OFFERING MEMORANDUM

$186,000,000
Student Loan Asset-Backed Notes, Series 2009-1

Higher Education Loan Authority of the State of Missouri
Issuer

The Higher Education Loan Authority of the State of Missouri (the "Issuer"), a public instrumentality and body politic and corporate of the State of Missouri (the "State") is issuing $186,000,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2009-1 (the "notes") in the classes set forth below:

	Original Principal Amount	Interest Rate	Price to Public	Proceeds to the Trust Estate	Final Maturity Date	Expected Ratings S&P/Fitch[1]
Class A-1 Notes	$ 67,700,000	3-Month LIBOR plus 0.60%	100%	$ 67,700,000	August 25, 2019	AAA/AAA
Class A-2 Notes	$118,300,000	3-Month LIBOR plus 1.05%	100%	$118,300,000	February 25, 2036	AAA/AAA

[1] See the caption "RATINGS" herein.

Credit enhancement for the notes will include overcollateralization and cash on deposit in certain funds created under the Indenture, 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 February 25, 2010.

Receipts of principal and certain other payments received on the student loans held in the trust estate will be allocated for payment of the principal of the class A-1 and the class A-2 notes, in that order, 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 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 established under the Indenture (as defined herein). 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.

Morgan Stanley & Co. Incorporated has been engaged to act as placement agent with respect to the notes and in such capacity has agreed to use its best efforts to solicit offers to purchase the notes. The notes are being offered, subject to prior sale and to the right of the Issuer or the placement agent 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 November 5, 2009.

Morgan Stanley & Co. Incorporated,
as Placement Agent

November 3, 2009

This Offering Memorandum (this "Offering Memorandum") does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Placement Agent 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 Placement Agent 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 person has been authorized 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 Placement Agent. 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 Placement Agent 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 Placement Agent 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 Placement Agent has provided the following sentence for inclusion within this Offering Memorandum. The Placement Agent has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Placement Agent does 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.

FOR NEW HAMPSHIRE RESIDENTS

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

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 in the demand for educational financing or in financing preferences of educational institutions, students and their families, which could affect the Issuer's ability to originate eligible student loans;

- 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

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 Higher Education Loan Authority of the State of Missouri. 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

- Higher Education Loan Authority of the State of Missouri

Servicers

- The Issuer
- Pennsylvania Higher Education Assistance Agency

Guaranty Agencies

- Missouri Department of Higher Education
- Pennsylvania Higher Education Assistance Agency
- Certain other guaranty agencies identified herein under the caption "THE ISSUER'S FFEL PROGRAM—The Guaranty Agencies"

Trustee

- Wells Fargo Bank, National Association

Backup Servicer

- Pennsylvania Higher Education Assistance Agency

Distribution Dates

Distribution dates for the notes will be the twenty-fifth day of each February, May, August and November as described in this Offering Memorandum, beginning February 25, 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 and the fourth business day before such quarterly distribution date with respect to information calculated by the Issuer. If any quarterly distribution date is not a business day, the quarterly distribution will be made on the next business day.

Certain fees and expenses of the trust estate (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 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 January 31, 2010.

Interest Accrual Periods

The initial interest accrual period for the notes begins on the date of issuance and ends on February 24, 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" or the "financed eligible 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 the date of issuance is as of September 30, 2009, 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 November 5, 2009.

Description of the Notes

General

The Higher Education Loan Authority of the State of Missouri is offering $186,000,000 of its student loan asset-backed notes, Series 2009-1 in the following classes:

- class A-1 notes in the aggregate principal amount of $67,700,000; and
- class A-2 notes in the aggregate principal amount of $118,300,000.

The notes are debt obligations of the Issuer and will be issued pursuant to an indenture of trust. 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 at the following rates:

- the class A-1 notes will bear interest, except for the initial interest accrual period, at an annual rate equal to three-month LIBOR plus 0.60%; and
- the class A-2 notes will bear interest, except for the initial interest accrual period, at an annual rate equal to three-month LIBOR plus 1.05%.

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. The LIBOR rate for the class A-1 notes and the class A-2 notes for the initial interest accrual period will be calculated by reference to the following formula:

> x + [(a / b * (y-x)] plus (0.60% with respect to the class A-1 notes and 1.05% with respect to the class A-2 notes), as calculated by the Trustee.
> where:
>
> x = three-month LIBOR;
>
> y = four-month LIBOR;
>
> a = 20 (the actual number of days from the maturity date of three-month LIBOR to the first quarterly distribution date); and
>
> b = 28 (the actual number of days from the maturity date of three-month LIBOR to the maturity date of four-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.

Principal Distributions

Principal distributions will be allocated to the notes on each quarterly distribution date in an amount equal to the lesser of:

- the principal distribution amount for that quarterly distribution date; and
- funds available to pay principal as described below in "—Description of the Notes—Flow of Funds."

Principal will be paid first on the class A-1 notes until paid in full and second on the class A-2 notes until paid in full.

The term "Principal Distribution Amount" means:

- for the February 2010 quarterly distribution date, the amount, if any, by which the sum of the initial Pool Balance and the initial amounts on deposit in the Capitalized Interest Fund and the Reserve Fund as of the date of issuance exceeds the Adjusted Pool Balance as of the last day of the related collection period for the February 2010 quarterly distribution date;
- for each quarterly distribution date thereafter, the amount, if any, by which the Adjusted Pool Balance as of the last day of the related collection period for the preceding quarterly distribution date exceeds the Adjusted Pool Balance as of the last day of the related collection period for the current quarterly distribution date; and
- on a final maturity date for any class of notes, the amount necessary to reduce the aggregate principal balance of such class of notes to zero.

"*Adjusted Pool Balance*" means, for any quarterly distribution date, the sum of the Pool Balance, any amounts on deposit in the Capitalized Interest Fund and the specified Reserve Fund balance for that quarterly distribution date.

"*Parity Ratio*" shall mean, on any quarterly distribution date, (a) the Adjusted Pool Balance (including all accrued interest on the financed student loans) divided by (b) the outstanding principal balance of the notes, after giving effect to distributions to be made on that quarterly distribution date.

"*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 trust estate through that date from sales of financed student loans;

- 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.

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

Final Maturity

The quarterly distribution dates on which the notes are due and payable in full are as follows:

Class	Final Maturity Date
A-1	August 25, 2019
A-2	February 25, 2036

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

- there are prepayments on the financed student loans;

- the Issuer exercises its option to purchase all of the student loans remaining in the trust estate 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).

Description of the Issuer and the Trust Estate

General

The Issuer is a body politic and corporate constituting a public instrumentality of the State. The Issuer was established in 1981 pursuant to the Missouri Higher Education Loan Authority Act, Title XI, Chapter 173, Section 173.350 to 173.445 of the Missouri Revised Statutes, inclusive, as amended (the "Authorizing Act") for the purpose of assuring that all eligible post-secondary education students have access to guaranteed student loans. The Authorizing Act was amended, effective August 28, 1994, to provide the Issuer with generally expanded powers to finance, acquire and service student loans, including, but not limited to, those guaranteed pursuant to the Higher Education Act.

As described under "USE OF PROCEEDS," certain of the proceeds from the sale of the notes shall be transferred to the 2005 Indenture Trustee under the 2005 Indenture and shall be used by the 2005 Indenture Trustee, together with other available funds, to redeem and cancel all of the bonds outstanding thereunder. The cash and assets transferred from the 2005 Indenture will then be used, together with the proceeds from the sale of the notes not transferred to the 2005 Indenture Trustee and other funds available to the Issuer, to make the initial deposits to the Acquisition Fund, the Capitalized Interest Fund, the Collection Fund and the Reserve Fund described below. 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 Parity Ratio will be approximately 105.44%.

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 and other funds contributed by the Issuer;

- 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 guaranteed by a guaranty agency and such loans are reinsured by the U.S. Department of Education (sometimes referred to herein as the "Department of Education"). See "THE ISSUER'S FFEL PROGRAM—The 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. 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

FFELP student loans and accrued interest thereon will be deposited into the Acquisition Fund on the date of issuance. An estimate of the amount of FFELP student loans to be deposited in the Acquisition Fund on the date of issuance is set forth under "USE OF PROCEEDS." All funds remaining on deposit in the Acquisition Fund will be transferred to the Collection Fund on the February 2010 quarterly distribution date. Except for the limited repurchase obligations of the Issuer described herein, all of the student loans to be deposited in or acquired with funds deposited in the Acquisition Fund will be so deposited or acquired on or about the date of issuance.

The Collection Fund

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 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 pay the Issuer's operating expenses (which include amounts owed to the U.S. Department of Education and the guaranty agencies, administration fees, servicing fees, carryover administration fees, servicing fees and trustee fees) and interest and principal on the notes. See the caption "—Flow of Funds" below and "DESCRIPTION OF THE NOTES—The Collection Fund; Flow of Funds."

The Capitalized Interest Fund

Approximately $1,944,584 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 U.S. Department of Education, to the guaranty agencies or under any

applicable joint sharing agreement, 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 Acquisition Fund or 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 $484,209, which is approximately 0.25% of the initial Pool Balance. The Reserve Fund is to be maintained at a minimum amount equal to the greater of 0.25% of the Pool Balance as of the last day of the related collection period, or 0.15% of the initial Pool Balance, or such lesser amount as may be agreed to by the rating agencies as evidenced by a rating confirmation. 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 U.S. Department of Education, to the guaranty agencies or under any applicable joint sharing agreement, 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 or the Acquisition 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 "DESCRIPTION OF THE NOTES—The Collection Fund; Flow of Funds." Principal payments due on a class of notes may be made from the Reserve Fund only on the final maturity date for that class of notes. Funds on deposit in the Reserve Fund in excess of the specified Reserve Fund balance will be transferred to the Collection Fund.

Department Rebate Fund

The Trustee will establish a Department Rebate Fund as part of the trust estate. 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. If the Issuer believes that it is required to make any such payment, the Issuer will direct the Trustee in writing 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 if necessary to discharge the Issuer's rebate obligation. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM."

Characteristics of the Student Loan Portfolio

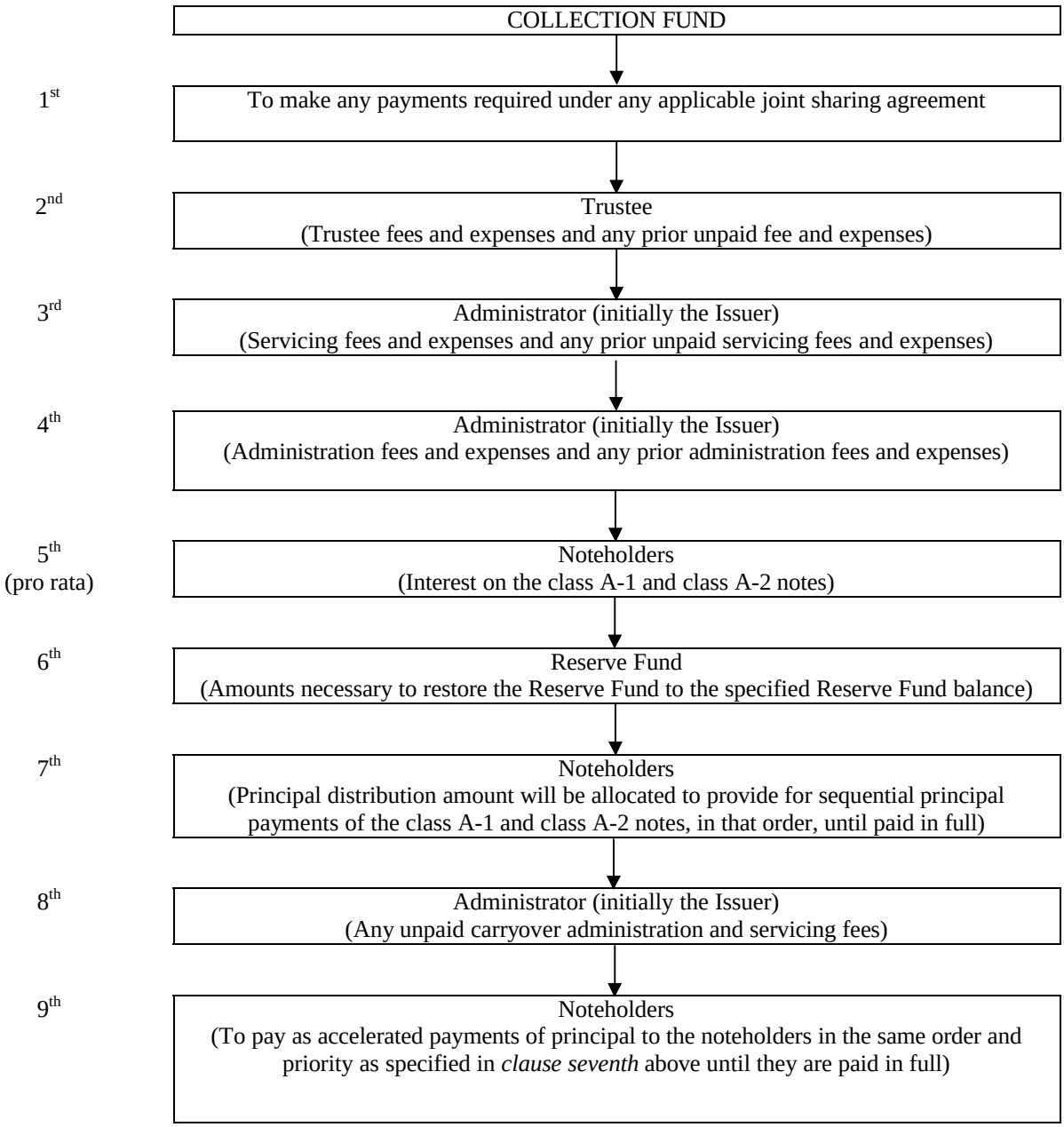
On the date of issuance, the Issuer will pledge to the Trustee under the Indenture a portfolio of student loans originated under the FFELP, which are described more fully below under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," having, as of the statistical cut-off date, an aggregate outstanding principal balance of approximately $191,535,266, plus total accrued interest (a portion of such total accrued interest is expected to be capitalized). As of September 30, 2009, the weighted average annual interest rate of the student loans (excluding special allowance payments) was approximately 5.228% and their weighted average remaining term to scheduled maturity was approximately 213 months.

Joint Sharing Agreement

A joint sharing agreement among the Issuer, and, at the direction of the Issuer, the Trustee and the trustee under another indenture of trust of the Issuer may be entered into in the future for purposes of allocating 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.

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. The Administrator will be responsible for paying when due any fees or expenses owed to the Servicers. The Administrator will also receive the carryover administration and servicing fees, if any, in the amounts and subject to the conditions set forth in the definition thereof included in "GLOSSARY OF TERMS" herein. In addition, each month money available in the Collection Fund will be used to pay amounts due to the U.S. Department of Education, to the guaranty agencies or under any applicable joint sharing agreement with respect to the financed student loans the Issuer owns and 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:


COLLECTION FUND
1st
To make any payments required under any applicable joint sharing agreement
2nd
Trustee
(Trustee fees and expenses and any prior unpaid fee and expenses)
3rd
Administrator (initially the Issuer)
(Servicing fees and expenses and any prior unpaid servicing fees and expenses)
4th
Administrator (initially the Issuer)
(Administration fees and expenses and any prior administration fees and expenses)
5th
(pro rata)
Noteholders
(Interest on the class A-1 and class A-2 notes)
6th
Reserve Fund
(Amounts necessary to restore the Reserve Fund to the specified Reserve Fund balance)
7th
Noteholders
(Principal distribution amount will be allocated to provide for sequential principal payments of the class A-1 and class A-2 notes, in that order, until paid in full)
8th
Administrator (initially the Issuer)
(Any unpaid carryover administration and servicing fees)
9th
Noteholders
(To pay as accelerated payments of principal to the noteholders in the same order and priority as specified in *clause seventh* above until they 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 each class of notes will be made, *pro rata*, without preference or priority of any kind, until each class of notes are repaid in full. See "SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default."

Credit Enhancement

Credit enhancement for the notes will include overcollaterization and cash on deposit in the Capitalized Interest Fund and the Reserve Fund as described below under "CREDIT ENHANCEMENT."

Servicing and Administration

The Issuer services (in such capacity, a "Servicer") approximately 21.2% of the financed student loans, based on the outstanding principal balance of the financed student loans as of the statistical cut-off date, and maintains custody and makes collections on the financed student loans serviced by it. The Issuer currently services a significant portion of its portfolio of FFELP loans with the assistance of software developed and maintained by Pennsylvania Higher Education Assistance Agency ("PHEAA"). The Issuer has entered into an agreement with PHEAA pursuant to which PHEAA has agreed to provide the equipment, software, training and related support necessary to enable the Issuer to comply with the provisions of the Higher Education Act. PHEAA has also agreed to act as a backup servicer (the "Backup Servicer") and, in such role, has agreed to act as successor Servicer with respect to the financed student loans currently serviced by the Issuer upon the occurrence of certain events described herein under "SERVICING OF THE FINANCED STUDENT LOANS—Backup Servicer and Backup Servicing Agreement."

PHEAA (in such capacity, also a "Servicer") has been engaged by the Issuer to act a servicer with respect to approximately 78.8% of the financed student loans, based on the outstanding principal balance of the student loans as of the statistical cut-off date, pursuant to an existing servicing agreement between PHEAA as Servicer and the Issuer. PHEAA, as a Servicer, will assume responsibility under its servicing agreement for servicing, maintaining custody of and making collections on the financed student loans serviced by it.

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. The Administrator will also receive the carryover administration and servicing fees, if any, in the amounts and subject to the conditions set forth in the definition thereof included in "GLOSSARY OF TERMS" herein.

Optional Purchase

The Issuer may, but is not required to, purchase the remaining financed student loans in the trust estate 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 of the notes the interest payable on the related quarterly distribution date; and

- pay any unpaid administration fees and expenses, servicing fees and expenses, trustee fees and expenses and carryover administration and servicing fees.

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 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 through an agent approved by the Issuer or the Initial Owner 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.

The Trustee through an agent approved by the Issuer or the Initial Owner 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. 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 through an agent approved by the Issuer or the Initial Owner will, only at the written direction of the Issuer, 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. 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 will continue to be applied as described above 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

Kutak Rock LLP 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 of each class are expected to be rated as follows:

Rating Agency (S&P/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 Numbers

- Class A-1 Notes: 606072 KM7
- Class A-2 Notes: 606072 KN5

International Securities Identification Number ("ISIN")

- Class A-1 Notes: US606072KM74
- Class A-2 Notes: US606072KN57

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, how long it will last. 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 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 any substitutions of financed student loans required to be made by the Issuer as described under "THE FINANCED STUDENT LOANS," the only financed student loans to be pledged to the Trustee are those to be pledged on the date of issuance, and there will be no subsequent acquisitions of or recycling of financed student loans into the trust estate. 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;
- amounts on deposit in the Collection Fund, the Capitalized Interest Fund, the Reserve Fund and other funds and accounts held in the trust estate; and
- the overcollateralization amount (the amount by which the Adjusted Pool Balance is expected to exceed the aggregate principal amount of the notes then outstanding).

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

State not liable on 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. 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 includes overcollateralization and cash on deposit in the Capitalized Interest Fund and the Reserve Fund. The Issuer is not issuing any notes that are 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.

Payment priorities among the notes may result in a greater risk of loss

Except in the case of an event of default, the payment of principal on the notes will be sequential, with the class A-1 notes receiving principal payments before the class A-2 notes. Consequently, holders of notes with longer maturities (with a higher numerical designation), may bear a greater risk of loss. Potential purchasers of the notes should consider the priority of payment of each class of notes before making an investment decision.

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

The Indenture permits the taking of certain actions based upon the receipt of a rating confirmation (as defined in under "GLOSSARY OF TERMS"). The actions can be taken without the consent of the noteholders in certain circumstances, subject to the limitations described in "SUMMARY OF THE INDENTURE PROVISIONS—Consent of Initial Owner; Consent of Registered Owners."

The Indenture can also be amended or supplemented, or certain provisions waived either without the consent of the holders of the notes, by holders of specified percentages of the aggregate principal amount of the notes or, in certain limited circumstances described in "SUMMARY OF THE

INDENTURE PROVISIONS—Consent of Initial Owner; Consent of Registered Owners," based upon the receipt of a rating confirmation from the rating agencies then rating the notes as described in the prior paragraph. You have no recourse if no vote is obtained based on a rating confirmation or 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. See "SUMMARY OF THE INDENTURE PROVISIONS—Supplemental Indentures—Supplemental Indentures Not Requiring Consent of Registered Owners."

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 "DESCRIPTION OF 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 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.

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 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 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 early 1980s, 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 has 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. The redemption and cancelation of all of the bonds issued under the 2005 Indenture (as described in "USE OF PROCEEDS" below) was brought about in large part in response to certain of these conditions. 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 proposed elimination of the FFEL Program described below would 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 it 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 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) 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.

Ratings of other student loan asset-backed notes and bonds issued 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, including securities issued by the Issuer. Ratings actions may take place at any time. The Issuer cannot predict the timing of any ratings actions, nor can the Issuer predict whether the ratings assigned to the Issuer's outstanding asset-backed securities or the notes offered hereby will be downgraded. Any further adverse action by the rating agencies regarding the securities issued previously by the Issuer may adversely affect the Issuer, the market value of the notes or any secondary market for the notes that may develop.

Issuer's ability to refinance its outstanding auction rate securities may be limited

As of October 15, 2009, the Issuer had approximately $2.3 billion in principal amount of auction rate securities outstanding. Since February 12, 2008, almost every auction of these auction rate securities issued by the Issuer has failed to attract enough bidders, resulting in "failed auctions." The Issuer is unable to predict if such failed auctions with respect to the Issuer's auction rate securities will continue to occur and, if so, for how long they will continue.

The Issuer has been considering, and continues to actively consider, a wide variety of options relative to the Issuer's auction rate securities. These options include the refinancing of the Issuer's auction rate securities and the sale of certain loans financed under the bond resolutions and indentures under which such bonds were issued, thus permitting a redemption of some of the Issuer's auction rate securities. Except as described in the following paragraph, the Issuer currently lacks funds to accomplish all of such actions, and it has not been able to obtain financial commitments from third parties that permit it to accomplish a complete refinancing or sale of loans. The Issuer is unsure when, if ever, it will be able to obtain such financial commitments to permit additional refinancing of auction rate securities or sale of such loans.

Since December 2008, the Issuer has taken various actions to retire auction rate securities and, as a result, has significantly reduced the principal amount of outstanding auction rate securities issued by it. Such actions have included the use of available cash in a trust estate to purchase auction rate securities issued with respect to such trust estate. In addition, the Issuer has entered into two transactions whereby it sold student loans from a trust estate to enable it to purchase auction rate securities from an entity related to the student loan purchaser. In each case, the auction rate securities have been purchased at a discount to principal amount outstanding and immediately cancelled. The Issuer is actively pursuing additional opportunities for retiring its outstanding auction rate securities either by additional loan sales and bond purchases or through refinancing of the auction rate securities.

Due to the limited recourse nature of the trust estate for the notes, the Issuer's ability to refinance its outstanding auction rate securities 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) 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.

Changes to the Higher Education Act, other Congressional Action and to other applicable law may affect your notes and the financed student loans

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 relevant federal laws, including the Higher Education Act, or other relevant law or regulations, will not be changed in a manner that could adversely affect the Issuer or its student loan programs, the trust estate or the notes offered hereby.

Funds for payments of interest benefit payments, special allowance payments, federal insurance and other payments under FFELP are subject to annual budgetary appropriations by Congress. While Congress has consistently extended the effective date of the Higher Education Act and the FFEL Program, it may elect not to reauthorize the Department of Education's ability to provide interest subsidies and federal insurance for loans in the future. This failure to reauthorize could adversely affect the Issuer's student loan programs or the ability of various persons to comply with their obligations under the various transaction documents.

In addition, the operation of the FFEL Program has recently been, and may in the future be, affected by proposed and enacted federal budgetary, bankruptcy, tax and other legislation. For example, in early 2009, President Obama proposed a budget under which the FFEL Program would be eliminated in favor of the Federal Direct Student Loan Program (the "FDSL Program"). On April 29, 2009, Congress approved a $3.5 trillion budget that included reconciliation instructions directing the House Education and Labor committee and the Senate Health, Education, Labor and Pensions committee to report recommendations on or before October 15, 2009 to reduce the federal budget deficit by $1 billion for fiscal years 2009 through 2014. If President Obama's education budget proposals are realized during the reconciliation and appropriation processes to follow in Congress, then it is conceivable that FFELP loans made pursuant to the Higher Education Act would cease to be originated and acquired by the Issuer and would be originated solely under the FDSL Program in the future.

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"). On September 22, 2009, the United States Senate referred SAFRA to its Committee on Health, Education, Labor and Pensions, but has not released a timeline for its consideration of the proposed legislation. If SAFRA is enacted in the form adopted by the United States House of Representatives, then the FFELP Program would be eliminated and all loans made pursuant to the Higher Education Act would be originated solely under the FDSL Program beginning on July 1, 2010. In addition to the House's proposal, there are several other proposals for changes to the education financing framework that may be considered as the SAFRA legislation moves forward. These include a possible extension of the Ensuring Continued Access to Student Loans Act of 2008, which expires on July 1, 2010 and other proposals that propose alternatives to the 100% federal direct lending proposal reflected in SAFRA.

In addition, various amendments to the Higher Education Act also authorize the Secretary to offer borrowers direct consolidation loans whereby a borrower may consolidate various student loans into a single loan with income sensitive repayment terms. The financing of such consolidation loans by the Secretary on a large scale basis may cause an increase in the number of prepayments of federal student loans and reduce the size of the Issuer's student loan programs.

As a result of all the changes to the FFEL Program, the net revenues resulting to holders of federal student loans have in some cases been reduced and may be reduced further in the future. As these

reductions occur, cost increases and revenue reductions for guaranty agencies may occur. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM.**"**

The Issuer cannot predict whether the 2010 Federal budget proposal will be approved 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 and other lenders

The FDSL Program was established under the Student Loan Reform Act of 1993. Under the FDSL 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 FDSL 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 FDSL Program. The FDSL Program represents a competitive program to the FFEL Program and (a) may result in a reduced volume and variety of student loans available to be purchased or originated by the Issuer; or (b) may result in prepayments of financed student loans if such financed student loans are consolidated under the FDSL Program. As described in the previous risk factor, current proposals would eliminate the FFEL Program in favor of the FDSL Program.

In addition to the competition from the FDSL Program, the Issuer faces competition from other lenders that could decrease the volume of student loans that could be originated or purchased by the Issuer.

Due to the limited recourse nature of the trust estate for the notes, competition from the FDSL Program 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) 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.

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. It is unclear what impact, if any, these actions may have on the Issuer's auction rate securities.

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.

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. In early 2007, Missouri's Attorney General announced that he had sent civil investigative demands to institutions in the State of Missouri and lenders nationwide inquiring as to their practices with respect to the matters described above. In late 2007, he announced that many Missouri institutions had entered into code of conduct agreements ("School Codes of Conduct") with the Attorney General regarding their student lending practices. 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 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 Issuer adopted a Code of Conduct in December 2007, which it believes is consistent with the guidelines of the Missouri Attorney General and those of other states. The Issuer plans to continue to cooperate with the institutions with which it works, the third-party lenders that participate in its Program, and the Attorneys General of Missouri and other states with respect to adopting a code of conduct describing the Issuer's practices and affirming its commitment to be a responsible participant in the student loan industry.

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 and other applicable law may affect your notes" above.

General economic conditions

The United States economy has experienced a downturn or slowing of growth that started in the last five or six months of 2008. It is unclear at this time how long this downturn or slower growth may

continue 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 the Issuer and a third-party servicer to service many of the financed student loans. The Issuer is dependent on PHEAA to provide certain equipment, software, training and related support with respect to the financed student loans serviced by it and PHEAA is also the Backup Servicer with respect to the financed loans serviced by the Issuer and has agreed to act as successor Servicer for those financed student loans upon the occurrence of certain events. PHEAA also services and acts as custodian with respect to certain of the financed student loans pursuant to an existing servicing agreement between PHEAA and the Issuer. 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 Issuer's costs of servicing the financed student loans that it services, together with the costs of PHEAA to service the loans that it services under its servicing agreement with the Issuer and to act as Backup Servicer with respect to the loans serviced by the Issuer. No assurance can be made that the costs to either Servicer for servicing the financed student loans serviced by it will not increase, or that the Issuer would be successful in entering into servicing agreements with other servicers on the list of additional approved servicers that would also be acceptable to the rating agencies at the assumed level of servicing cost if the current PHEAA servicing agreement is terminated. Although the Issuer is obligated to service the financed student loans serviced by it in accordance with the Higher Education Act, the terms of the Program and the Indenture, and PHEAA is obligated to cause the financed student loans to be serviced in accordance with the terms of its servicing agreement with the Issuer, the timing of payments to be actually received with respect to the financed student loans will be dependent upon the ability of each Servicer to adequately service the financed student loans serviced by it. In addition, the Issuer and the noteholders will be relying on each Servicer's compliance with applicable federal and state laws and regulations.

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

PHEAA will act as a Servicer with respect to certain of the financed student loans and will provide certain equipment, software, training and related support necessary for the Issuer to service the financed student loans serviced by it and will also act as Backup Servicer with respect to the financed student loans serviced by the Issuer. In the event of a default by that 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 a third-party Servicer defaults on its obligations to service the loans serviced by it, the Issuer may replace the third-party Servicer only with a replacement third-party Servicer that is on a list of servicers approved by the noteholders and subject to satisfaction of the other conditions set forth in the Indenture. If the Issuer defaults on its obligations to service the loans serviced by it, the Backup Servicer would become the successor Servicer for those financed student loans. 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.

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.

If the Issuer (as lender or a Servicer) 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.

Lewis and Clark Discovery Initiative

The Issuer has been and may be significantly financially impacted by a Missouri law which established the Lewis and Clark Discovery Initiative (the "Initiative") and became effective August 28, 2007. See "THE HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI—Lewis and Clark Discovery Initiative" herein for a more complete discussion of such law and its impact on the Issuer.

Due to the limited recourse nature of the trust estate for the notes, the Initiative 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) 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.

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. Guarantee 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 or a Servicer 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 the Servicer to purchase, a financed student loan. This right against the Issuer arises generally if a financed student loan ceases to be guaranteed (and a guarantee claim is not paid by a guaranty agency) 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. There is no guarantee that the Issuer or the Servicer 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 origination agreement or student loan purchase agreement under which financed student loans were originated or 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, the remedies provided in the Indenture may not be readily available or may be limited. 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 Missouri Uniform Commercial Code, is accomplished by filing a financing statement with the Missouri 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 acquires most 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 which may not be ascertainable from available sources. 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.

Over 99% of the financed student loans are consolidation loans which are not evidenced by a master promissory note.

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 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 and before October 1, 2012. 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 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 on the date of issuance are described herein as of the statistical cut-off date. However, the actual characteristics of the student loans at any given time will change due to factors such as repayment of the student loans in the normal course of business or the occurrence of delinquencies or defaults. The characteristics that may differ include the composition of the student loans, the distribution by loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining terms. You should consider potential variances when making your investment decision concerning the notes. See "CHARACTERISTICS OF THE FINANCED STUDENT LOANS (As of the Statistical Cut-off Date)" 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 "THE ISSUER'S FFEL PROGRAM—The 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 may use the same Department of Education lender identification number for the financed student loans to be included in the trust estate as it uses for other student loans it holds. If so, 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 of the Issuer that reference 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, the Department of Education or the applicable guaranty agency may seek to collect that liability by offsetting it against payments due to the Issuer in respect of 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 and thus the Issuer's ability to pay you principal and interest on the notes. The Issuer may in the future agree, in a document referred to as a "joint sharing agreement," to properly pay to or from the correct trust estate or indenture amounts which should be reallocated to reflect payments (or liabilities) on the student loans securing each such trust estate or indenture.

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 may not be segregated from payments received on the Issuer's other student loans that are not part of the trust estate. 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

The financed student loans may be subject to various borrower incentive programs. 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. 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. See "THE ISSUER'S FFEL 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.

HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI

General

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

The address of the Issuer is 633 Spirit Drive, Chesterfield, Missouri 63005-1243. The telephone number of the Issuer is (636) 532-0600 or 1-800-6MOHELA. The Issuer's website address is http://www.mohela.com. The website is not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

Members and Staff

The Issuer is governed by a board of seven members, five of whom are appointed by the Governor of the State, subject to the advice and consent of the Senate of the State, and two others who are designated by statute: the State Commissioner of Higher Education and a member of the State Coordinating Board for Higher Education. A member continues to serve after expiration of his term until a successor is appointed and qualified or he is reappointed. The present members are:

Name	Term Expires	Occupation/Affiliation
Randy Etter	October 2009	Practical Concepts (previously public higher education institutions) Columbia, Missouri
Jennifer L. Kneib	October 2012	MetLife Home Loans St. Joseph, Missouri
W. Thomas Reeves	October 2011	President, Pulaski Bank St. Louis, Missouri
Dr. John Smith	October 2010	Educational Consultant St. Charles, Missouri
Dr. Willis Jackson Magruder	October 2013	President, A. T. Still University Kirksville, Missouri
Dr. Robert Stein	Indefinite	Commissioner, Missouri Department of Higher Education
Greg Upchurch	Indefinite	Missouri Coordinating Board for Higher Education

The Issuer has a staff of approximately 230 individuals performing customary loan servicing, administrative and related functions. The following is biographical information on the executive staff of the Issuer.

Raymond H. Bayer, Jr. serves as Executive Director, Chief Executive Officer, and Assistant Secretary of the Issuer. Reporting directly to the Issuer's Board of Directors, he is responsible for all of the Issuer's operations and oversees each of its business units. Mr. Bayer joined the Issuer in 1985. Prior to becoming the Executive Director in 2006, he oversaw various business units including Loan Servicing, Loan Origination and Business Development. He holds a Bachelor of Science degree in Business Administration from the University of Missouri-St. Louis, a Master of Business Administration degree from Webster University, and a Master of Arts in Finance degree from Webster University. Mr. Bayer serves on the Advisory Board of the Webster University's School of Business and Technology.

Scott D. Giles serves as the Director of Finance and the Chief Financial Officer for the Issuer. He is responsible for the Finance, Accounting, Treasury Management, and Lender Services and Reconciliation areas, as well as the Issuer's capital structure strategy, financing transactions, interest rate risk management, cash management, investing and insurance. Mr. Giles previously served as the Issuer's Treasurer. Prior to joining the Issuer, Mr. Giles served as the Director of the Missouri Student Loan Group for the Missouri Department of Higher Education. Mr. Giles has served as a member of the Board of Directors of the National Council of Higher Education Loan Programs and as a member and Chairman of the Board for Mapping-Your-Future. He has also served as a commissioned bank examiner with the Federal Reserve Bank of St. Louis and as an assistant bank examiner with the Missouri Division of Finance. Mr. Giles holds a Bachelor of Science degree in Business Administration with an emphasis in Finance from Southeast Missouri State University and a Master of Public Administration degree from the University of Missouri–Columbia.

Mary J. Stewart serves as the Director of Operations for the Issuer. She has direct oversight responsibilities for all operating units including Loan Origination, Loan Servicing, Support Services,

Information Systems and Human Resources. Ms. Stewart holds a Bachelor of Science degree in Business Administration with a minor in Computer Science from Dana College in Blair, Nebraska. Ms. Stewart joined the Issuer in 1990 and has held senior management roles in various divisions within the Issuer, including most of the operational units.

William C. Shaffner serves as the Director of Business Development and Governmental Relations. He has supervisory responsibility for School and Lender Channel Sales, E-Commerce, Marketing and Governmental Relations. He also serves on the National Council of Higher Education Loan Programs and the Americorps-St. Louis Board of Directors. Mr. Shaffner joined the Issuer in July 2004 and has over twenty-nine years of progressive experience in the Federal Family Education Loan Program working at University of Central Florida, USA Funds, USA Group, Sallie Mae and American Student Assistance. Mr. Shaffner is a graduate of the University of Central Florida and holds a Bachelor of Science degree in Business Administration.

Dr. James Matchefts serves as General Counsel for the Issuer. Dr. Matchefts joined the Issuer in 2008. Prior to joining the Issuer, Dr. Matchefts served for 10 years as General Counsel to the Missouri Department of Higher Education ("MDHE"). As part of his duties with the MDHE, Dr. Matchefts oversaw the operation of the MDHE Student Loan Program, which is Missouri's state-designated guaranty agency under the Federal Family Education Loan Program. For five years before joining the MDHE, he worked in the St. Louis, Missouri City Counselor's Office, representing the City of St. Louis in various civil litigation and corporate matters. He received his Juris Doctorate degree from Washington University in 1985 and his Doctor of Education degree from Saint Louis University in 2002.

Carol Malon serves as Controller for the Issuer. She is responsible for Accounting, Accounts Payable and Accounts Receivable. Ms. Malon is a certified public accountant and holds a Bachelor of Science degree in Business Administration with emphasis in Accounting from the University of Missouri-St. Louis and a Masters of Business Administration degree from Washington University in St. Louis, Missouri. Ms. Malon joined the Issuer in September 2008 and has over 20 years progressive experience in accounting and finance for Fortune-500, Mid-Cap and private companies.

Permissible Activities; Limitations

The Issuer was not formed as a "special purpose" entity and is legally authorized to and does operate as an active student loan lender and in related activities. The Issuer does not generally have any significant restrictions on its activities to serve as a student loan lender under the Authorizing Act, including with respect to issuing or investing in additional securities, borrowing money or making loans to other persons. 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.

Previous Financings of the Issuer

The Issuer has previously issued a significant number of series of bonds and notes secured by student loans. The Issuer has paid in full all scheduled interest due and payable on each outstanding series of securities, and there are no prior payment defaults on any debt securities issued by the Issuer. As of October 15, 2009, the Issuer had outstanding bonds and notes in the following amounts issued under the following resolutions and indenture.

	Amount Outstanding
6th General Bond Resolution	$ 49,820,000
8th General Bond Resolution	37,400,000
11th General Bond Resolution	2,811,525,000 [1]
12th General Bond Resolution	336,925,000
2005 Indenture	340,000,000 [2]
2008 Indenture	262,500,000
2009 Variable Funding Note[3]	190,157,517 [4]
Total	$4,028,327,517

[1] The Issuer has engaged in discussions from time to time with investment banks regarding transactions which might result in a repurchase or redemption and cancellation of certain of the auction rate bonds issued under the 11th General Bond Resolution and which might result in an issuance of notes or bonds that are not auction rate securities. There can be no assurance that any such discussions will lead to any such repurchase or redemption and cancellation of auction rate bonds issued under the 11th General Bond Resolution.

[2] On October 30, 2009, as a result of the additional advance to the Issuer under the Asset-Backed Commercial Paper Conduit Program described in footnote 4 below, certain of the bonds issued under the 2005 Indenture were redeemed and cancelled. All of the bonds issued under the 2005 Indenture will be redeemed and cancelled with proceeds of the notes, together with other available funds. See "USE OF PROCEEDS." The amount of bonds outstanding referenced above does not reflect either such redemption and cancellation.

[3] The borrowings of the Issuer were made pursuant to the Asset-Backed Commercial Paper Conduit Program and were made under a Funding Note Purchase Agreement, dated as of July 15, 2009, by and among the Issuer, as the Funding Note Issuer, Sponsor and Master Servicer, Straight-A-Funding, LLC, as the Conduit Lender, The Bank of New York Mellon, as the Conduit Administrator, the Securities Intermediary and the Conduit Lender Eligible Lender Trustee, and BMO Capital Markets Corp., as the Manager, and such borrowings are evidenced by a Variable Funding Note. See "APPENDIX A—Description of the FFEL Program—Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans—Asset-Backed Commercial Paper Conduit Program."

[4] On October 30, 2009, the Issuer obtained an additional Advance under the Funding Note Purchase Agreement of approximately $118,561,478. The amount of the Variable Funding Note outstanding above does not reflect such additional Advance.

These outstanding bonds and notes issued by the Issuer were issued under the general bond resolutions, indentures and funding note purchase agreement referred to above, were secured under separate collateral from and are not subject to the lien of the Indenture under which the notes will be issued. Furthermore, the notes to be issued under the Indenture will not be secured by the general resolutions, the indentures or the funding note purchase agreement referred to above, or any other resolution or transaction document with respect to the Issuer's prior issuances of bonds and notes. Certain of the proceeds from the sale of the notes will be transferred to the 2005 Indenture Trustee and shall be used by the 2005 Indenture Trustee, together with other available funds, to redeem and cancel all of the bonds issued under the 2005 Indenture referenced above, and to release certain student loans and cash from the lien of the 2005 Indenture referenced above, such cash and student loans to be pledged to the Trustee under the Indenture. See "USE OF PROCEEDS."

In addition, as of September 30, 2009, the Issuer had outstanding short-term indebtedness of $244,060,819, all of which is secured by collateral separate and distinct from, and none of which has any interest in, the trust estate under the Indenture.

Financial and Other Information

The audited financial statements of the Issuer as of and for the years ended June 30, 2009 and 2008 are attached hereto as APPENDIX C. The Issuer's financial statements include information with respect to its loan programs generally, including its FFELP loan program and other information regarding the Issuer. These financial statements are included for general background purposes only. Since the notes are limited obligations of the Issuer, payable solely from the financed student loans and other assets pledged to the Trustee under the Indenture, the overall financial status of the Issuer, or that of its other programs, does not indicate and does not affect whether the trust estate will be sufficient to fund the timely and full payment of principal and interest on the notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES."

Lewis and Clark Discovery Initiative

Legislation regarding the Issuer was adopted in 2007 relative to the then Missouri Governor's Lewis and Clark Discovery Initiative to provide funding for certain capital projects for Missouri's public higher education institutions (the "Initiative"). The legislation (the "LCDI Legislation") directs the Issuer to distribute $350 million into a new fund in the State treasury known as the "Lewis and Clark Discovery Fund" (the "Fund") on the following schedule: $230 million no later than September 15, 2007; and installments of $5 million each subsequent calendar quarter ending September 30, 2013. Investment earnings on the Fund are credited against subsequent distributions by the Issuer. Notwithstanding the schedule of distributions specified above, the LCDI Legislation provides that the Issuer may delay distributions if it determines that any such distribution may materially adversely affect the service and benefits provided to Missouri students or residents in the ordinary course of the Issuer's business, the borrower benefit programs of the Issuer or the economic viability of the Issuer.

The Issuer used much of its excess capital in making $235 million in distributions to the Fund in 2007. Since then the Issuer has withheld most additional distributions due to Issuer determinations of potential adverse effect in accordance with the LCDI Legislation. The additional distributions that have been made have aggregated approximately $10 million. That results in approximately $105 million owed on the $350 million amount. Pursuant to the LCDI Legislation the Issuer must pay the entire $350 million by September 30, 2013 unless otherwise approved by the Issuer and the Missouri Commissioner of the Office of Administration. The LCDI Legislation sets forth a penalty tied to tax-exempt volume cap allocation available for any potential future bond issues of the Issuer if the entire $350 million is not paid to the Fund. The LCDI Legislation requires the State to allocate to and reserve for the Issuer in each year through 2021 at least 30% of Missouri's tax-exempt bond volume cap allocation. If any of the $350 million to be paid into the Fund is not paid by the end of 2013, the amount of the allocation may be reduced for 2014 and later years by the percentage of the $350 million not paid into the Fund by the end of the preceding year.

The Issuer will continue analyzing and determining on a quarterly basis what, if any, distribution the Issuer should make to the LCDI Fund. The Issuer is unsure whether it will be able to make any significant future distributions required by the LCDI Legislation on a timely basis. Any such distributions by the Issuer could substantially decrease the amount of its capital and, accordingly, erode its funds for new programs and contingencies related to current operations.

THE ISSUER'S FFEL PROGRAM

Since its inception, the Issuer has established a program for financing certain student loans originated pursuant to the Federal Family Education Loan Program ("FFELP" or the "FFEL Program"), authorized by Title IV of the federal Higher Education Act (such loans, "FFELP loans"). The FFEL Program authorized by the Higher Education Act is described in "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM" attached hereto.

The Issuer has established its loan purchase program (the "Program") in order to effectuate the general purposes of the Issuer and the specific objective of assisting students in obtaining a post-secondary education. It has modified the Program over the years and regularly reviews the Program. Through its Program the Issuer seeks to increase the availability of funds for such purposes by financing: (a) loans that are guaranteed by a guaranty agency and reinsured by the Secretary pursuant to the Higher Education Act; (b) loans that are insured by the Secretary of Health and Human Services under the Public Health Service Act ("HEAL loans"); or (c) other educational loans permitted under the Authorizing Act. Such loans may be financed through the issuance of bonds and notes, subject to the terms and conditions of the particular bond resolutions or indentures securing such obligations. The financed student loans pledged to the Trustee under the Indenture will consist only of loans described in clause (a) above.

Under the Authorizing Act and pursuant to the Program, the Issuer is authorized to either originate or acquire certain types of student loans. While the Issuer has, for some time, been permitted to either originate or acquire PLUS loans, Consolidation loans, HEAL loans, and loans by the Issuer to certain institutions of higher education pursuant to the Issuer's qualified institution loan program, until the last few years it could not originate subsidized and unsubsidized Stafford loans. In 2008, a Missouri law was adopted allowing the Issuer to originate a limited amount of Stafford Loans for borrowers attending Missouri institutions of higher education. The Indenture requires that certain conditions be fulfilled prior to acquiring or originating such loans under the Indenture.

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

Most financed student loans purchased or originated by the Issuer prior to July 1, 2008, will be eligible, subject to certain conditions precedent in the Indenture, for rate relief programs offered by the Issuer (the "RR Program"). Under the RR Program in effect prior to July 1, 2008, students with qualified loans owned by the Issuer may be eligible for certain interest rate reductions on such loans. The Issuer expects that in the aggregate a substantial amount of interest rate reduction relief will be provided with respect to the financed student loans securing the notes. The RR Program and other benefits offered by the Issuer with respect to financed student loans may be modified or terminated by the Issuer, provided the Issuer may not modify the RR Program or other benefits other than as provided in the Indenture, which may require receipt by the Trustee of a rating confirmation.

The Issuer decided to modify the RR Program for FFELP loans guaranteed on or after July 1, 2008, but continues to offer an interest rate reduction of 0.25% for borrowers using auto-debit to make

loan payments. The Issuer may, in the future, further modify or discontinue the RR Program or offer other borrower benefits under certain circumstances.

HEAL loans will not be eligible to be financed under the Indenture.

In addition, the Issuer may, to the extent permitted under the Authorizing Act, enter into agreements to finance loans that are not guaranteed or insured under the Higher Education Act. Any such agreement may or may not have conditions similar to the Issuer's current agreements, including certain limitations on the principal amount of such loans. Such agreements will not, without receipt by the Issuer and the Trustee of a rating confirmation, be eligible to be financed under the Indenture.

The Guaranty Agencies

All of the financed student loans expected to be financed with proceeds of the notes offered hereby are loans guaranteed (with respect to payments of principal and interest) by a guaranty agency and reinsured by the Secretary under the Higher Education Act. The guarantee provided by a guaranty agency is an obligation solely of that guaranty agency and is not supported by the full faith and credit of the federal or any state government. However, the Higher Education Act provides that if the Secretary determines that a guaranty agency is unable to meet its insurance obligations, the Secretary shall assume responsibility for all functions of that guaranty agency under its loan insurance program. Additional discussion that relates to guaranty agencies generally under the FFEL Program is included in "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM."

In the issuance of guarantees on loans, each guaranty agency is required to review loan applications to verify the completion of required information. In addition, each guaranty agency is required to make a determination that the applicant has not borrowed amounts in excess of those permitted under the Higher Education Act. In addition to the guaranty agencies described below, the Indenture provides that financed student loans may be guaranteed by any entity authorized to guarantee student loans under the Higher Education Act and with which the Issuer or the Trustee has entered into a guarantee agreement.

As of the statistical cut-off date, of the financed student loans to be held in the trust estate, approximately:

-79.3% are guaranteed by the Missouri Department of Higher Education (the "State Guaranty Agency");

-20.7% are guaranteed by the Pennsylvania Higher Education Assistance Agency ("PHEAA");

-and the remaining financed student loans (less than 0.1%) are guaranteed by one of the following guaranty agencies:

-Student Loan Guarantee Foundation of Arkansas
-National Student Loan Program
-Great Lakes Higher Education Guaranty Corporation
-Educational Credit Management Corporation
-Texas Guaranteed Student Loan
-United Student Aid Funds, Inc.

The following is certain additional information with respect to the guaranty agencies which are expected to guarantee at least 10% of the financed student loans held under the Indenture.

The State Guaranty Agency

The following information has been furnished by the State Guaranty Agency for use in this Offering Memorandum. Neither the Issuer nor the Placement Agent 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 the State Guaranty Agency subsequent to the date hereof.

In 1978, the Missouri General Assembly enacted legislation authorizing the Missouri Student Loan Program and designating the Missouri Student Loan Program to administer the Federal Family Education Loan Program (as defined herein) on behalf of the Coordinating Board for Higher Education. The Missouri Student Loan Program became operative during October 1979.

To be eligible for Federal Family Education Loan Program funds under the Missouri Student Loan Program, students must attend eligible institutions. The loans are reinsured by the Secretary as described herein.

The State Guaranty Agency's "reserve ratio" represents a measure of its ability to meet its future obligations on the existing portfolio of loans. The "reserve ratio" is computed by dividing the State Guaranty Agency's total Reserve Account balance by the amount of outstanding loans. The State Guaranty Agency's "reserve ratio" exceeds the regulatory minimum. The State Guaranty Agency's "federal trigger rate" represents the percentage of default claims (based on dollar value) submitted as reinsurance claims to the Secretary relative to its existing portfolio of loans in repayment. For the last five fiscal years, the "federal trigger rate" was as follows: 2008—2.75%; 2007—2.6%; 2006—2.2%; 2005—2.6%; and 2004—2.0%. Such "federal trigger rates" in each of the last five fiscal years were below 5%, thereby allowing the State Guaranty Agency to be reimbursed by the Secretary to the full extent allowable for such periods. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM—Insurance and Guarantees" hereto.

The State Guaranty Agency's "recovery rate" is an indicator of the effectiveness of the State Guaranty Agency's collection efforts regarding student loans with respect to which the State Guaranty Agency has paid default claims. One method of calculating the "recovery rate" is by dividing the gross amount recovered during the year by the amount of defaulted loans in the State Guaranty Agency's portfolio at the beginning of the year. Using this calculation method, the State Guaranty Agency's "recovery rate" for the last five fiscal years was as follows: 2008—36.40%; 2007—33.93%; 2006—35.55%; 2005—26.80%; and 2004—29.80%.

The 1998 Amendments to the Higher Education Act required the State Guaranty Agency to establish an Agency Operating Fund and a Federal Student Loan Reserve Fund. The primary purpose of the Agency Operating Fund is to finance guaranty agency and other student financial aid related activities, as selected by the State Guaranty Agency. The primary purpose of the Federal Student Loan Reserve Fund is to purchase defaulted student loans from lending institutions. The unobligated moneys not currently needed are invested by the state treasurer. As of June 30, 2008, the State Guaranty Agency had total assets of $78,593,093, deferrals, accounts payable and other liabilities of $19,196,607, and a fund balance of $59,396,486. Pursuant to the Balanced Budget Act, in 1997 the Secretary directed the State Guaranty Agency to return to the Secretary the sum of $32,421,669 in Guaranty Agency Reserve Accounts, which was returned in 2002 in accordance with the Balanced Budget Act.

The State Guaranty Agency has offices at 3515 Amazonas Drive, Jefferson City, Missouri 65109 and currently employs 51 full-time equivalent employees to administer the Federal subsidized and unsubsidized Stafford, SLS and PLUS programs. Certain processing and operational functions for these programs are performed by American Student Assistance, Boston, Massachusetts, pursuant to a contract with the State Guaranty Agency.

Pursuant to amendments to the Higher Education Act implemented by the Higher Education Reconciliation Act, which was signed into law on February 8, 2006, each guaranty agency must deposit into its Federal Student Loan Reserve Fund a federal default fee (the "Default Fee") equal to 1% of principal with respect to student loans guaranteed on or after July 1, 2006. The Default Fee must be proportionately deducted from each student loan disbursement or paid using non federal sources. Effective July 1, 2008, the State Guaranty Agency began paying the Default Fee with respect to Eligible Loans that are made to students or parents of students attending school in Missouri and guaranteed by the State Guaranty Agency. The State Guaranty Agency may determine to discontinue paying the Default Fee, in its sole discretion.

PHEAA

The following information has been furnished by PHEAA for use in this Offering Memorandum. Neither the Issuer nor the Placement Agent 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.

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

PHEAA has been guaranteeing student loans since 1964. As of August 31, 2009, PHEAA has guaranteed a total of approximately $47.6 billion principal amount of Stafford Loans and approximately $7.6 billion principal amount of PLUS Loans and SLS Loans, and approximately $52 billion principal amount of consolidation loans under the Higher Education Act. PHEAA initially guaranteed loans only to residents of the Commonwealth of Pennsylvania (the "Commonwealth") or persons who planned to attend or were attending eligible education institutions in the Commonwealth. In May 1986, PHEAA began guaranteeing loans to borrowers who did not meet these residency requirements pursuant to its national guarantee program. Under the Pennsylvania Act, guarantee payments on loans under PHEAA's national guarantee program may not be paid from funds appropriated by the Commonwealth.

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

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

Fiscal Year	Annual Default Claims
2004	1.09
2005	1.30
2006	1.42
2007	1.96
2008	1.98

As of August 31, 2009, PHEAA had total federal reserve-fund assets of approximately $144.9 million. Through August 31, 2009, the outstanding amount of principal on loans that had been directly guaranteed by PHEAA under the Federal Family Education Loan Program was approximately $52.3 billion. In addition, as of August 31, 2009, PHEAA had operating-fund assets and non-Federal Family Education Loan Program assets totaling approximately $12 billion.

Guarantee Volume. PHEAA's guaranty volume (the approximate aggregate principal amount of federally reinsured education loans, including PLUS Loans but excluding federal Consolidation Loans) was as follows for the last five federal fiscal years (ending September 30):

Fiscal Year	Guaranty Volume (Millions)
2004	3,131
2005	3,403
2006	3,792
2007	4,121
2008	3,948

Reserve Ratio. Under current law, PHEAA is required to manage the Federal Fund so net assets are greater than 0.25% of the original principal balance of outstanding guarantees.

Fiscal Year	Reserve Ratio
2004	0.34
2005	0.16
2006	0.20
2007	0.25
2008	0.25

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

Fiscal Year	Recovery Rates
2004	25.48
2005	26.30
2006	33.93
2007	37.76
2008	32.81

SERVICING OF THE FINANCED STUDENT LOANS

The Issuer is required under the Higher Education Act, the rules and regulations of the guaranty agencies and the Indenture to use due diligence in the servicing and collection of the financed student loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt.

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

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

The Servicers

With respect to the financed student loans, as of the statistical cut-off date, approximately 78.8% will be serviced by Pennsylvania Higher Education Assistance Agency (PHEAA) pursuant to the PHEAA Servicing Agreement (as hereafter defined), and the remaining 21.2% of the financed student loans will be serviced by the Issuer. PHEAA has also agreed to act as Backup Servicer with respect to the financed student loans serviced by the Issuer. The Issuer may from time to time enter into other servicing agreements and arrangements in accordance with the terms of the Indenture; provided, that the Issuer has covenanted in the Indenture not to replace PHEAA as Servicer with respect to the financed student loans serviced by it or as Backup Servicer except with a successor servicer on a list of servicers approved by the noteholders and subject to satisfaction of the other conditions set forth in the Indenture.

The following is certain additional information with respect to the Issuer as Servicer, PHEAA, as Servicer, the PHEAA Servicing Agreement and the Backup Servicer and the Backup Servicing Agreement.

The Issuer

The Issuer's servicing operation services education loans for several other lenders in addition to servicing most of the Issuer's own loan portfolio. The Issuer currently services a significant portion of its portfolio of FFELP loans (including certain of the financed student loans) with the assistance of software developed and maintained by PHEAA. The Issuer has entered into an agreement with PHEAA pursuant to which PHEAA has agreed to provide the equipment, software, training and related support necessary to enable the Issuer to comply with the provisions of the Higher Education Act.

The financed student loans serviced directly by the Issuer are not subject to a separate servicing agreement, but are subject to the terms of the Program, the Higher Education Act, the rules and regulations of the guaranty agencies and the specific servicing terms and conditions set forth in the Indenture and in an exhibit to the Indenture. See "SUMMARY OF THE INDENTURE PROVISIONS—Servicing and Enforcement of the Servicing Agreements" and "—Additional Covenants With Respect to the Higher Education Act" herein.

PHEAA

The following information has been furnished by PHEAA for use in this Offering Memorandum. Neither the Issuer nor the Placement Agent 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") acts as a loan servicing agent for the Issuer. 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 August 31, 2009, PHEAA had approximately 2,200 employees. As of August 31, 2009, PHEAA had outstanding debt and/or credit facilities (under which the entire aggregate amount of funds available had not been drawn) in the amount (including amounts drawn or available under such credit facilities) of approximately $11.1 billion. As of August 31, 2009, PHEAA owned approximately $10.8 billion outstanding principal amount of student loans financed with the proceeds of its long-term debt. 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 August 31, 2009, PHEAA was servicing under its full service operation approximately 3.0 million student loan accounts representing approximately $60.3 billion outstanding principal amount for its full servicing customers and under its remote servicing operation, approximately 2.0 million student borrowers representing approximately $35.2 billion outstanding principal amount.

PHEAA's most recent audited financial reports are available at www.pheaa.org.

PHEAA Servicing Agreement

The following summary of the material terms of the PHEAA Servicing Agreement does not cover every detail of the PHEAA Servicing Agreement, and it is subject to the terms and provisions of the PHEAA Servicing Agreement and reference should be made to the PHEAA Servicing Agreement for a full and complete statement of its provisions.

PHEAA services the financed student loans serviced by it pursuant to the Servicing Agreement, dated as of December 1, 2000, as amended by a First Amendment dated April 5, 2002, a Second Amendment, dated October 20, 2006, a Third Amendment, dated March 30, 2007, a Forth Amendment dated July 1, 2007, a Fifth Amendment, dated September 1, 2007 and a Sixth Amendment, effective October 28, 2008 (as may be further amended, the "PHEAA Servicing Agreement") with the Issuer. The PHEAA Servicing Agreement relates to all student loans serviced by PHEAA on behalf of the Issuer, not only to the financed student loans that are serviced by PHEAA. PHEAA services the Issuer's student loans submitted to it in accordance with the specifications set forth in the PHEAA Servicing Agreement.

Pursuant to the PHEAA Servicing Agreement, PHEAA agrees to perform specified loan servicing activities, including:

- creating and maintaining automated files and records with respect to each borrower and pertaining to student loans transferred for servicing under the PHEAA Servicing Agreement;
- filing default claims with the appropriate guaranty agency with respect to defaulted student loans;
- promptly and routinely furnishing to the Issuer copies of all material reports, records and other documents and data as required by law;
- maintaining all correspondence relating to individual borrower accounts and making such correspondence available to the Issuer as well as maintaining all original promissory notes for each student loan;
- preparing quarterly reports for payment of all interest benefit payments and all special allowance payments due from the Department of Education;
- providing to the appropriate credit bureau or credit information service any and all reports on accounts serviced under the PHEAA Servicing Agreement required by the Higher Education Act and correcting any errors caused by the incorrect reporting of information;
- providing the Issuer with the functionality to assess late fees with respect to any borrower whose payments are overdue in accordance with the Higher Education Act, State law, and the terms of the promissory note;
- collecting sums due under the student loans and processing those receipts; and
- delivering to the Issuer a monthly report showing all servicing standards and deadlines for the period covered by the report.

PHEAA's obligation to administer existing programs on behalf of the Commonwealth of Pennsylvania is primary and will take absolute priority over its obligations to the Issuer pursuant to the PHEAA Servicing Agreement; provided, PHEAA has agreed to mitigate and remedy, in accordance with the terms of the PHEAA Servicing Agreement, any and all injury sustained by the Issuer as a result of PHEAA being unable to perform any its obligations due to having to give priority to the programs of the Commonwealth of Pennsylvania.

The PHEAA Servicing Agreement shall continue until such time as the principal of and interest on the student loans that are subject to the PHEAA Servicing Agreement are paid in full or paid by claim unless the student loans are transferred to the Issuer's remote region or the PHEAA Servicing Agreement is terminated. The PHEAA Servicing Agreement may be terminated at the option of one of the parties if either the Issuer or PHEAA has committed a material breach of the PHEAA Servicing Agreement and has not cured such breach within 150 days of written notice thereof. The PHEAA Servicing Agreement may also be terminated at the option of one of the parties should certain conditions occur as specified in the PHEAA Servicing Agreement, including non-payment of servicing fees.

The Issuer will pay PHEAA a fee for the servicing of student loans according to schedules set forth in the PHEAA Servicing Agreement. The fees are subject to an annual adjustment for inflation. The Issuer also agreed to pay for any loss, liability or expense, including reasonable attorneys' fees arising out of or relating to the Issuer's, or its agents', acts or omissions with respect to the student loans

serviced thereunder, where the final determination of liability on the part of the Issuer is established an arbitrator (which arbitrator may, subject to statutory jurisdictional requirements, be the Board of Claims of the Commonwealth of Pennsylvania), by a court of law or by way of settlement agreed to by the Issuer.

PHEAA will pay for any claim, loss, liability or expense, including reasonable attorneys' fees, which arises out of or relates to PHEAA's acts or omissions with respect to the services provided to the Issuer under the PHEAA Servicing Agreement, where the final determination of liability on the part of PHEAA is established by an arbitrator (which arbitrator may, subject to statutory jurisdictional requirements, be the Board of Claims of the Commonwealth of Pennsylvania), by a court of law or by way of settlement agreed to by PHEAA; provided, however, that for certain student loans that are first disbursed on or after October 1, 1993, PHEAA's liability for the principal loan amount is limited to a percentage no greater than the amount that would have been paid by the applicable guaranty agency. PHEAA has agreed to pay the Issuer annually all outstanding principal and interest on student loans serviced by it assessed as PHEAA's liability after the student loan has been in a non-guarantee status for a period of 18 months. PHEAA has also agreed to reimburse the Issuer for all principal and interest penalties assessed at claim payment time due to a PHEAA error or omission.

Backup Servicer and Backup Servicing Agreement

PHEAA has agreed to act as Backup Servicer with respect to the financed student loans serviced by the Issuer. If the Issuer decides to no longer service financed student loans or if the Issuer is in material violation of its obligations to service the financed student loans serviced by it as set forth in the Indenture as determined by the Issuer, the Initial Owner or the registered owners of a majority in aggregate principal amount of the notes then outstanding 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 serviced by the Issuer. The Issuer will notify the registered owners if the Backup Servicer has become the successor Servicer for the financed student loans previously serviced by the Issuer.

FEES AND EXPENSES

The annual fees payable by the Issuer are set forth in the table below. In addition, the Servicer, the Issuer and the Trustee are paid or reimbursed for their expenses. The priority of payment of such fees and expenses is described below in "DESCRIPTION OF THE NOTES—The Collection Fund; Flow of Funds."

Fees	Recipient	Amount
Administration Fee	Higher Education Loan Authority of the State of Missouri	0.05%[1]
Servicing Fee	Higher Education Loan Authority of the State of Missouri	0.50%[2]
Trustee Fee	Wells Fargo Bank, National Association	[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 (or, on each monthly payment date that is also a quarterly distribution date, one-fourth of the amount referenced above less amounts paid on each prior monthly payment date in the collection period is payable).

[2] As a percentage of the Pool Balance as of the end of the preceding month. The Administrator will be responsible for paying any fees or expenses owed to PHEAA as Servicer when due. One-twelfth of the amount referenced above is payable on each monthly payment date (or, on each monthly payment date that is also a quarterly distribution date, one-fourth of the amount referenced above less amounts paid on each prior monthly payment date in the collection period is payable).

[3] The Trustee Fee will be calculated as a percentage of the principal amount of the notes outstanding and will not exceed 0.024% per annum. One fourth of the annual Trustee Fee is payable on each quarterly distribution date.

USE OF PROCEEDS

The estimated sources and uses are expected to be applied as follows:

Source of Funds:	
Proceeds to the trust estate from the sale of the notes	$186,000,000
Capital contribution by the Issuer (cash and/or financed student loans)	10,112,412[1]
Total	$196,112,412[1]
Uses[2]:	
Deposit to Acquisition Fund (financed student loans (plus accrued interest))	$ 193,683,619[3]
Deposit to Capitalized Interest Fund	1,944,584
Deposit to Reserve Fund	484,209
Total	$196,112,412[1]

[1] These amount are estimates as described in footnotes 2 and 3.

[2] Certain of the proceeds from the sale of the notes will be transferred to Wells Fargo Bank, National Association, as trustee (the "2005 Indenture Trustee") under the Trust Indenture, dated as of November 1, 2005, as supplemented and amended (the "2005 Indenture") and shall be used, together with other available funds, by the 2005 Indenture Trustee to redeem and cancel all of the bonds outstanding thereunder as more specifically set forth in a certificate of the Issuer delivered to the Trustee and the 2005 Indenture Trustee upon the issuance of the notes. The Issuer shall then cause the transfer from the 2005 Indenture of student loans and any other assets to be deposited, together with any proceeds from the sale of the notes not transferred to the 2005 Indenture Trustee and other funds available to the Issuer, to the credit of the Acquisition Fund, the Reserve Fund and the Capitalized Interest Fund as described above. The Issuer may deposit additional funds in the Acquisition Fund for the payment of costs of issuance or may deposit funds into the Collection Fund, neither of which is reflected in the table above.

[3] This amount is an estimate. The final amount will not be determined until the date of issuance.

THE FINANCED STUDENT LOANS

Certain of the proceeds from the sale of the notes will be transferred by the Issuer to the 2005 Indenture Trustee under the 2005 Indenture and shall be used by the 2005 Indenture Trustee, together with other available funds, to redeem and cancel all of the bonds outstanding thereunder. The Issuer shall then cause the transfer from the 2005 Indenture of student loans and any other assets to be deposited, together with any proceeds from the sale of the notes not transferred to the 2005 Indenture Trustee and other funds available to the Issuer, to the credit of the Acquisition Fund, the Reserve Fund and the Capitalized Interest Fund.

The student loans expected to be pledged to the Trustee on the date of issuance were and will be loans made to finance post-secondary education that is made and guaranteed 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 to purchase, a financed student loan from the trust estate. This right against the Issuer arises

generally if a financed student loan ceases to be guaranteed (and a guarantee claim is not paid by a guaranty agency) 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 September 30, 2009, 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 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 $3,431,532 (of which $2,574,543 is expected to be capitalized upon commencement of repayment). The percentages set forth in the tables below may not always add to 100% and the balances may not always add to $191,535,266 due to rounding.

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 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 FFEL PROGRAM."

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

Total Accrued Interest[#]	$3,431,532
Accrued Interest to be Capitalized	$2,574,543
Aggregate Outstanding Principal Balance	$191,535,266
Number of Borrowers	11,273
Average Outstanding Principal Balance Per Borrower	$16,991
Number of Loans	18,226
Average Outstanding Principal Balance Per Loan	$10,509
Weighted Average Annual Interest Rate*	5.228%
Weighted Average Remaining Term (Months)	213
Weighted Average Special Allowance Payment Margin	2.638%

Includes accrued interest to be capitalized.

* Excludes special allowance payments.

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 Balance
Consolidation—Subsidized	8,353	$ 79,940,147	41.7%
Consolidation—Unsubsidized	9,397	110,279,840	57.6
Stafford—Subsidized	257	611,404	0.3
Stafford—Unsubsidized	206	613,294	0.3
PLUS	13	90,581	0.0
Total	18,226	$191,535,266	100.0%

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

Interest Rate	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
0.00% - 2.00%	2	$ 2,842	0.0%
2.01% - 2.50%	356	977,209	0.5
2.51% - 3.00%	1,905	22,783,149	11.9
3.01% - 3.50%	332	3,974,830	2.1
3.51% - 4.00%	145	2,852,206	1.5
4.01% - 4.50%	688	7,783,861	4.1
4.51% - 5.00%	6,076	55,590,510	29.0
5.01% - 5.50%	4,015	34,958,859	18.3
5.51% - 6.00%	545	9,408,435	4.9
6.01% - 6.50%	1,385	18,165,752	9.5
6.51% - 7.00%	1,112	11,731,821	6.1
7.01% - 7.50%	1,202	13,862,883	7.2
7.51% - 8.00%	217	3,883,074	2.0
8.01% +	246	5,559,835	2.9
Total	18,226	$191,535,266	100.0%

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 Balance
4 Year College	11,694	$139,529,431	72.8%
Unidentified	2,486	24,681,190	12.9
Proprietary, Tech, Vocational and Other	1,883	14,006,289	7.3
2 Year College	2,163	13,318,357	7.0
Total	18,226	$191,535,266	100.0%

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 Balance
CP Index	18,217	$191,436,835	99.9%
T-Bill Index	9	98,432	0.1
Total	18,226	$191,535,266	100.0%

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

Loan Payment Status	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Repayment	12,790	$129,848,571	67.8%
Deferment	3,263	31,787,571	16.6
Forbearance	2,173	29,899,125	15.6
Total	18,226	$191,535,266	100.0%

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

Days Delinquent	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Current	15,594	$166,894,470	87.1%
Less than 30 Days	1,041	11,532,908	6.0
30-59	325	3,618,254	1.9
60-89	222	2,538,750	1.3
90-119	111	1,190,257	0.6
120-149	111	1,125,556	0.6
150-179	370	1,628,044	0.8
180-210	220	1,200,415	0.6
211-269	100	742,322	0.4
270 + Days	132	1,064,290	0.6
Total	18,226	$191,535,266	100.0%

*For financed student loan in Repayment Status Only

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

Disbursement Date	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
October 1, 1992 – December 31, 1999	9	$ 98,432	0.0%
January 1, 2000 – September 30, 2007	18,211	191,423,778	99.9
October 1, 2007 – Present	6	13,057	0.0
Total	18,226	$191,535,266	100.0%

Student loans disbursed on or after October 1, 1993 and before July 1, 2006, are 98% guaranteed by the applicable guaranty agency. Loans for which the first disbursement is made on or after July 1, 2006, and prior to October 1, 2012, are 97% guaranteed by the applicable guaranty agency.

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

Principal Balance	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
$0.00 - $4,999.99	6,020	$ 17,989,016	9.4%
$5,000.00 - $9,999.99	5,650	41,116,794	21.5
$10,000.00 - $14,999.99	2,998	36,497,765	19.1
$15,000.00 - $19,999.99	1,483	25,493,134	13.3
$20,000.00 - $24,999.99	854	19,002,684	9.9
$25,000.00 - $29,999.99	418	11,398,380	6.0
$30,000.00 - $34,999.99	244	7,838,776	4.1
$35,000.00 - $39,999.99	139	5,187,570	2.7
$40,000.00 - $44,999.99	97	4,100,002	2.1
$45,000.00 - $49,999.99	67	3,180,145	1.7
$50,000.00 - $54,999.99	50	2,601,098	1.4
$55,000.00 - $59,999.99	42	2,412,998	1.3
$60,000.00 - $64,999.99	28	1,745,541	0.9
$65,000.00 - $69,999.99	20	1,355,920	0.7
$70,000.00 - $74,999.99	19	1,379,765	0.7
$75,000.00 - $79,999.99	22	1,694,775	0.9
$80,000.00 - $84,999.99	16	1,325,174	0.7
$85,000.00 - $89,999.99	7	611,777	0.3
$90,000.00 - $94,999.99	7	642,606	0.3
$95,000.00 - $99,999.99	8	784,159	0.4
More than $100,000.00	37	5,177,188	2.7
Total	18,226	$191,535,266	100.0%

Distribution of the Financed Student Loans by Number of Months Remaining Until Scheduled Maturity (As of the Statistical Cut-off Date)

Number of Months	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
1 to 12	11	$ 4,651	0.0%
13 to 24	19	9,410	0.0
25 to 36	44	59,060	0.0
37 to 48	55	119,192	0.1
49 to 60	72	145,306	0.1
61 to 72	119	330,808	0.2
73 to 84	827	2,617,200	1.4
85 to 96	635	2,157,496	1.1
97 to 108	1,321	5,748,845	3.0
109 to 120	1,612	6,811,418	3.6
121 to 132	585	3,685,670	1.9
133 to 144	3,056	22,689,380	11.8
145 to 156	1,485	12,122,336	6.3
157 to 168	1,067	9,040,928	4.7
169 to 180	1,825	15,362,748	8.0
181 to 192	118	1,509,757	0.8
193 to 204	1,138	15,230,117	8.0
205 to 216	962	14,693,391	7.7
217 to 228	585	9,102,815	4.8
229 to 240	1,211	18,831,144	9.8
241 to 252	18	418,113	0.2
253 to 264	260	6,132,339	3.2
265 to 276	208	6,254,710	3.3
277 to 288	153	3,923,595	2.0
289 to 300	390	9,759,919	5.1
301 to 312	6	225,421	0.1
313 to 324	92	3,191,786	1.7
325 to 336	128	8,263,830	4.3
337 to 348	52	3,260,040	1.7
349 to 360	172	9,833,842	5.1
Total	18,226	$191,535,266	100.0%

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

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

Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Missouri	14,035	$134,825,706	70.4%
Illinois	956	9,329,711	4.9
New York	203	5,936,680	3.1
Kansas	395	4,598,143	2.4
New Jersey	78	3,732,038	1.9
Texas	329	3,511,764	1.8
California	220	3,155,585	1.6
Pennsylvania	75	2,434,596	1.3
Florida	188	2,201,607	1.1
Maryland	62	1,542,046	0.8
Colorado	104	1,290,976	0.7
Arkansas	131	1,282,981	0.7
Ohio	89	1,190,868	0.6
Virginia	82	1,126,893	0.6
Georgia	85	1,126,366	0.6
Tennessee	78	1,008,886	0.5
Arizona	63	982,170	0.5
Oklahoma	92	934,458	0.5
Iowa	88	927,289	0.5
Massachusetts	44	921,565	0.5
North Carolina	71	897,525	0.5
Washington	57	805,764	0.4
Wisconsin	61	777,225	0.4
Indiana	68	774,549	0.4
Nebraska	60	678,939	0.4
Michigan	54	675,570	0.4
Kentucky	56	563,419	0.3
Minnesota	50	448,852	0.2
South Carolina	30	371,567	0.2
Connecticut	22	344,323	0.2
Louisiana	30	272,672	0.1
District of Columbia	19	264,337	0.1
Wyoming	12	236,748	0.1
Nevada	22	232,718	0.1
Alabama	22	195,191	0.1
Montana	18	192,539	0.1
New Hampshire	6	181,484	0.1
Oregon	24	180,582	0.1
Maine	5	128,376	0.1
Mississippi	19	124,100	0.1
Idaho	9	112,062	0.1
New Mexico	11	96,624	0.1
Hawaii	10	81,344	0.0
Alaska	6	80,222	0.0
Utah	14	73,735	0.0
South Dakota	7	53,338	0.0
West Virginia	5	53,306	0.0
Rhode Island	3	48,357	0.0
North Dakota	6	35,519	0.0
Vermont	4	29,504	0.0
Non-United States	18	218,082	0.1
Other	30	246,366	0.1
Total	18,226	$191,535,266	100.0%

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 Balance
PHEAA / AES	15,596	$151,021,184	78.8%
MOHELA	2,630	40,514,082	21.2
Total	18,226	$191,535,266	100.0%

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 Balance
Missouri DHE Student Loan Program	15,242	$151,833,974	79.3%
Pennsylvania Higher Education Assistance Agency	2,954	39,586,482	20.7
Student Loan Guarantee Foundation of Arkansas	6	50,476	0.0
National Student Loan Program	12	41,647	0.0
Great Lakes Higher Education Guaranty Corporation	7	14,417	0.0
Educational Credit Management Corporation	3	5,450	0.0
Texas Guaranteed Student Loan	1	1,772	0.0
United Student Aid Funds, Inc.	1	1,048	0.0
Total	18,226	$191,535,266	100.0%

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 their respective interest rates during each interest accrual period. The initial interest accrual period for the notes begins on the date of issuance and ends on February 24, 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 February 25, 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 applicable rate per annum described below.

The interest rate on the class A-1 notes for each interest accrual period, except for the initial interest accrual period, will be equal to three-month LIBOR plus 0.60%. The interest rate on the class A-2 notes for each interest accrual period, except for the initial interest accrual period, will be equal to three-month LIBOR plus 1.05%. The LIBOR rate for the initial interest accrual period for the class A-1 notes and the class A-2 notes will be calculated by reference to the following formula:

> x + [(a / b * (y-x)] plus (0.60% with respect to the class A-1 notes and 1.05% with respect to the class A-2 notes), as calculated by the Trustee.
> where:
>
> x = three-month LIBOR;
>
> y = four-month LIBOR;
>
> a = 20 (the actual number of days from the maturity date of three-month LIBOR to the first quarterly distribution date); and
>
> b = 28 (the actual number of days from the maturity date of three-month LIBOR to the maturity date of four-month LIBOR).

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

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 the four largest United States banks by total consolidated assets as listed by the Federal Reserve in its most current statistical release on its website with respect thereto, with an office in London. 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 are not providing 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 banks located in St. Louis, Missouri, or the city in which the applicable corporate trust office of the Trustee is located (initially Jacksonville, Florida), or the Federal Reserve Bank, 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 a given class of notes on the respective quarterly distribution date set out in the table below:

Class	Final Maturity Date
A-1	August 25, 2019
A-2	February 25, 2036

The actual dates on which the final distribution on each class of 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 lesser of:

- the principal distribution amount for that quarterly distribution date; and

- funds available for the payment of principal as described below under "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, other than amounts in excess of the specified Reserve Fund balance that are transferred to the Collection Fund, will not be available to make principal payments on the notes except upon their final maturity.

Principal will be paid first on the class A-1 notes until paid in full and second on the class A-2 notes until paid in full.

The term "*Principal Distribution Amount*" means:

- for the February 2010 quarterly distribution date, the amount, if any, by which the sum of the initial Pool Balance and initial amounts on deposit in the Capitalized Interest Fund and the Reserve Fund as of the date of issuance exceeds the Adjusted Pool Balance as of the last day of the related collection period for the February 2010 quarterly distribution date;

- for each quarterly distribution date thereafter, the amount, if any, by which the Adjusted Pool Balance as of the last day of the related collection period for the preceding quarterly distribution date exceeds the Adjusted Pool Balance as of the last day of the related collection period for the current quarterly distribution date; and

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

For this purpose, "Adjusted Pool Balance" means, for any quarterly distribution date, the sum of the Pool Balance, any amounts on deposit in the Capitalized Interest Fund and the specified Reserve Fund balance for that quarterly distribution date.

"Parity Ratio" shall mean, on any quarterly distribution date, (a) the Adjusted Pool Balance (including all accrued interest on the financed student loans) divided by (b) the outstanding principal balance of the notes, after giving effect to distributions to be made on that quarterly distribution date.

"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.

Optional Purchase

The Issuer may, but is not required to, purchase from the trust estate 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 unpaid administration fees and expenses, servicing fees and expenses, trustee fees and expenses and carryover administration and servicing fees.

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 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 through an agent approved by the Issuer or the Initial Owner 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.

The Trustee through an agent approved by the Issuer or the Initial Owner 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. 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 will through an agent approved by the Issuer or the Initial Owner, only at the written direction of the Issuer, 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. 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, except withdrawals payable to the Issuer, will be distributed as accelerated 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 a class of notes and the yield on a class of 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 a class of notes will occur prior to the final maturity date of that class of notes. Accordingly, in the event that the financed student loans experience significant prepayments, the actual final payments on a class of notes may occur substantially before its final maturity date, causing a shortening of the weighted average life of that class of 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 (or substitute a similar student loan) any financed student loan that ceases to be guaranteed (and a guarantee claim is not paid by a guaranty agency) 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 a class of notes and the yield on such 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 a class of 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 and other funds contributed by the Issuer;

- 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, 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 (as defined in the Indenture) at the direction of the Issuer. 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 shall be transferred by the Issuer to the 2005 Indenture Trustee under the 2005 Indenture and shall be used by the 2005 Indenture Trustee, together with other available funds, to redeem and cancel all of the bonds outstanding thereunder. The cash and assets transferred from the 2005 Indenture, together with the proceeds from the sale of the notes not transferred to the 2005 Indenture Trustee and certain funds available to the Issuer, will then be used to make the initial deposits to the Acquisition Fund, the Capitalized Interest Fund, the Collection Fund and the Reserve Fund described below.

Acquisition Fund; Purchase of Student Loans

FFELP student loans and accrued interest thereon will be deposited into the Acquisition Fund on the date of issuance. An estimate of the amount of FFELP student loans to be deposited into the Acquisition Fund on the date of issuance is set forth under "USE OF PROCEEDS." Money on deposit in the Acquisition Fund may be used to pay the costs of issuance and, on any quarterly distribution date or monthly payment date, to the extent that money in the Collection Fund is not sufficient (and that there are insufficient funds available in the Capitalized Interest Fund) to pay certain of the Issuer's operating expenses, including amounts owed to the U.S. Department of Education, the guaranty agencies, or under any applicable joint sharing agreement, 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 Acquisition Fund to the Collection Fund. All funds remaining on deposit in the Acquisition Fund will be transferred to the Collection Fund on the February 2010 quarterly distribution date. Student loans deposited in or acquired with funds deposited in the Acquisition Fund that are pledged to the trust estate 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 obligations of the Issuer described herein, all of the student loans to be deposited in or acquired with funds 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 $484,209, 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 certain of the Issuer's operating expenses, including amounts owed to the U.S. Department of Education, the guaranty agencies, or under any applicable joint sharing agreement, 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 or the Acquisition 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 0.25% of the Pool Balance as of the close of business on the last day of the related collection period; and (b) 0.15% of the Initial Pool Balance, or such lesser amount as may be agreed to by the rating agencies as evidenced by a rating confirmation.

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

Capitalized Interest Fund

On the date of issuance, approximately $1,944,584 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, to the guaranty agencies, or under any applicable joint sharing agreement, administration fees and expenses, servicing fees and expenses, trustee fees and expenses 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 Acquisition Fund or 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 August 2011 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. 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. If the Issuer believes that it is required to make any such payment, the Issuer will direct the Trustee in writing 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 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

The Trustee will credit to the Collection Fund all revenues derived from financed student loans; all proceeds of any sale of financed student loans; any amounts transferred from the Acquisition Fund, 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. The Administrator will also receive the carryover administration and servicing fees, if any, in the amounts and subject to the conditions set forth in the definition thereof included in "GLOSSARY OF TERMS" herein. 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 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. 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;

- to make any payments required under any applicable joint sharing agreement;
- 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 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 of each class, to pay interest due on such notes, on a *pro rata* basis;
- to the Reserve Fund, the amount, if any, necessary to restore the Reserve Fund to the specified Reserve Fund balance;
- to pay to the noteholders, the principal distribution amount in the following order:
    - to the class A-1 noteholders until the outstanding principal balance on the class A-1 notes is paid in full; and
    - to the class A-2 noteholders until the outstanding principal balance on the class A-2 notes is paid in full;
- to the Administrator (initially the Issuer), any accrued and unpaid carryover administration and servicing fees; and

- to pay as accelerated payments of principal to the noteholders in the same order and priority as specified with respect to the allocation of the principal distribution amount to the notes above until they 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, payments of principal and interest on the notes will be made, without preference or priority of any kind, until the notes are repaid 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 either principal or interest 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 Placement Agent 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 Placement Agent 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 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 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 "—Federal Income Tax Consequences"). 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."

SUMMARY OF THE INDENTURE PROVISIONS

The Issuer will issue the notes pursuant to the Indenture by and between the Issuer and Wells Fargo Bank, National Association, as Trustee. Under the Indenture, the Trustee will act as trustee for the benefit of and to protect the interests of the noteholders and will act as paying agent for the notes. Subject to the terms of the Indenture, the Trustee will act on behalf of the noteholders and represent their interests in the exercise of its rights under the Indenture.

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, 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.

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, and the collective aggregate principal balance of all such sales does not exceed $9,000,000.

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 at the Issuer's expense in any jurisdiction necessary to maintain the security interest granted by the Issuer under the Indenture. The Trustee will engage a third-party agent to prepare and file any such continuation statements, and the fees and expenses of third party agents engaged by the Trustee to complete and file continuation statements and related documents will be paid by the Issuer.

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 from the Issuer 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 each class of 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, and as a result thereof, a guarantee claim with respect to such financed student loan is rejected by the applicable guaranty agency 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 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 (excluding such due diligence failure).

The Issuer covenants to maintain a Backup Servicing Agreement, and covenants that PHEAA will not be replaced as a Servicer or as a party to the Backup Servicing Agreement unless the replacement therefor is an additional approved servicer.

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, 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; and

- 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.

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.

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 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, and, at the written direction and expense of the registered owners of at least a majority of the principal amount of the notes outstanding, will 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;

SECOND, to the Trustee and any third party agents appointed under the Indenture, for any trustee fees 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 of each class for amounts due and unpaid on each class of the notes for interest, ratably, without preference or priority of any kind, according to the amounts due and payable on each class of 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;

SIXTH, to each Servicer, for any servicing fees unpaid by the Administrator as servicing fees constituting part of carryover administration and servicing fees; and

SEVENTH, to the Issuer.

Sale of Trust Estate. Upon the happening of any event of default and if the principal of all of the outstanding notes 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 to the highest bidder in accordance with the requirements of applicable law. In addition, 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 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.

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, 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 only 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 payment of all expenses to which it may be put and to protect it against liability arising from any action taken by the Trustee.

- No provision of the Indenture will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

    - this does not limit the effect of the first and second bullet points above;

    - the Trustee will not be liable for any error of judgment made in good faith by an employee or officer of the Trustee with responsibility for administering the Indenture, unless the Trustee was negligent in ascertaining the pertinent facts;

    - the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the registered owners of a majority in aggregate principal amount of the notes then outstanding, regarding the exercise of any remedies available to the Trustee or exercising any trust or power conferred upon the Trustee under the Indenture; and

    - no provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of any of its rights or powers.

    - Whether or not expressly provided in other sections of this Offering Memorandum, every provision of the Indenture (including the provisions described herein) relating to the conduct or affecting the liability of or affording protection to the Trustee will be subject to the provisions in the Indenture (summarized in this section of the Offering Memorandum).

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, its agents or attorneys 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 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 written 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, with or without assurance of reimbursement or indemnity. In that case, the Trustee will be promptly 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, agents' 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 and its agents, directors and employees harmless against, any loss, liability, fees 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, its agents, directors and employees

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. The Issuer will indemnify and hold harmless the Trustee, its agents, directors and employees 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. These indemnification provisions survive the resignation or removal of the Trustee.

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 (except as otherwise set forth below):

- to cure any ambiguity or formal defect or omission in the Indenture, but only with the consent of the Initial Owner;
- 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 modify the list of additional approved servicers with rating confirmation and the consent of the Initial Owner;

- 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 but only with consent of the Initial Owner; 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 which may be based on an opinion of counsel, is not materially adverse to the registered owners of any notes outstanding under the Indenture but only with the consent of the Initial Owner.

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.

All amendments or supplements to the Indenture will require the delivery to the Trustee of an opinion of counsel and a certificate of an authorized representative of the Issuer stating that the execution of such amendment or supplement is authorized or permitted by the Indenture. The Trustee will be fully protected in relying upon such opinion and certificate.

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.

Consent of Initial Owner; Consent of Registered Owners

Whenever in this Offering Memorandum a rating confirmation is required for any action to be taken, the written consent of the Initial Owner will also be required. All such consent, approval, direction or control rights to the Initial Owner shall no longer apply if the Issuer has determined and an authorized officer of the Issuer has certified to the Trustee that the Initial Owner together with its affiliates are not the registered owners or beneficial owners of at least a majority in outstanding principal amount of the notes. The "Initial Owner" means the investor that is expected to acquire approximately $100,000,000 of the notes on the date of issuance pursuant to a note purchase agreement with the Issuer dated as of November 3, 2009, but only at such times as such investor, and/or any of its affiliates, are the registered owners or beneficial owners of at least a majority in outstanding principal amount of the notes.

Furthermore, whenever in this Offering Memorandum a rating confirmation is required for any action to be taken, to the extent that all of the rating agencies then rating the notes have provided notification that they will no longer provide rating confirmations for proposed actions, failures to act or other events in student loan financing transactions and the consent of the Initial Owner is not required (because the definition of the Initial Owner is not at the time applicable), the taking of such action will require the written consent of the registered owners of not less than a majority of the collective aggregate principal amount of the notes then outstanding.

CREDIT ENHANCEMENT

Credit enhancement for the notes includes overcollateralization, cash on deposit in the Capitalized Interest Fund and cash on deposit in the Reserve Fund. The sequential payment of principal on the notes (other than in an event of default) will provide a certain amount of credit support to the notes with shorter maturities (lower numerical designation).

As described in "USE OF PROCEEDS," on the date of issuance, certain of the proceeds from the sale of the notes will be transferred to the 2005 Indenture Trustee under the 2005 Indenture and shall be used by the 2005 Indenture Trustee, together with other available funds, to redeem and cancel all of the bonds outstanding thereunder. Assets released from the 2005 Indenture, together with the proceeds from the sale of the notes not transferred to the 2005 Indenture Trustee and other funds available to the Issuer, will be deposited by the Issuer to the credit of the Acquisition Fund, the Reserve Fund and the Capitalized Interest Fund.

On the date of issuance, deposits in the amounts of approximately $1,944,584 and $484,209 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 Acquisition Fund, the Capitalized Interest Fund, the Collection 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 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.

Except in the case of an event of default, the payment of principal on the notes will be sequential, with the class A-1 notes receiving principal payments before the class A-2 notes. Consequently, holders of notes with shorter maturities (with a lower numerical designation) are provided with some credit support from the notes with longer maturities, and the notes with longer maturities may bear a greater 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 Placement Agent, 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 or holding 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 Placement Agent, 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, a Plan or with Plan Assets, 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 or Placement Agent 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 Kutak Rock, LLP, as tax counsel to the Issuer. 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 (the "Code"). **Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of 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, Kutak Rock LLP 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 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. 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 he 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 his 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

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 of any series 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.

Missouri Income Tax

Interest on the notes is exempt from income taxation by the State of Missouri. The State of Missouri imposes a franchise tax on certain financial institutions, including banks and trust companies, determined on the basis of net income, subject to certain adjustments, as provide in Chapter 148 of the Missouri Revised Statutes. The statute provides that "net income" includes interest on obligations issued by any state or political subdivision thereof. Tax counsel to the Issuer offers no opinion with regard to the treatment of the notes and the interest thereon for purposes of this franchise tax.

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.mohela.com. The website is not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a Placement Agreement between the Issuer and Morgan Stanley & Co. Incorporated (the "Placement Agent"), the Placement Agent has agreed to solicit offers to purchase the notes at par.

There is no assurance that the prices at which the notes will sell in the market after this offering will not be lower or higher than the initial offering price. The notes are a new issue of securities with no established trading market, and it is not expected that such a market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment.

Consequently, investors should be aware that they may be required to bear the financial risks of an investment in the notes for an indefinite period of time.

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

LEGAL PROCEEDINGS

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.

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, Kutak Rock LLP. Kutak Rock LLP has represented the Issuer as its special counsel in connection with the preparation of this Offering Memorandum. Certain legal matters will be passed upon for the Issuer by its special counsel, Thompson Coburn LLP, St. Louis, Missouri.

RATINGS

It is a condition to the issuance of the notes that they be rated by two nationally recognized statistical rating organizations, Standard & Poor 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. 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 Placement Agent 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.

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.

"*Additional Approved Servicer*" means SLM Corp. (Sallie Mae), Pennsylvania Higher Education Assistance Agency (PHEAA), Affiliated Computer Services (ACS) and Great Lakes Higher Education Corporation as such list may be amended from time to time at the written request of the Initial Owner or the Issuer with rating confirmation in accordance with the procedures set forth in the Indenture.

"*Administrator*" means the Issuer or any successor to the Issuer performing the administrative duties of the Issuer under the Indenture.

"*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.

"*Carryover Administration and Servicing Fee"* means the sum of (a) the amount of specified increases in the costs incurred by the Servicers or the Administrator; (b) the amount of any conversion, transfer and removal fees; (c) any amounts referenced in clauses (a) or (b) that remain unpaid after prior monthly payment dates or quarterly distribution dates, as applicable and (d) interest thereon at a rate of three-month LIBOR. The Carryover Administration and Servicing Fees will be subject to increase by the Issuer or the Administrator and agreed to by the Servicer and the Initial Owner to the extent that a demonstrable and material increase occurs in the costs incurred by the Administrator or a Servicer in providing the services to be provided under this Indenture or the applicable Servicing Agreement, whether due to changes in the Higher Education Act, Regulations or other applicable governmental regulations, guaranty agency program requirements or regulations, or postal rates. For the avoidance of doubt, the amounts payable pursuant to clauses (a) and (b) of this definition shall be zero on the date of issuance and may only be increased with the consent of the Initial Owner pursuant to the immediately preceding sentence.

"*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 January 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 and guaranteed 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; 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., a corporation organized and existing under the laws of the State of Delaware, its 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.

"*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.

"*Noteholder*" shall mean, (a) with respect to a book-entry note, the person who is the owner of such book-entry Note, as reflected on the books of the clearing agency, or on the books of a person maintaining an account with such clearing agency (directly as a clearing agency participant or as an indirect participant, in each case in accordance with the rules of such clearing agency); and (b) with

respect to notes held in definitive form, the person in whose name a note is registered in the note registration books of the Trustee.

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

"*Rating Agency*" shall mean each of Fitch and S&P 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*" means 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 not 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 the action proposed to be taken by the Issuer 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 not 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.

"*Registered Owner*" shall mean any Noteholder, unless the context otherwise requires.

"*S&P*" shall mean Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc., its successors and assigns.

"*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 the Issuer, Pennsylvania Higher Education Assistance Agency, and any other additional and any other Additional Approved Servicer with which the Issuer has entered into a Servicing Agreement, so long as the Issuer obtains a rating confirmation 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

The Higher Education Act provides for several different educational loan programs (collectively, "Federal Family Education Loans" or "FFELP Loans" and, the program with respect thereto, the "Federal Family Education Loan Program" or "FFEL Program"). Under these programs, 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, including several amendments that have changed the terms of and eligibility requirements for the FFELP Loans. Generally, this Offering Memorandum describes only the provisions of the Federal Family Education Loan Program that apply to loans made on or after July 1, 1998. The Higher Education Act is currently subject to reauthorization. During that process, proposed amendments to the Higher Education Act are common and numerous such bills and proposals have recently been introduced and/or passed by Congress.

The availability of various federal payments in connection with the FFEL Program is subject to federal budgetary appropriation. In recent years, federal budgetary legislation has been enacted which has provided, subject to certain conditions, for the mandatory curtailment of certain federal budget expenditures, including expenditures in connection with the FFEL Program and the recovery of certain advances previously made by the federal government to state Guaranty Agencies in order to achieve certain deficit reduction guidelines. For example, President Obama proposed a budget under which the FFEL Program would be eliminated in favor of the Federal Direct Student Loan Program (the "Direct Loan Program"). On April 29, 2009, Congress approved a $3.5 trillion budget that included reconciliation instructions directing the House Education and Labor committee and the Senate Health, Education, Labor and Pensions committee to report recommendations on or before October 15, 2009 to reduce the federal budget deficit by $1 billion for fiscal years 2009 through 2014. 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"). On September 22, 2009, the United States Senate referred SAFRA to its Committee on Health, Education, Labor and Pensions. If President Obama's education budget proposals are realized during the reconciliation and appropriation processes to follow in Congress, or if SAFRA is enacted in the form adopted by the United States House of Representatives, then FFELP Loans made pursuant to the Higher Education Act would cease to be originated and acquired by the Issuer and would be originated solely under the Direct Loan Program beginning on July 1, 2010.

General legislation also affects the availability of various federal payments in connection with the FFEL Program. For example, Congress passed, and former President Bush signed into law, the College Cost Reduction and Access Act of 2007 in September 2007, cutting more than $20 billion from the FFEL Program.

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 has 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.

Further, on August 14, 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 (previously, the Secretary's authority extended through September 30, 2012), (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 (previously, there was authority only through September 30, 2012), (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 bill.

As described above, on September 17, 2009, the United States House of Representatives adopted SAFRA. On September 22, 2009, the United States Senate referred SAFRA to its Committee on Health, Education, Labor and Pensions. If SAFRA is enacted in the form adopted by the United States House of Representatives, then FFELP Loans made pursuant to the Higher Education Act would cease to be originated and acquired by the Issuer and would be originated solely under the Direct Loan Program beginning on July 1, 2010.

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.

Federal Family Education Loans

Several types of loans are currently 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 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

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. Provisions addressing the implementation of need analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan program funding have been the subject of frequent and extensive amendment in recent years. There can be no assurance that further amendment to such provisions will not materially affect the availability of Subsidized Stafford Loan funding to borrowers or the availability of Subsidized Stafford Loans for secondary market acquisition.

Unsubsidized Stafford Loans

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 currently expires on September 30,

2014. 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. 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.

The first loans under the Direct Loan Program were made available for the 1994-1995 academic year, and the Higher Education Act provided for phase-in goals through the 1998-1999 academic year, at which time Direct Loans were to have represented 60% of new student loan volume under the Higher Education Act (excluding Consolidation Loans). However, the size of the Direct Loan Program did not reach the 60% goal for the 1998-1999 academic year. Recent estimates of the size of the Direct Loan Program similarly show that the program's size is well below any 60% goal; rather, FFEL Program loans accounted for approximately 63% of all new student loan volume in 2008 while Direct Loan Program loans accounted for approximately 15% of all new student loan volume in 2008. Although the 60% new student loan volume goal set for the Direct Loan Program has not yet been achieved, the volume of loans made under the FFEL Program has been reduced since the federal government began disbursing loans under the Direct Loan Program. Furthermore, given the withdrawals of some lenders from the FFEL Program, President Obama's 2010 federal budget proposals to eliminate FFEL Program subsidies while expanding the scope of the Direct Loan Program may continue to grow and have a greater impact on the future volume of loans made under the FFEL Program. Additionally, if SAFRA is enacted in the form adopted by the United States House of Representatives, then FFELP loans made pursuant to the Higher Education Act would cease to be originated and acquired by the Issuer and would be originated solely under the FDSL Program beginning on July 1, 2010.

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 but before July 1, 2012 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. Subsidized Stafford Loans made on or after July 1, 2010 but before July 1, 2011 will bear interest at a rate equal to 4.50% per annum. Subsidized Stafford Loans made on or after July 1, 2011 but before July 1, 2012 will bear interest at a rate equal to 3.40% per annum. Subsidized Stafford Loans made on or after July 1, 2012 revert to a 6.80% per annum fixed rate.

Unsubsidized Stafford Loans made on or after July 1, 2006 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 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 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 of 1940 – 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 such loans (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. 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), 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	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.34% [3]
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.94% [4]
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender 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	Three Month Commercial Paper Rate less Applicable Interest Rate +2.64%
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 1.94%
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender 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	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.64%
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	Three Month Commercial Paper Rate less Applicable Interest Rate + 2.24%
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender 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, 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, 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; 0.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 0.00% of the principal amount of the loan for loans disbursed on or after 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, 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; 97% for loans first disbursed on or after July 1, 2006 but before October 1, 2012; and 95% for loans first disbursed on or after October 1, 2012) 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** [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, 97% for loans in default made on or after July 1, 2006 but prior to October 1, 2012, and 95% for loans disbursed on or after October 1, 2012. 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, 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, 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 expires 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).

2009-2010 Academic Year Purchase of Participation Interests Program. 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 is developing 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 became the first issuers to issue commercial paper through the Straight-A Funding, LLC conduit provider.

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. 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. 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.

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. The Secretary has been ordered to develop standards detailing the qualifications necessary to participate in the lender-of-last-resort program; such standards may include a requirement that the institution show that it has been unable to secure commitments from eligible lenders for a significant number of its students and a requirement that the institution demonstrate that it has met a minimum threshold, as determined by the Secretary, for the number or percentage of students at the institution who have been rejected by eligible lenders of FFELP Loans.

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 DTC 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

FINANCIAL STATEMENTS OF THE ISSUER FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008