligible FFEL Program lenders which were first disbursed on or after July 1, 2009, but prior to July 1, 2010. In response to continued tightening in the credit markets and concern among students, schools and lenders as to the availability of FFELP Loans for the 2009-2010 academic year, the Secretary committed in a November 10, 2008 "Dear Colleague" letter, pursuant to the authority granted by P.L. 110-350, to replicating the Purchase of Participation Interests Program for the 2009-2010 academic year. On January 15, 2009, the Department of Education published the terms and conditions of the Purchase of Participation Interests Program for the 2009-2010 academic year in the Federal Register (specifically, 74 FR 2518). The Federal Register requires eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program and the Purchase of Participation Interests Program to the Department of Education. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2009; additionally, the first disbursement must be scheduled to be made on or after May 1, 2009 but no later than July 1, 2010, and the loan must be fully disbursed no later than September 30, 2010, (b) each participating lender must enter into a 2009 Master Participation Agreement with the Department of Education and a third-party custodian acceptable to the Department of Education prior to the earlier of July 1, 2010 or the closing date of the sale of the first participation interest to the Department of Education, (c) each participating lender must exercise, if at all, its option to sell participation interests in its eligible loans to the Department of Education on or before

August 1, 2010 and (d) any participation interests purchased by the Department of Education will be held by the Department of Education until the earlier of (i) the date the participating lender notifies the Department of Education that it will no longer participate in the Purchase of Participation Interests Program as it relates to the 2009-2010 academic year eligible Stafford Loans and PLUS Loans, (ii) the effective date of any termination event such as, but not limited to, the bankruptcy, insolvency, or other adverse event with respect to the participating lender, and (iii) September 30, 2010.

Asset-Backed Commercial Paper Conduit Program. In a November 10, 2008 "Dear Colleague" letter, the Secretary announced that, due to stagnation in the credit markets and the billions of dollars of student loans which remain on bank balance sheets, the Department of Education would develop an asset-backed commercial paper conduit program (the "Asset-Backed Commercial Paper Conduit Program") to purchase fully disbursed FFELP Loans (other than Consolidation Loans) awarded between October 1, 2003 and July 1, 2009. Each conduit would be privately created by an eligible lender trustee and would contain the ownership rights of lenders to their eligible FFELP Loans. The conduit would issue commercial paper to investors and secure the repayment of the commercial paper with the conduit's FFELP Loan pool. The funds provided by investors would be paid to the student lenders who transferred the ownership rights in their eligible FFELP Loans to the conduit. The Department of Education would, pursuant to the Ensuring Continued Access to Student Loans Act, enter into forward purchase commitments with each eligible lender trustee participating in the Asset-Backed Commercial Paper Conduit Program and commit to purchasing at a date in the future eligible FFELP Loans at a certain price from the conduit if the conduit lacks sufficient funds to repay its investors as the commercial paper becomes due. On January 15, 2009, the Department of Education published the specific terms of the asset-backed commercial paper conduit program in the Federal Register (specifically, 74 FR 2518). Certain of the terms and conditions set forth in the Federal Register include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been first disbursed by the eligible lender on or after October 1, 2003, but no later than June 30, 2009; fully disbursed no later than September 30, 2009; and conveyed to the conduit no later than June 30, 2010, (b) each conduit must enter into a Put Agreement with the Department of Education consistent with the terms and conditions in the Federal Register notice, (c) each conduit is expected to exercise its put option to the Department of Education only after it has attempted to obtain funds from certain other sources, (d) the Department of Education will pay a purchase price of 97% or 100% (depending on the loan characteristics) of the principal balance outstanding plus the accrued but unpaid interest owed by the borrower for the eligible loans as of the purchase date, and (e) the Department of Education will agree to purchase eligible loans with a broader range of borrower benefits than those loans or participation interests in loans purchased by the Department of Education pursuant to the Put Program and the Purchase of Participation Interests Program (described above). On February 4, 2009, the Department of Education announced to the lending community via Loan Purchase Programs Electronic Announcement #47 that Straight-A Funding, LLC, through an eligible lender trustee agreement with the Bank of New York Mellon, entered into an agreement on January 20, 2009, with the Department of Education to serve as the initial conduit provider under the Asset-Backed Commercial Paper Conduit Program. On May 11, 2009, the Department of Education announced to the lending community via Loan Purchase Programs Electronic Announcement #60 that the Asset-Backed Commercial Paper Conduit Program had officially been implemented. Sallie Mae Corporation and the Access Group were the first issuers to issue commercial paper through the Straight-A Funding, LLC conduit provider. As described above, the Asset-Backed Commercial Paper Conduit Program terminated on June 30, 2010 when the eligible Stafford Loans and PLUS Loans must have been conveyed to the conduit.

Secretary's Temporary Loan Consolidation Authority

On March 30, 2010, HCEARA temporarily granted the Secretary authority to make a Federal Direct Consolidation Loan to a borrower (a) who has one or more loans in two or more of the following

categories: (i) loans made under the Direct Loan Program, (ii) loans purchased by the Secretary pursuant to the provisions described herein under "—Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans," and (iii) loans made under the FFEL Program that are held by an eligible lender; (b) who has not yet entered repayment on one or more of such loans in any of the categories described in clause (a)(i)-(iii) herein; and (c) whose application for such Federal Direct Consolidation Loan is received by the Secretary on or after July 1, 2010 and before July 1, 2011.

Lender-of-Last-Resort Program

The FFEL Program allows Guaranty Agencies and eligible lenders (after consideration by the state Guaranty Agency) to act as lenders-of-last-resort before July 1, 2010. A lender-of-last-resort is authorized to receive advances from the Secretary in order to ensure that adequate loan capital exists in order to make loans to students before July 1, 2010. Students and parents of students who are otherwise unable to obtain FFELP Loans (other than Consolidation Loans) may apply to receive loans from the state's lenders-of-last-resort before July 1, 2010.

On May 7, 2008, the Ensuring Continued Access to Student Loans Act temporarily granted the Secretary authority until June 30, 2009 to designate qualified state institutions of higher education as eligible to apply for loans from lenders-of-last-resort. On October 7, 2008, P.L. 110-350 became law and extended the Secretary's authority for an additional year until June 30, 2010. Any designation by the Secretary of an institution as eligible to apply for such loans will also expire on June 30, 2010 per P.L. 110-350.

Education Loans Generally Not Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8)(A)(i)-(ii) provides that a discharge under Section 727, 1141, 1228(a), 1228(b), or 1328(b) of Title 11 of the United States Code does not discharge an individual debtor from any debt for an education benefit overpayment or loan made, insured, or guaranteed by a governmental unit or made under any program funded in whole or in part by a governmental unit or nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

APPENDIX B

GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the securities offered under the Offering Memorandum will be available only in book-entry form as “Global Securities.” Investors in the Global Securities may hold such Global Securities through any of DTC, Clearstream or Euroclear and may contact these institutions at: 55 Water Street, New York, NY 10041; 42 Avenue JF Kennedy, L-1855, Luxembourg City, Luxembourg; and 33 Cannon Street, London EC4M 5SB, UK, respectively. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations.

Secondary, cross-market trading between Clearstream or Euroclear and DTC participants holding securities will be effected on a delivery-against-payment basis through the respective depositaries of Clearstream and Euroclear (in such capacity) and as DTC participants.

Non-U.S. holders (as described below) of Global Securities will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

Initial Settlement

All U.S. dollar-denominated Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors’ interests in the U.S. dollar-denominated Global Securities will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Clearstream and Euroclear will hold their positions on behalf of their participants through their respective depositaries, which in turn will hold such positions in accounts as DTC participants.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to U.S. corporate debt obligations. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Clearstream or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no “lock-up” or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date.

Trading Between DTC Participants. Secondary market trading between DTC participants will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Trading Between Clearstream and/or Euroclear Participants. Secondary market trading between Clearstream participants or Euroclear participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading Between DTC Seller and Clearstream or Euroclear Purchaser. When Global Securities are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. Clearstream or Euroclear will instruct the respective depositary to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the thirty-first of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective depositary to DTC participant's account against delivery of the Global Securities.

After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the global securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York.) If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream participants and Euroclear participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream or Euroclear. Under this approach, they may take on credit exposure to Clearstream or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Clearstream or Euroclear has extended a line of credit to them, Clearstream participants or Euroclear participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream participants or Euroclear participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities are credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream participant's or Euroclear participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending Global Securities to the respective European depositary for the benefit of Clearstream participants or Euroclear participants. The sale proceeds will be available to the seller on the settlement date. Thus, to DTC participants a cross-market transaction will settle no differently than a trade between two DTC participants.

Trading Between Clearstream or Euroclear Seller and DTC Purchaser. Due to time zone differences in their favor, Clearstream participants and Euroclear participants may employ their customary procedures for transactions in which Global Securities are to be transferred to the respective clearing system, through the respective depositary, to a Depository Trust Company participant. The seller will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. In these cases Clearstream or Euroclear will instruct the depositary, as appropriate, to deliver the Global Securities to the DTC participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the thirty-first of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream participant's or Euroclear participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream participant or Euroclear participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream or Euroclear and that purchase Global Securities from DTC participants for delivery to Clearstream participants or Euroclear participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

(a) borrowing through Clearstream or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts) in accordance with the clearing system's customary procedures;

(b) borrowing the Global Securities in the U.S. from a DTC participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream or Euroclear accounts in order to settle the sale side of the trade; or

(c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream participant or Euroclear participant.

Certain U.S. Federal Income Tax Documentation Requirements

A beneficial owner of Global Securities holding securities through Clearstream or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (a) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements; and (b) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate.

Exemption for Non-U.S. Persons (Form W-8BEN). Beneficial owners of Global Securities that are non-U.S. Persons can obtain a complete exemption from the withholding tax by filing a signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

Exemption for Non-U.S. Persons With Effectively Connected Income (Form W-8ECI). A non-U.S. Person including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing Form W-8ECI (Certificate of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption or Reduced Rate for Non-U.S. Persons Resident in Treaty Countries. (Form W-8BEN). Non-U.S. Persons that are Note Owners residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN.

Exemption for U.S. Persons (Form W-9). U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Payer's Request for Taxpayer Identification Number and Certification).

U.S. Federal Income Tax Reporting Procedure. The Global Security holder or his agent files by submitting the appropriate form to the person through whom it holds the Global Securities (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8BEN and Form W-8ECI are generally effective from the date signed to the last day of the third succeeding calendar year.

The term "U.S. Person" means (a) a citizen or resident of the United States, (b) a corporation or partnership, or other entity taxable as such, organized in or under the laws of the United States or any political subdivision thereof, (c) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source, or (d) a trust other than a "Foreign Trust," as defined in Section 7701(a)(31) of the Code. This summary does not deal with all aspects of U.S. Federal income tax withholding that may be relevant to foreign holders of the Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

APPENDIX C

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

The projections in this Appendix C were prepared by the Underwriters on the basis of data that was provided by the Issuer concerning the anticipated financed student loans and of assumptions that include those set forth below. The projections are included herein for illustrative purposes only, and no representation is made by the Issuer or by the Underwriters, that the actual rates, fees and time periods included in these assumptions will conform to them or that the actual notes principal payment rates will conform to any of these projections. The Issuer has not undertaken to update, and does not intend to make available, information updating the assumptions or the projections in this Appendix C.

Prepayments on pools of student loans can be measured or calculated based on a variety of prepayment models. The model used to calculate prepayments is the constant prepayment rate and is referred to herein as the "CPR" model.

The CPR model is based on prepayments assumed to occur at a flat, constant percentage rate. CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period (including accrued interest to be capitalized), after applying scheduled payments, that prepays during that period. The CPR model assumes that student loans will prepay in each month according to the following formula:

Monthly Prepayments = (Pool Balance after scheduled payments) x (1-(1-CPR) $^{1/12}$

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

	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
Monthly Prepayment:	$0.00	$1.68	$3.40	$5.14	$6.92

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

Cash Flow Assumptions for Structuring Runs:

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

- the statistical cut-off date for modeling the financed student loans is June 30, 2010 and accruals on such financed student loans commence on September 1, 2010;
- the Pool Balance on the financed student loans is assumed to be approximately $286,679,611 as of June 30, 2010 and approximately $3,814,401 of accrual interest is capitalized on the date of issuance;
- the date of issuance is September 1, 2010 for modeling purposes only;

- all financed student loans (as grouped in the "rep lines" described below) remain in their current status until their status end date and then move to repayment, with the exception of in-school status loans which are assumed to have a 6-month grace period before moving to repayment, and no financed student loan moves from repayment to any other status;

- the financed student loans that are (i) unsubsidized Stafford or Consolidation loans not in repayment status, (ii) subsidized Stafford or Consolidation loans in forbearance status, or (iii) SLS or PLUS loans not in repayment status, have interest accrued and capitalized upon entering repayment;

- the financed student loans that are Subsidized Stafford loans and are in-school, grace or deferment status have interest paid (interest subsidy payments) by the Department of Education quarterly, based on a quarterly calendar accrual period;

- there are government payment delays of 30 days for interest benefit and special allowance payments;

- no delinquencies or defaults occur on any of the financed student loans, no repurchase for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;

- index levels for calculation of borrower and government payments are:

- 91-day Treasury bill bond equivalent rate of 0.16%; and

- Three-month financial commercial paper bond equivalent rate of 0.274%;

- the interest rate on the notes at all times will equal, 1.26188%.

- quarterly distributions begin on November 25, 2010, and payments are made quarterly on the twenty-fifth day of every: February, May, August and November thereafter, whether or not the twenty-fifth is a business day;

- interest accrues on the notes on an actual/360 day count basis;

- an annual trustee fee equal to 1/4 of 0.015% of the outstanding note balance immediately preceding such quarterly distribution date is paid quarterly by the trust to the trustee;

- a servicing fee equal to 1/12 of 0.70% of the Pool Balance as of the end of the preceding month is paid monthly;

- an administration fee equal to 1/12 of 0.10% of the Pool Balance is paid monthly;

- an ongoing operating fee of $50,000 is paid annually every May from the trust estate;

- the Reserve Fund has an initial balance equal to 0.25% (approximately $726,235) of the initial Pool Balance and thereafter has a balance equal to the greater of (i) 0.25% of the then current Pool Balance and (ii) $500,000;

- all payments are assumed to be made at the end of the month and amounts on deposit in the Collection Fund, Capitalized Interest Fund and Reserve Fund, including reinvestment income earned in the previous month, net of servicing fees, are reinvested in eligible investments at the

assumed reinvestment rate of T-Bill through the end of the collection period, and reinvestment earnings are available for distribution from the prior distribution period;

- the Collection Fund has an initial balance of $342,252;
- no clean-up call of the financed student loans occurs;
- a Consolidation Loan rebate fee equal to 1.05% per annum of the outstanding principal balance of the financed student loans that are Consolidation Loans, paid monthly by the Issuer to the Department of Education;
- the Capitalized Interest Fund has an initial balance of $2,000,000 and by the November 25, 2012 Quarterly Distribution Date, the Trustee will transfer any amounts remaining in the Capitalized Interest Fund to the Collection Fund;
- no event of default has occurred or is continuing to occur;
- prepayments on the financed student loans are applied monthly in accordance with CPR, as described above;
- the Initial Pool of Student Loans was grouped into 396 representative loans (“rep lines”), which have been created, for modeling purposes, from individual student loans based on combinations of similar individual student loan characteristics, which include, but are not limited to, interest rate, loan type, SAP index and applicable margin, rate cap and remaining term;
- the Issuer makes no other purchases or originations of student loans; and
- the initial notes balance is $275,000,000.

The following tables have been prepared based on the assumptions described above (including the assumptions regarding characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of financed student loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms and loan ages of the trust student loans could produce slower or faster principal payments than indicated in the following tables, even if the dispersions of weighted average characteristics, remaining terms and loan ages are the same as the assumed characteristics, remaining terms and loan ages.

CPR Tables

The following tables show the weighted average remaining lives, expected maturity dates and percentages of original principal of each class of the notes at various percentages of CPR expressed from the closing date until the last expected principal payment expected to occur without exercising the optional redemption.

Weighted Average Lives, Payment Windows and Expected Maturity Dates of the Notes at Various Percentages of CPR

Weighted Average Life (years)[1]

	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
2010-1 Notes	7.79	6.80	6.01	5.38	4.86

Expected Maturity Date

	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
2010-1 Notes	November 25, 2029	November 25, 2027	May 25, 2026	November 25, 2024	August 25, 2023

[1] The weighted average life of the notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (i) multiplying the amount of each principal payment on the notes by the number of years from the Date of Issuance to the related quarterly distribution Date, (ii) adding the results, and (iii) dividing that sum by the aggregate principal amount of the notes as of the Date of Issuance.

Percentages of Original Principal of the Notes Remaining at Certain Distribution Dates at Various Percentages of CPR

Distribution Dates	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
Date of Issuance	100%	100%	100%	100%	100%
11/25/2010	99%	99%	99%	98%	98%
11/25/2011	94%	92%	90%	88%	86%
11/25/2012	85%	82%	79%	75%	72%
11/25/2013	78%	73%	68%	64%	59%
11/25/2014	70%	64%	59%	54%	49%
11/25/2015	63%	56%	50%	44%	39%
11/25/2016	55%	48%	42%	36%	31%
11/25/2017	48%	40%	34%	28%	23%
11/25/2018	40%	33%	27%	21%	17%
11/25/2019	34%	27%	21%	16%	12%
11/25/2020	29%	22%	16%	12%	8%
11/25/2021	24%	18%	12%	8%	4%
11/25/2022	20%	14%	9%	5%	2%
11/25/2023	16%	10%	6%	2%	0%
11/25/2024	13%	8%	3%	0%	0%
11/25/2025	10%	5%	1%	0%	0%
11/25/2026	7%	3%	0%	0%	0%
11/25/2027	4%	0%	0%	0%	0%
11/25/2028	2%	0%	0%	0%	0%
11/25/2029	0%	0%	0%	0%	0%

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Continuing Disclosure Agreement") is executed and delivered by the Arkansas Student Loan Authority (the "Obligated Person") in connection with the issuance of $267,500,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes) (the "Series 2010-1 Notes"). The Series 2010-1 Notes are being issued pursuant to an Indenture of Trust, dated as of September 1, 2010 (the "Indenture"), between the Obligated Person and Wells Fargo Bank, National Association as trustee (the "Trustee"). The Obligated Person undertakes and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Obligated Person for the benefit of the Registered Owners and beneficial owners of the Series 2010-1 Notes and in order to assist the Underwriters (as defined below) in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" shall mean any Annual Financial Information provided by the Obligated Person pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

"*Disclosure Representative*" shall mean the Chief Financial Officer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate.

"*Dissemination Agent*" shall mean any Dissemination Agent designated by the Obligated Person.

"*EMMA*" means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

"*Listed Event*" shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board, and any successors or assigns, or any other entities or agencies approved under the Rule.

"*Offering Memorandum*" shall mean the Offering Memorandum, dated September 2, 2010, of the Obligated Person with respect to its offering of the Series 2010-1 Notes.

"*Repository*" shall mean, until otherwise designated by the Securities and Exchange Commission, the Electronic Municipal Market Access website of the MSRB located at http://emma.msrb.org and, if applicable, the State Repository.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"*SEC*" shall mean the United States Securities and Exchange Commission.

"*Underwriter*" means the "participating underwriter" as that term is defined in the Rule, and in relation to the Series 2010-1 Notes, shall mean RBC Capital Markets Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated or any successors known to the Obligated Person.

Section 3. Provision of Annual Financial Information.

(a) The Obligated Person shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Obligated Person's fiscal year, commencing with the report of the fiscal year ending June 30, 2010, provide to the Repository, at www.emma.msrb.org, in such electronic format accompanied by such identifying information (the "Prescribed Form") as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, the Annual Financial Information which is consistent with the requirements of Section 4 of this Continuing Disclosure Agreement.

(b) The Annual Financial Information may be submitted as a single documents or as separate documents comprising a package, or by specific cross reference to other documents which have been submitted to the Repository and available to the public on the Repository's website or filed with the SEC. If the document so referenced is a final offering document within the meaning of the Rule, such final offering document must be available from the Repository. The Obligated Person shall clearly identify each such other document so incorporated by cross-reference.

(c) If the financial statements of the Obligated Person are audited, the audited financial statements of the Obligated Person must be submitted if and when available but may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by that date.

Section 4. Content of Annual Financial Information. The Obligated Person's Annual Financial Information shall contain or incorporate by reference the following:

(a) annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America;

(b) an update and a discussion of the financial information and operating data in the Offering Memorandum under the heading "ARKANSAS STUDENT LOAN AUTHORITY—Membership," "—Staff," and "—Previous Bond Issues"; under the heading "USE OF PROCEEDS"; and under the heading "CHARACTERISTICS OF THE FINANCED STUDENT LOANS";

(c) The following Indenture information:

(i) balances in the Capitalized Interest Fund, the Collection Fund, the Department Rebate Fund and the Reserve Fund; and

(ii) outstanding principal amount of the Series 2010-1 Notes issued under the Indenture then outstanding; and

(d) changes to the Higher Education Act having a special financial impact on the program of the Obligated Person financed by the Series 2010-1 Notes which is not generally experienced in the student loan sector.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the Obligated Person shall give, or cause to be given, on behalf of itself and any other persons providing undertakings under the Rule with respect to the Series 2010-1 Notes, notice to the Repository of the occurrence of any of the following events with respect to the Series 2010-1 Notes, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the Series 2010-1 Notes;

(vii) modifications to rights of Registered Owners of Notes;

(viii) any call of any Series 2010-1 Notes;

(ix) defeasance;

(x) release, substitution or sale of property securing repayment of the Series 2010-1 Notes; and

(xi) rating changes.

(b) If the Obligated Person obtains knowledge of the occurrence of a Listed Event, the Obligated Person shall file, in a timely manner, a notice of such occurrence in Prescribed Form with EMMA, if the occurrence of such Listed Event is material for Registered Owners or beneficial owners of the Series 2010-1 Notes.

(c) The Obligated Person shall provide, in a timely manner, to the MSRB in Prescribed Form in accordance with EMMA, notice of any failure of the Obligated Person to timely provide the Annual Financial Information as specified in Section 4 hereof.

(d) If the Obligated Person changes its fiscal year, it shall provide in Prescribed Form notice of the change of fiscal year to the Trustee and to the MSRB.

Section 6. Termination of Reporting Obligation. The Obligated Person's obligations under this Continuing Disclosure Agreement shall terminate upon the earliest to occur of (a) the legal defeasance, prior redemption or payment in full of all of the Series 2010-1 Notes; or (b) the date that the Obligated Person shall no longer constitute an "obligated person" with respect to the Series 2010-1 Notes within the meaning of the Rule (or, if later, the date on which the Obligated Person determines to no longer voluntarily comply with the Rule in the event that the Rule does not apply to the Series 2010-1 Notes at the time). The Obligated Person shall file a notice of any such termination with the Repository in the Prescribed Form in accordance with EMMA.

Section 7. **Dissemination Agent**. The Obligated Person may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. **Amendment: Waiver**. Notwithstanding any other provision of this Disclosure Certificate, the Obligated Person may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is consistent with the Rule, as determined by an opinion of counsel experienced in federal securities laws selected by the Obligated Person. Written notice of any such amendment or waiver shall be provided by the Obligated Person to the MSRB in Prescribed Form in accordance with EMMA, and the next Annual Financial Information shall explain in narrative form the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. **Additional Information**. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Obligated Person shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Section 10. **Default**. In the event of a failure of the Obligated Person to comply with any provision of this Continuing Disclosure Agreement, any Registered Owner or beneficial owner of the Series 2010-1 Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Person to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the Obligated Person to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 11. **Beneficiaries**. This Continuing Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Dissemination Agent, the Underwriter and Registered Owners and beneficial owners from time to time of the Series 2010-1 Notes and shall create no rights in any other person or entity.

Date: September 1, 2010

ARKANSAS STUDENT LOAN AUTHORITY

By ______________________________________
Executive Director

APPENDIX E

AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

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federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in the Authority's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, pass-through entities and others within the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

FROST, PLLC

Certified Public Accountants

Little Rock, Arkansas
September 9, 2009

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	X no
• Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X no
• Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over the major program:		
• Material weakness(es) identified?	____ yes	X no
• Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X no
Type of auditors' report issued on compliance for the major program:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.032	Student loan interest subsidy and special allowance

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	X yes	____ no

APPENDIX F

UNAUDITED CONSOLIDATED STATEMENT OF NET ASSETS, CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS, AND STATEMENT OF CASH FLOWS

FOR FISCAL YEAR ENDED JUNE 30, 2010

Arkansas Student Loan Authority
Unaudited Consolidated Statement of Net Assets
Fiscal Year Ended June 30, 2010

Assets	2010
Current assets	
Cash	$ 1,754,656
Investments	266,394,958
Student loans receivable, net of allowance for loan losses	11,528,095
Accrued interest and special allowance receivable	13,427,652
Student loan payments receivable from service providers	2,090,698
Rental receivable	161,985
Total current assets	295,358,044
Property and equipment, net of accumulated depreciation of $621,823 and $534,116 in 2010 and 2009, respectively	3,006,183
Investments	12,280,219
Student loans receivable, net of allowance for loan losses	536,185,590
Intangible assets - finite-lived	
Bond issue costs, net of accumulated amortization of $3,559,279 and $3,311,394 in 2010 and 2009, respectively	4,388,780
Student loan premiums, net of accumulated amortization of $5,592,030 and $4,535,594 in 2010 and 2009, respectively	5,062,938
Total intangible assets - finite-lived	9,451,718
Other assets	338,392
Total assets	$856,620,146

Liabilities and Net Assets

Current liabilities	
Accounts payable and accrued expenses	$ 7,073,165
Current maturities of bonds payable	24,000,000
Total current liabilities	31,073,165
Noncurrent liabilities	
Bonds payable, less current maturities	521,450,000
Note payable	252,700,000
Total noncurrent liabilities	774,150,000
Total liabilities	805,223,165
Net assets	
Invested in capital assets, net of related debt	3,006,183
Restricted	48,390,798
Total net assets	51,396,981
Total liabilities and net assets	$856,620,146

Arkansas Student Loan Authority
Unaudited Consolidated Statement of Revenues, Expenses, and Changes in Net Assets
Fiscal Year Ended June 30, 2010

	2010
Operating revenues	
Loan interest income	$ 25,636,283
Income from investments	371,603
Special allowance income	-
Loan purchase fees	772,444
Miscellaneous income	48,827
Total operating revenues	26,829,157
Operating expenses	
Interest expense	5,204,888
Loan servicing fees and other contractual services	6,476,220
Amortization of bond issue costs	275,330
Personnel services	486,736
General and administrative	634,269
Special allowance expense	12,641,227
Provision for arbitrage rebate (benefit for arbitrage refund)	(178,511)
Total operating expenses	25,540,159
Operating income (expense)	1,288,998
Gain on redemption of bonds	1,702,500
Changes in net assets	2,991,498
Net assets - beginning of year	48,405,483
Net assets - end of year	$ 51,396,981

Arkansas Student Loan Authority
Unaudited Consolidated Statement of Cash Flows
Fiscal Year Ended June 30, 2010

	2010
Cash flows from operating activities	
Net (loans made to students) principal collections of loans	$ 53,716,031
Other cash receipts	(48,827)
Cash paid to employees	(486,736)
Cash paid to suppliers for goods and services	(11,344,232)
Interest paid	(5,048,747)
Gain on redemption of bonds	1,702,500
Other cash payments	2,037,152
Net cash provided (used) by operating activities	40,527,141
Cash flows from noncapital financing activities	
Retirement of bonds	(90,950,000)
Payment of bond issuance costs and student loan premiums	(105,283)
Proceeds from note payable	253,700,000
Payments on note payable	-
Net cash used by noncapital financing activities	162,644,717
Cash flows from investing activities	
Purchase of property and equipment	(2,168)
Income received on investments	371,603
Net change in short-term investments	(244,415,081)
Purchase of investments	-
Proceeds from sales and maturities of investments	40,233,898
Net cash provided by investing activities	(203,811,748)
Net increase (decrease) in cash	(639,890)
Cash - beginning of year	2,394,546
Cash - end of year	$ 1,754,656

Reconciliation of change in net assets to net cash provided (used) by operating activities	
Changes in net assets	$ 2,991,498
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation and amortization	1,414,642
Income from investments	(371,603)
Changes in operating assets and liabilities	
Student loans receivable, net	37,753,987
Accrued interest and special allowance receivable	4,118,949
Student loan payments receivable from service providers	(1,151,960)
Rental receivable	(48,827)
Other assets	(14,236)
Accounts payable and accrued expenses	(4,165,309)
Net cash provided (used) by operating activities	$ 40,527,141

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APPENDIX G

FORM OF OPINION OF NOTE COUNSEL

September ___, 2010

Arkansas Student Loan Authority
Little Rock, Arkansas

Wells Fargo Bank, National Association
Jacksonville, Florida, as Trustee

Re: $267,500,000 Arkansas Student Loan Authority Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes)

Ladies and Gentlemen:

We have acted as note counsel to the Arkansas Student Loan Authority (the "Authority"), a body politic and corporate and an instrumentality of the State of Arkansas (the "State") created by and operating under Act 873 of the Acts of Arkansas of 1977, as amended, which is codified as Arkansas Code Annotated Sections 6-81-101 *et seq*. (the "Authority Act"), in connection with the authorization, sale, issuance and delivery of its Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes) (the "Notes").

The Notes are authorized to be issued pursuant to resolutions of the Authority duly adopted on June 24, 2010 and August 26, 2010 (collectively, the "Resolution") and the Indenture of Trust dated as of September 1, 2010 (the "Indenture") between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), for the purpose of providing funds to enable the Authority to refund certain prior obligations, establish reserves, and pay certain costs associated with the issuance of the Notes. Capitalized terms used, but not defined, in this opinion shall have the same meanings which are ascribed to such terms in the Indenture unless the context shall clearly indicate otherwise.

The Notes are dated, mature on the dates and in the principal amounts, bear interest, are payable and are subject to redemption prior to maturity in whole or in part, all as provided in the Indenture.

In our capacity as note counsel to the Authority, we have examined the Indenture, as executed, the certified transcript of proceedings relating to the authorization, sale, issuance and delivery of the Notes, originals or copies, certified or otherwise identified to our satisfaction, of the Authority Act, certificates of public officials and such other documents and instruments as we have deemed necessary for the purpose of rendering this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings, including the representations therein, and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. We have also examined such statutes, regulations and law as we have deemed necessary under the circumstances.

Based on the foregoing we are of the opinion that:

1. The Authority is a body politic and corporate and an instrumentality of the State created by and operating under the Authority Act and has full corporate power and authority to issue the Notes and to enter into and perform its obligations under the Indenture.

2. The Indenture has been duly authorized, executed and delivered, is in full force and effect and, assuming due authorization, execution and delivery of the Indenture by the Trustee, constitutes a legal, valid and binding agreement of the Authority, enforceable in accordance with its terms. Provided, however, (a) the enforceability of the Notes and the Indenture and the rights of the Owners of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, (b) the enforceability thereof may be limited by the application of general principles of law or equity, and (c) the enforcement of such rights may also be subject to the exercise of judicial discretion in appropriate cases.

3. The Notes have been duly authorized and issued by the Authority, are entitled to the benefits of the Indenture, and are valid and binding limited obligations of the Authority payable solely out of the Trust Estate pledged therefor pursuant to the Indenture. The Notes do not constitute a debt, liability or obligation of the State or any political subdivision thereof other than the Authority, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Notes. The Authority has no taxing power. The Notes are not secured by a mortgage or lien on any land or buildings belonging to the State. Provided, however, (a) the enforceability of the Notes and the Indenture and the rights of the Owners of the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, (b) the enforceability thereof may be limited by the application of general principles of law or equity, and (c) the enforcement of such rights may also be subject to the exercise of judicial discretion in appropriate cases.

4. Interest on the Notes is included in gross income for federal income tax purposes.

5. For federal income tax purposes, (i) the Notes will be characterized as indebtedness of the Authority rather than as an interest in the Trust Estate or the Financed Eligible Loans; and (ii) the Trust Estate will not be characterized a an association or publicly traded partnership taxable as a corporation.

6. Interest on the Notes is exempt under existing statutes from all Arkansas state, county and municipal income, inheritance and estate taxes.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. The opinions expressed herein are based on existing law as of the date hereof, and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters. Further, we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in applicable law that may hereafter occur.

Very truly yours,

WILLIAMS & ANDERSON PLC

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Arkansas Student
Loan Authority

We're here for you.

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