SUPPLEMENT DATED JULY 18, 2011
TO THE OFFERING MEMORANDUM DATED JULY 7, 2011

Higher Education Loan Authority of the State of Missouri (the "Issuer")
$576,800,000 Student Loan Asset-Backed Notes, Series 2011-1 (LIBOR Floating Rate Notes)

The following information supplements the Issuer's Offering Memorandum, dated July 7, 2011 (the "Offering Memorandum"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Offering Memorandum.

As a result of the ongoing political debate regarding raising the debt ceiling of the United States of America and stalemate with respect to attempts at deficit reduction, S&P and Moody's Investors Service, Inc. have each recently placed both the long-term and short-term sovereign credit ratings assigned to the United States of America on credit watch with negative implications for downgrade. The above-captioned notes of the Issuer will be secured by the trust estate including the financed student loans, which consist of a pool of student loans originated under the Federal Family Education Loan Program (the "FFEL Program"). As such, the financed student loans are eligible to receive certain federal benefits, such as special allowance payments and interest subsidies, and the guarantee agencies for the financed student loans receive reinsurance benefits to certain levels for guarantee payments that they make, and other federal benefits.

S&P has issued a separate media release concerning affected ratings in the funds, government-related entities, financial institutions, insurance companies, public finance and structured finance sectors. Such release indicated that all student loan securitizations backed fully or partially by loans originated under the FFEL Program, including bonds and notes of the Issuer, were also placed on credit watch with negative implications. Accordingly, the ratings to be assigned on the notes by S&P (expected to be "AAA (sf)") are expected to include a credit watch with negative implications designation as of the date of issuance.

While Fitch has not formally placed the sovereign credit ratings of the United States of America on credit watch, it may do so in the future. Accordingly, it is possible that the ratings to be assigned on the notes by Fitch (expected to be "AAA") may include a negative credit watch or similar designation on the date of issuance or at some time thereafter.

This supplement should be retained with the Offering Memorandum for future reference.

OFFERING MEMORANDUM

$576,800,000
Student Loan Asset-Backed Notes, Series 2011-1
(LIBOR Floating Rate Notes)

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 $576,800,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2011-1 (LIBOR Floating Rate Notes) (the "notes") as 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]
$576,800,000	3-Month LIBOR plus 0.85%	99.1687%	$572,005,062	June 25, 2036	AAA (sf) / AAA

[1] See the caption "RATINGS" herein.

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

The notes will receive quarterly distributions of principal and interest on the twenty-fifth day (or the next business day if it is not a business day) of each March, June, September and December as described in this Offering Memorandum, beginning December 27, 2011.

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

Investors should consider carefully the "RISK FACTORS" beginning on page 13 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. The Issuer does not have taxing power.

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

The notes are being offered through the underwriter named below (the "Underwriter"), subject to prior sale and to the right of the Issuer or the Underwriter 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 July 19, 2011.

Morgan Stanley

July 7, 2011

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Underwriter 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 Underwriter to inform themselves about and to observe any such restrictions. This Offering Memorandum has been prepared by the Issuer solely for use in connection with the proposed offering of the notes described herein.

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter 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 Underwriter. 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 Underwriter 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 Underwriter 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 Underwriter has provided the following sentence for inclusion within this Offering Memorandum. The Underwriter 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 Underwriter 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.

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

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 resulting from the termination of the Federal Family Education Loan Program;
- 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

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SUMMARY OF TERMS

The following summary is a general overview of the terms of the notes and does not contain all of the information that you need to consider in making your investment decision. Before deciding to purchase the notes, you should consider the more detailed information appearing elsewhere in this Offering Memorandum.

References in this Offering Memorandum to the "Issuer" refer to the 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

- U.S. Bank National Association (the "Trustee")

Backup Servicer

- Pennsylvania Higher Education Assistance Agency

Distribution Dates

Distribution dates for the notes will be the twenty-fifth day of each March, June, September and December, or, if not a business day, the next business day, as described in this Offering Memorandum, beginning December 27, 2011. These dates are sometimes referred to herein as "quarterly distribution dates." The calculation date for each quarterly distribution date generally will be the second business day before such quarterly distribution date with respect to information calculated by the Trustee (or the second business day after its receipt of information calculated by the Issuer if later). The Issuer is required to provide certain information to the Trustee on the fourth business day before each quarterly distribution date.

Certain fees and expenses of the trust estate established under the hereinafter described Indenture (such as the servicing fees and senior 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.

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 November 30, 2011.

Interest Accrual Periods

The initial interest accrual period for the notes begins on the date of issuance and ends on December 26, 2011. 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 any student loans pledged to the Trustee by the Issuer under the Indenture is the date of such pledge. The student loans pledged by the Issuer to the Trustee under the Indenture and not released from the lien thereof are sometimes referred to herein as the "financed student loans."

The information presented in this Offering Memorandum under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" relating to the student loans the Issuer expects to pledge to the Trustee is as of May 31, 2011, which is referred to as the "statistical cut-off date." The Issuer believes that the characteristics of the pool of student loans described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" is representative of the pool of student loans that will ultimately be pledged to the Trustee under the Indenture by the expiration of the Acquisition Period.

Date of Issuance

The date of issuance for this offering is expected to be on or about July 19, 2011.

Description of the Notes

General

The Higher Education Loan Authority of the State of Missouri is offering $576,800,000 of its student loan asset-backed notes, Series 2011-1 (LIBOR floating rate notes). The notes are debt obligations of the Issuer and will be issued pursuant to an indenture of trust (the "Indenture") between the Issuer and the Trustee. The notes will receive payments primarily from collections on a pool of student loans held by the Issuer and pledged to the Trustee under the Indenture.

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

Interest on the Notes

The notes will bear interest, except for the initial interest accrual period, at an annual rate equal to three-month LIBOR plus 0.85%.

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

$x + [(a / b * (y-x)]$ plus (0.85%), as calculated by the Trustee.
where:

x = five-month LIBOR;

y = six-month LIBOR;

a = 8 (the actual number of days from the maturity date of five-month LIBOR to the first quarterly distribution date); and

b = 31 (the actual number of days from the maturity date of five-month LIBOR to the maturity date of six-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 on the notes until paid in full.

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

- for the December 2011 quarterly distribution date, the amount, if any, by which the sum of (i) the Pool Balance at the end of the Acquisition Period (as defined herein) (the "Initial Pool Balance") plus any moneys transferred from the Acquisition Fund to the Collection Fund at the end of the Acquisition Period and (ii) 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 for the December 2011 quarterly distribution date;
- for each quarterly distribution date thereafter, the amount, if any, by which the Adjusted Pool Balance for the preceding quarterly distribution date exceeds the Adjusted Pool Balance for the current quarterly distribution date; and
- on the final maturity date for the notes, the amount necessary to reduce the aggregate principal balance of the notes to zero.

"*Adjusted Pool Balance*" means, for any quarterly distribution date, the sum of the Pool Balance plus any amounts on deposit in the Capitalized Interest Fund and the Reserve Fund, in each case as of the last day of the collection period for 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 Issuer through that date from purchases of financed student loans from the lien of the Indenture;
- all liquidation proceeds and realized losses on the financed student loans through that date;
- the amount of any adjustment to balances of the financed student loans that a Servicer makes (under its servicing agreement, if applicable) through that date; and
- the amount by which guaranty agency reimbursements of principal on defaulted student loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

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

In addition to the principal payments described above, any money remaining in the Collection Fund after payment of interest and principal distribution amounts on the notes and the Issuer's operating expenses will be used to make additional payments of principal on the notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" in this Offering Memorandum.

Final Maturity

The notes are due and payable in full on the June 2036 quarterly distribution date.

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

- there are prepayments on the financed student loans;
- additional payments of principal to pay the notes in full prior to maturity are made from money available in the Collection Fund;
- the Issuer exercises its option to purchase all of the student loans remaining in the trust estate established under the Indenture from the lien of the Indenture (which will not occur until a date when the Pool Balance is 10% or less of the Initial Pool Balance); or
- the Trustee auctions all of the remaining financed student loans (which, absent an event of default, will not occur until a date when the Pool Balance is 10% or less of the Initial Pool Balance).

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 or insured pursuant to the Higher Education Act.

As described under "USE OF PROCEEDS," certain of the proceeds from the sale of the notes will be used to make the initial deposits to the Capitalized Interest Fund and the Reserve Fund and a portion of the initial deposit to the Acquisition Fund described below (the remaining deposit to the Acquisition Fund will be a contribution by the Issuer). Certain of the amounts deposited into the Acquisition Fund will be used to finance the pool of Federal Family Education Loan Program ("FFELP") loans described in (and as may be modified as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," which will be (a) acquired from the Issuer's general fund; (b) released to the Trustee from the 2008 Indenture (as hereafter defined) in connection with the defeasance of the 2008 Indenture and the redemption of all of the bonds outstanding thereunder with a portion of the proceeds from the sale of the notes as described under "USE OF PROCEEDS"; or (c) purchased from unaffiliated third-party sellers. Such FFELP loans will be deposited into the Acquisition Fund. The Issuer expects to purchase or acquire the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" within ten days of the date of issuance. For a period from the date of issuance to and including the date that is 30 days after the date of issuance (the "Acquisition Period"), any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS." All funds remaining on deposit in the Acquisition Fund at the end of the Acquisition Period will be transferred to the Collection Fund and applied on the December 2011 quarterly distribution date. See "USE OF PROCEEDS."

The only sources of funds for payment of the notes issued under the Indenture are the financed student loans and investments pledged to the Trustee and the payments the Issuer receives on those financed student loans and investments. On the date of issuance, the Pool Balance, plus amounts on deposit in the Acquisition Fund (other than amounts expected to be used to pay costs of issuance), the Capitalized Interest Fund and the Reserve Fund, will be approximately 103.89% of the aggregate principal amount of the notes. See "USE OF PROCEEDS" herein.

The Trust Estate Assets

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

- the student loans originated under the Federal Family Education Loan Program ("FFELP" or "FFEL Program") acquired into the Acquisition Fund;
- collections and other payments received on account of the financed student loans; and
- money and investments held in funds created under the Indenture, including the Acquisition Fund, the Capitalized Interest Fund, the Collection Fund, the Department Rebate Fund and the Reserve Fund.

The Issuer has originated or acquired the student loans to be pledged under the Indenture in the ordinary course of its student loan financing business. All of the student loans pledged to the Trustee under the Indenture will be, as of the time of such pledge, guaranteed by a guaranty agency and reinsured by the U.S. Department of Education (sometimes referred to herein as the "Department of Education"). See "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 established under the Indenture. For example, in limited circumstances described herein, the Issuer or a Servicer may be required to purchase a financed student loan out of the trust estate or replace such financed student loan. See "SUMMARY OF THE INDENTURE PROVISIONS—Sale of Financed Student Loans."

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

The Acquisition Fund

FFELP loans and cash will be deposited into the Acquisition Fund on the date of issuance. An estimate of the amount of FFELP loans and cash to be deposited in the Acquisition Fund on or about the date of issuance is set forth under "USE OF PROCEEDS." Funds on deposit in the Acquisition Fund will be used to purchase or acquire the pool of FFELP loans described in (and as may be modified as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOANS." The Issuer expects to purchase or acquire the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" within ten days of the date of issuance, and with respect to all such FFELP loans to be purchased from third-party sellers will have executed binding contracts on the date of issuance entitling it to purchase all such FFELP loans. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS." Funds on deposit in the Acquisition Fund may also be used to pay the costs of issuance and certain other payments or amounts described under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Acquisition Fund; Purchase of Student Loans."

All funds remaining on deposit in the Acquisition Fund at the end of the Acquisition Period will be transferred to the Collection Fund and applied on the December 2011 quarterly distribution date. Except for (a) acquisitions or purchases of FFELP loans described above, (b) any substitutions of financed student loans to be made by the Issuer as described under "ACQUISITION OF THE FINANCED STUDENT LOANS" or (c) any acquisition of student loans that were previously financed student loans back from a guaranty agency or a servicer as described under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds," there will be no subsequent acquisitions of or recycling of student loans into the trust estate.

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, amounts received under any joint sharing agreement and all amounts transferred from the Capitalized Interest Fund, the Department Rebate Fund, the Acquisition Fund and the Reserve Fund. Money on deposit in the Collection Fund will be used to make any required payments under any applicable joint sharing agreement or to otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, to make any required payments to the Department of Education and the guaranty agencies and to pay the Issuer's operating expenses (which include senior administration fees, servicing fees, subordinate administration fees, carryover servicing fees and trustee fees) and interest and principal on the notes. See the captions "—Flow of Funds," "FEES AND EXPENSES" and "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds."

The Capitalized Interest Fund

Approximately $5,918,280, which is approximately 1.00% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized) expected to be acquired by the Issuer by the expiration of the Acquisition Period, will be deposited into the Capitalized Interest Fund on the date of issuance. If on any monthly payment date or quarterly distribution date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the Department of Education and to the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay senior 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 PAYMENT 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 approximately $1,479,570, which is approximately 0.25% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized) expected to be acquired by the Issuer by the expiration of the Acquisition Period. The Reserve Fund is to be maintained at an amount equal to the greater of (a) 0.25% of the Pool Balance as of the last day of the related collection period, and (b) 0.15% of the Initial Pool Balance. On each quarterly distribution date or monthly payment date, to the extent that money in the Collection Fund is not sufficient to pay amounts owed to the Department of

Education and to the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay senior 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 "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds." Funds on deposit in the Reserve Fund in excess of the specified Reserve Fund balance will be transferred to the Collection Fund and will be applied as described under the caption "—Flow of Funds" below and under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds." Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes or (b) on any quarterly distribution date (after giving effect to all payments of principal made from the Collection Fund on such quarterly distribution date) when the market value of securities and cash in the Reserve Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

Department Rebate Fund

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

Characteristics of the Student Loan Portfolio

The Issuer will pledge to the Trustee under the Indenture a portfolio of student loans originated under the FFELP, having, as of the statistical cut-off date, an aggregate outstanding principal balance of approximately $571,739,414 (which does not include total accrued interest of approximately $13,996,262, of which approximately $11,473,473 is expected to be capitalized). As of the statistical cut-off date (and based on the outstanding principal balances of the financed student loans as of such date), the weighted average annual borrower interest rate of the student loans expected to be pledged to the Trustee (excluding special allowance payments) was approximately 4.674% and their weighted average remaining term to scheduled maturity was approximately 140 months. The portfolio of student loans expected to be pledged by the Issuer to the Trustee is described more fully below under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

In the event that the principal amount of student loans required to provide collateral for the notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain a rating on the notes in the highest long-term rating category of each rating agency that will rate the notes, the pricing of the interest rate on the notes, the principal amount of notes to be offered, the rate of amortization or prepayment on the portfolio of student loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of student loans to be pledged to the Trustee may consist of a subset of the pool of student loans described herein or may include additional student loans not described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

In addition to the acquisition or purchase of the pool of FFELP loans described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" (as may be modified as described therein), expected to occur within ten days from the date of issuance, during the Acquisition Period, any available funds on deposit in the Acquisition Fund after giving effect to the purchase or acquisition of such FFELP loans may be used to acquire or purchase additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

The information as of the statistical cut-off date set forth under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" is with respect to student loans expected to be pledged to the Trustee under the Indenture. The Issuer believes that the characteristics of the pool of student loans described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" is representative of the pool of student loans that will ultimately be pledged to the Trustee under the Indenture by the expiration of the Acquisition Period.

Flow of Funds

Servicing fees and senior administration fees will be paid to the Administrator (initially the Issuer) on each monthly payment date from money available in the Collection Fund. The subordinate administration fee will be paid to the Administrator (initially the Issuer) on each quarterly distribution date from amounts available in the Collection Fund. The amounts payable as described in clauses *second, third, fourth* and *eighth* below are specified under the caption "FEES AND EXPENSES" hereunder. Carryover servicing fees in clause *ninth* below are initially $0.00 and may only be increased to the extent permitted by the Indenture. The Administrator will be responsible for paying when due any fees or expenses owed to the Servicers. In addition, each month money available in the Collection Fund will be used to pay amounts due with respect to the financed student loans to the U.S. Department of Education and to the guaranty agencies, to make any payments required under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, to repurchase financed student loans in the limited circumstances described in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds" and to transfer amounts required to be deposited into the Department Rebate Fund. On each quarterly distribution date, prior to an event of default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available, as set forth in the following chart:

COLLECTION FUND

First — (To make any payments required under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans)

Second — Trustee
(Trustee fees and any prior unpaid trustee fees)

Third — Administrator (initially the Issuer)
(Servicing fees and any prior unpaid servicing fees)

Fourth — Administrator (initially the Issuer)
(Senior administration fees and any prior unpaid senior administration fees)

Fifth — Noteholders
(Interest on the notes)

Sixth — Reserve Fund
(Amounts necessary to restore the Reserve Fund to the specified Reserve Fund balance)

Seventh — Noteholders
(Principal payments (in the amount of the Principal Distribution Amount) will be allocated to provide for the payment of the notes)

Eighth — Administrator (initially the Issuer)
(Subordinate administration fees and any prior unpaid subordinate administration fees)

Ninth — Administrator (initially the Issuer)
(Any unpaid carryover servicing fees)

Tenth — Noteholders
(To pay as additional payments of principal to the noteholders 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 the notes will be made, ratably, without preference or priority of any kind, until the notes are repaid in full. See "SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default."

Credit Enhancement

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

Servicing and Administration

Almost all of the financed student loans will, when pledged to the Trustee under the Indenture, be serviced by the Issuer (in such capacity, a "Servicer"), with the remaining approximately 0.05% of the financed student loans, based on the outstanding principal balance of the financed student loans as of the statistical cut-off date being serviced by PHEAA (in such capacity, also a "Servicer") pursuant to an existing servicing agreement between PHEAA as Servicer and the Issuer. Each Servicer will also maintain custody and make collections on all of the financed student loans serviced by it. The Issuer currently services all of the financed student loans serviced by it with the assistance of software developed and maintained by Pennsylvania Higher Education Assistance Agency, sometimes acting through one of its divisions, American Education Services ("PHEAA" or "AES"). 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 will also initially act as a backup servicer (the "Backup Servicer") and, in such role, will act as successor Servicer with respect to the financed student loans 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."

The Administrator (initially the Issuer) will be paid a monthly senior administration fee and a quarterly subordinate 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 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 created under the Indenture ten business days prior to any quarterly distribution date when the Pool Balance is 10% or less of the Initial Pool Balance. If this purchase option is exercised, the financed student loans will be sold from the lien of the Indenture as of the last business day of the preceding collection period and the proceeds will be used on the corresponding quarterly distribution date to repay outstanding notes, which will result in early retirement of the notes.

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

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

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

- pay any rebate fees and other amounts payable to the Department of Education, pay amounts payable under any joint sharing agreements or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, and pay unpaid senior administration fees, servicing fees, trustee fees, subordinate administration fees and carryover 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 established under the Indenture when the Pool Balance is 10% or less of the Initial Pool Balance, all of the remaining student loans in the trust estate will be offered for sale by the Trustee before the next succeeding quarterly distribution date. The Issuer and unrelated third parties may offer to purchase the trust estate's student loans in the auction. The net proceeds of any auction sale will be used to retire any outstanding notes on the next quarterly distribution date after the receipt of such proceeds.

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

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

Book-Entry Registration

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

Federal Income Tax Consequences

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."

CUSIP* Number

606072KZ8

International Securities Identification Number ("ISIN")

US606072KZ87

Rating of the Notes

The notes are expected to be rated as follows:

Rating Agency (S&P/Fitch)

"AAA (sf)"/"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."

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* CUSIP is a registered trademark of the American Bankers Association (ABA). CUSIP identifiers are assigned by CUSIP Global Services (CGS). CGS is managed on behalf of the ABA by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. The CUSIP number listed above is being provided solely for the convenience of noteholders only at the time of issuance of the notes and neither the Issuer nor the Underwriter makes any representation with respect to such number or undertake any responsibility for its accuracy now or at any time in the future.

RISK FACTORS

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

You may have difficulty selling your notes

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

The notes are not a suitable investment for all investors

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

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

Interest and principal on the notes will be paid solely from the funds and assets held in the discrete trust estate created under the Indenture.

Except for (a) the acquisition or purchase of the pool of FFELP Loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" and any additional financed student loans that may be purchased or acquired during the Acquisition Period, in each case as described in "ACQUISITION OF THE FINANCED STUDENT LOANS"; (b) any substitutions of financed student loans to be made by the Issuer as described under "ACQUISITION OF THE FINANCED STUDENT LOANS" or (c) any acquisition of student loans that were previously financed student loans back from a guaranty agency or a servicer as described under "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds," there will be no subsequent acquisitions of or recycling of student loans into the trust estate. No insurance or guarantee of the notes will be provided by any government agency or instrumentality, by any insurance company or by any other person or entity. Therefore, your receipt of payments on the notes will depend solely on:

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

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

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

State not liable with respect to notes

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

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

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

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

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

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

The Indenture permits the Issuer and the Trustee to amend the definitions of investment securities and Servicer therein to the extent the requirements of a rating notification (as defined under "GLOSSARY OF TERMS") have been satisfied, without the consent of the noteholders.

Subject to the limitations described in "SUMMARY OF THE INDENTURE PROVISIONS—Consent of Registered Owners," certain changes may be made to the Indenture or other actions taken without the consent of the noteholders. See "SUMMARY OF THE INDENTURE PROVISIONS—Supplemental Indentures—Supplemental Indentures Not Requiring Consent of Registered Owners."

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

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

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

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

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

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

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

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

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

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

Turmoil in the credit markets

There have been changes in the national credit markets since the Fall of 2007 that have dramatically changed the way that the Issuer does business. Since its inception in the 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 higher amounts of equity and higher fees payable to such credit and liquidity providers in financings; and the establishment by the credit rating agencies of significantly more rigorous assumptions and requirements. In addition to the turmoil in the credit markets, the changes in the FFEL Program imposed by the College Cost Reduction and Access Act (as discussed herein) adversely impacted the profitability of financing new FFELP loans. In addition, the recent elimination of the FFEL Program described below will impact the Issuer.

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

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

Ratings of other student loan asset-backed notes and bonds issued 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 May 31, 2011, the Issuer had approximately $676 million 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 or cancellation of some of the Issuer's auction rate securities. The ability to redeem or cancel subordinate auction rate securities is limited based on restrictions set forth in the applicable bond resolutions and indentures that require certain parity ratios be met as a condition to any such redemption or cancellation. 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 and cancel 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 and cancel auction rate securities from an entity related to the student loan purchaser. The Issuer has also entered into two transactions in which it issued LIBOR-based notes to provide funds to purchase and cancel auction rate securities. In each case, the auction rate securities have been purchased at a discount to principal amount outstanding and immediately cancelled. While 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 there can be no assurance that the Issuer will be successful in its efforts.

Due to the limited recourse nature of the trust estate created under the Indenture 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) 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, including the recent enactment of the Health Care and Education Reconciliation Act of 2010, changes to other applicable law and other Congressional action may affect your notes and the financed student loans

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

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

The Issuer cannot predict the effects of the passage of the Reconciliation Act or whether any other changes will be made to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary of Education in future legislation, or the effect of such legislation on the Issuer, the Servicers, the guaranty agencies, the financed student loans or the Issuer's loan programs.

Competition from the Federal Direct Student Loan Program and other lenders

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

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

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

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

Auction rate securities generally, including student loan auction rate securities, have been the subject of significant scrutiny since the collapse of the auction rate securities market. Many auction rate securities broker-dealers and underwriters have reported receiving inquiries and subpoenas from the Securities and Exchange Commission ("SEC") and state regulators, and a number of such broker-dealers and underwriters have entered into settlements with the Securities and Exchange Commission stemming from such investigations. 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 were 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, if such a lawsuit is filed against the Issuer and is successful, what the impact on the Issuer's ongoing operations and programs might be.

Other Litigation Risks

The Issuer may be subject to various claims, lawsuits, and proceedings that arise from time to time. See "LEGAL PROCEEDINGS."

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 monitoring and updating if necessary its 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, to other applicable law and other Congressional Action may affect your notes and the financed student loans" above.

General economic conditions

The United States economy experienced a downturn that started in 2008. At the present time, it appears that the downturn has reversed, but the speed of recovery has been slow, and it is unclear at this time whether the recovery will continue or the speed of recovery will improve. Continued slow recovery or another 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 slow recovery or another 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 ("HEROES 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 financial assistance because of their status as affected individuals;
- 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 HEROES 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 HEROES 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, in some cases, on a third-party servicer or backup servicer for the servicing of the financed student loans

You will be relying on the Issuer as a Servicer to service almost all of the financed student loans and you will be relying upon PHEAA, a third-party servicer, to service the remaining approximately 0.05% of the financed student loans (based on the outstanding principal balance of the financed student loans as of the statistical cut-off date). 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. PHEAA will also be engaged as of the date of issuance to act as the Backup Servicer with respect to the financed student loans serviced by the Issuer and will also agree to act as successor Servicer for such financed student loans upon the occurrence of certain events. 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 financed student loans that it services under its servicing agreement with the issuer and to act as Backup Servicer with respect to the financed student loans serviced by the Issuer. No assurance can be made that the costs for servicing or causing the servicing of the financed student loans will not increase, or that the Issuer would be successful in entering into servicing agreements with other servicers that would be acceptable to the rating agencies at the assumed level of servicing cost. Although the Issuer is obligated to service the financed student loans serviced by it in accordance with the Higher Education Act 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 noteholders will be relying on each Servicer's (or, if applicable, the Backup Servicer's) compliance with applicable federal and state laws and regulations.

Bankruptcy or insolvency of PHEAA could result in payment delays to you

PHEAA will act as Servicer with respect to approximately 0.05% of the financed student loans (based on the outstanding principal balance of the financed student loans as of the statistical cut-off date) 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 initially act as Backup Servicer with respect to the financed student loans serviced by the Issuer. In the event of PHEAA's insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor servicer or backup servicer, the Issuer may lose its ability to access the software and support provided by PHEAA 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 the Issuer as a Servicer defaults on its obligations to service the financed student loans, the Backup Servicer would become the successor Servicer for the financed student loans serviced by the Issuer. See "THE ISSUER'S FFEL PROGRAM—Backup Servicer and Backup Servicing Agreement." If a third party Servicer defaults on its obligations to service the loans serviced by it, the Issuer or the Trustee may remove the third party Servicer without the consent of any other party, subject to satisfaction of the conditions set forth in the Indenture. In the event of the removal of a Servicer and the appointment of a successor servicer, there may be additional costs associated with the transfer of servicing to the successor servicer, including but not limited to, an increase in the servicing fees the successor servicer charges. In addition, the Issuer cannot predict the ability of the successor servicer to perform the obligations and duties under any servicing agreement. If any such successor third-party servicer defaults on its obligations to service the loans serviced by it, the Issuer or the Trustee may remove the third-party successor servicer without the consent of any other party, subject to satisfaction of the conditions set forth in the Indenture.

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

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

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

If the Issuer or a successor 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 successor 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; Scholarship Funding" 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 created under the Indenture for the notes, the Initiative should not impact the payment of the notes unless it causes erosion in the finances of the Issuer to such an extent that it cannot honor any repurchase, administration or similar obligations under the Indenture.

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

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

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

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

The Department of Education has implemented school eligibility requirements, including default rate limits. In order to maintain eligibility in the FFEL Program, schools must maintain default rates below specified levels and both guaranty agencies and lenders are required to insure that loans are made to students attending schools that meet default criteria. If the Issuer or a servicer on its behalf fails to comply, or a prior lender or servicer has failed to comply, with any of the above requirements, the Issuer 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 any obligation to repurchase or purchase financed student loans may result in losses on your notes

Under some circumstances, the Issuer may be required to purchase or provide a substitute for, or may have the right to require a Servicer (other than the Issuer) to purchase, a financed student loan. This right against the Issuer arises generally if a financed student loan ceases to be guaranteed or insured (and a guarantee or insurance claim is not paid by a guaranty agency or by the United States) or is determined to be encumbered by a lien other than the lien of the Indenture and if the same is not cured within the applicable cure period. This right against a Servicer (other than the Issuer) 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 applicable Servicer will have the financial resources to make a purchase or substitution, and if the Issuer or the applicable Servicer is unable to make a required purchase or substitution, you will bear any resulting loss.

With respect to substantially all of the financed student loans, the Issuer has been the owner and/or the servicer of such loans for a significant period of time. In addition, the Issuer performed origination services with respect to a substantial portion of the financed student loans. Therefore, the Issuer does not expect that any third parties will have any significant obligation to repurchase any of the financed student loans under any origination, servicing or student loan purchase agreement.

There is no guarantee that the Issuer will have the financial resources to honor any repurchase obligations with respect to the financed student loans. If the Issuer is unable to honor such repurchase obligations, it may impair the Issuer's ability to pay principal and interest on your notes See "ACQUISITION OF THE FINANCED STUDENT LOANS."

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

The remedies available to the Trustee or the noteholders upon an event of default under the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture or any other applicable transaction 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 a 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 and may not be ascertained by the Issuer. Therefore, no absolute assurance can be given that liens other than the lien of the Indenture do not and will not exist.

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

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

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

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

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

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

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

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

Generally, if an event of default occurs under the Indenture, the Trustee may sell, and, at the direction of noteholders (in the percentage specified in the Indenture), will sell the financed student loans. However, the Trustee may not find a purchaser for the financed student loans or the market value of the financed student loans plus other assets in the trust estate created under the Indenture might not equal the principal amount of outstanding notes plus accrued interest. The fewer the number of potential secondary market buyers of student loans made under the FFEL Program, the lower the 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 investments at an equivalent yield.

The characteristics of the portfolio of financed student loans may change

The characteristics of the pool of student loans expected to be pledged to the Trustee are described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" and are described herein as of the statistical cut-off date. In the event that the principal amount of student loans required to provide collateral for the notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain a rating on the notes in the highest long-term rating category of each rating agency that will rate the notes, the pricing of the interest rate on the notes, the principal amount of notes to be offered, the rate of amortization or prepayment on the portfolio of student loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of student loans to be pledged to the Trustee may consist of a subset of the pool of student loans described herein or may include additional student loans not described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS." During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

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

The information as of the statistical cut-off date set forth under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" is with respect to student loans expected to be pledged to the Trustee under the Indenture. The Issuer believes that the characteristics of the pool of student loans described under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" is representative of the pool of student loans that will ultimately be pledged to the Trustee under the Indenture by the expiration of the Acquisition Period. You should consider potential variances when making your investment decision concerning the notes. See "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" in this Offering Memorandum.

The Issuer may not be able to use all of the note proceeds to acquire student loans and may be required to pay principal on notes earlier than anticipated

The pool of FFELP loans described in (and as may be modified as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," will be pledged to the Trustee. The Issuer expects to purchase or acquire the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" within ten days of the date of issuance, and with respect to all such FFELP loans to be purchased from third-party sellers will have executed binding contracts on the date of issuance entitling it to purchase all such FFELP loans. During the Acquisition Period (a period of 30 days after the date of issuance), any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS." All amounts remaining on deposit in the Acquisition Fund at the end of the Acquisition Period will be transferred to the Collection Fund and applied on the December 2011 quarterly distribution date and this could result in additional principal payments on the notes, resulting in payment of principal earlier than anticipated.

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

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

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

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

Incentive or borrower benefit programs may affect your notes

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

The Indenture permits the Issuer and the Trustee to amend the definition of investment securities and Servicer therein without the consent of noteholders if the requirements of a rating notification have been satisfied. The definition of "rating notification" permits the Issuer to take certain actions if it provides notice to Fitch regarding such action and Fitch does not indicate within the specified time period that such action would cause a downgrade, suspension, withdrawal or qualification of the applicable rating on the notes. Such inaction by Fitch cannot, however, be viewed as an approval of the requested action of the Issuer by Fitch. Furthermore, such inaction would not limit the ability of Fitch to downgrade its rating on the basis of such action by the Issuer.

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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, and in certain other respects.

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
W. Thomas Reeves	October 2011	President, Pulaski Bank St. Louis, Missouri
Jennifer L. Kneib	October 2012	MetLife Home Loans St. Joseph, Missouri
Dr. Willis Jackson Magruder	October 2013	President, A. T. Still University Kirksville, Missouri
Dr. John Smith	October 2010	Educational Consultant St. Charles, Missouri
Marvin Wright	October 2014	Attorney, Board Member, University Central of Missouri Columbia, Missouri
Betty Sims	Indefinite	Missouri Coordinating Board for Higher Education
Dr. David R. Russell	Indefinite	Commissioner, Missouri Department of Higher Education

As of May 31, 2011, the Issuer had 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 Webster University's School of Business and Technology.

Donald E. Bertier, Jr. recently joined the Issuer as Chief Information Officer. He is responsible for Information Systems strategic direction, IT operations, software development, information security and business continuity management. For the past 13 years, Mr. Bertier served in critical architecture and global leadership roles for Savvis – most recently as Chief Security Officer from 2006-2010. Prior to Savvis, his experience included engineering, software development and systems management responsibilities for McDonnell Douglas and Edward Jones corporations. He is a graduate of Southern Illinois University at Edwardsville and received his Master's Degree in Computer Science from University of Missouri-Rolla.

Jennifer Farmer serves as Director of Federal Contracts. She is responsible for the research, development and implementation of the necessary infrastructure and procedural changes throughout the organization to position the Issuer to successfully acquire and maintain a federal student loan servicing contract with the United States Department of Education. Ms. Farmer holds a Bachelor of Science degree in Business Administration from Lindenwood University in Saint Charles, Missouri. Ms. Farmer joined the Issuer in 1995 and has held various management and senior management roles in the operations division within the Issuer.

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 in 2005, 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.

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 experience in accounting and finance for Fortune-500, mid-cap and private companies.

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.

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 Americorps-St. Louis Board of Directors. Mr. Shaffner joined the Issuer in July 2004 and has over twenty-nine years of 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.

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.

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 servicer and in related activities. The Issuer does not generally have any significant restrictions on its activities to serve as a student loan lender and servicer 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 May 31, 2011, the Issuer had outstanding bonds and notes in the following amounts issued under the following resolutions and indentures (and except as referenced in the footnotes below, the following table does not give effect to the issuance of the notes as described herein and the redemption of all of the bonds issued under the Indenture of Trust dated as of October 1, 2008 (the "2008 Indenture"), as supplemented and amended, between the Issuer and U.S. Bank National Association, as successor trustee (the "2008 Indenture Trustee") from certain of the proceeds of the notes as described under "USE OF PROCEEDS").

	Amount Outstanding
Eleventh General Bond Resolution[1]	$1,138,000,000
Twelfth General Bond Resolution[2]	287,650,000
2008 Indenture[3]	262,500,000
2009 Variable Funding Note[4]	240,167,015
2009-1 Indenture[5]	160,818,671
2010-1 Indenture[6]	644,929,710
2010-2 Indenture[7]	716,906,133
2010-3 Indenture[8]	457,056,149
Total	$3,908,027,678

[1] Bonds were issued pursuant to the Issuer's Eleventh General Student Loan Program Bond Resolution adopted February 4, 1994, as supplemented and amended.

[2] Bonds were issued pursuant to the Issuer's Twelfth General Student Loan Program Bond Resolution adopted May 1, 1995, as supplemented and amended.

[3] Bonds were issued pursuant to the 2008 Indenture. All the Bonds will be redeemed with a portion of the proceeds from the issuance of the notes as described under "USE OF PROCEEDS."

[4] The borrowings of the Issuer were made from time to time 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."

[5] Notes were issued pursuant to the Indenture of Trust dated as of November 1, 2009.

[6] Notes were issued pursuant to the Indenture of Trust dated as of January 1, 2010.

[7] Notes were issued pursuant to the Indenture of Trust dated as of May 1, 2010.

[8] Notes were issued pursuant to the Indenture of Trust dated as of September 1, 2010.

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, are secured by 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.

In addition, as of May 31, 2011, the Issuer had outstanding short-term indebtedness of $42,708,183, including arbitrage rebate payable, trade payables and special allowance payments and rebate fees payable to the Department, all of which is either unsecured or 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, 2010 and 2009 are attached hereto as APPENDIX E. 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 created under the Indenture 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."

The Issuer's financial information included in this Offering Memorandum that is reported as of May 31, 2011 is unaudited.

Lewis and Clark Discovery Initiative; Scholarship Funding

The Missouri General Assembly adopted legislation regarding the Issuer 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 original $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 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. Under the terms of the LCDI Legislation, if any of the $350 million to be paid into the Fund were not paid by the end of 2013, the amount of the tax-exempt volume cap allocation could 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.

In the summer of 2010, the Issuer and the Missouri Commissioner of the Office of Administration agreed to extend, by two years to September 30, 2015, the date of final distributions by the Issuer of the full $350 million described in the LCDI Legislation. In connection with this extension, the Issuer provided the State with $30 million of its general funds, which were used for need-based scholarship funding for Missouri students for the 2010-2011 academic year. This amount partially offset dramatic reductions in scholarship funding by the State of Missouri due to budget shortfalls. The Issuer approved an additional scholarship funding contribution of $30 million for the 2011-2012 academic year at its June 10, 2011 Board meeting in consideration for the extension to September 30, 2018 of the final year of payments required pursuant to the LCDI Legislation. The Issuer has not yet been advised by the Missouri

Commissioner of the Office of Administration if this arrangement is acceptable. During the June 2011 meeting, the Board also approved a one-time $1 million contribution to a new State based advanced placement scholarship program.

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 or at all. 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.

Potential Direct Loan Servicing by the Issuer

The Student Aid and Fiscal Responsibility Act of 2009 ("SAFRA"), Title II of the Reconciliation Act, became law on March 30, 2010. SAFRA requires the Secretary of the Department of Education to contract with each eligible and qualified not-for-profit servicer (each, a "NFP servicer") to service loans within the Direct Loan Program. The Department began the process to identify eligible NFP servicers by issuing a sources sought notice, the SAFRA Not For Profit Eligibility Information Request – Solicitation Number: NFP-SS-2010, requesting interested organizations to submit information demonstrating eligibility against the criteria specified in SAFRA (e.g., the organization was a NFP servicer entity and serviced FFELP loans on July 1, 2009). The Department is expected to allocate 100,000 borrower accounts to each qualified NFP servicer.

The Issuer responded to the request for information and was among the first twelve NFP servicers that the Department determined met the NFP servicer eligibility criteria under SAFRA. The Issuer applied to the Department of Education on November 24, 2010, to be permitted to proceed to develop a Memorandum of Understanding. On February 2, 2011, the Department published a determination that the Issuer was permitted to enter into a Memorandum of Understanding to pursue an Authorization to Operate and a contract award as a NFP servicer. PHEAA was identified as a key subcontractor for this arrangement. On March 30, 2011, the Issuer entered into a Memorandum of Understanding with the Department. If the Issuer is subsequently awarded a servicing contract, servicing of loans under the Direct Loan Program by the Issuer could begin in late 2011 or early in the calendar year 2012. On June 22, 2011, the Department published an estimated not-for-profit servicer "go-live" date schedule, which listed the Issuer's estimated go-live date as October 2011. No assurance can be given, however, that the Issuer actually will be awarded an Authorization to Operate and a servicing contract to become a NFP servicer to service Direct Student Loans.

The Issuer performed significant due diligence on third party remote user Direct Loan Program servicing platforms provided by organizations that have already been awarded federal servicing contracts with the Department. As a result, the Issuer selected PHEAA's Direct Loan Servicing system as its platform to service federally owned student loan assets. PHEAA is currently using the same platform for servicing Direct Loan program student loans under contract with the Department of Education as a Title IV Additional Servicer. The Issuer's utilization of PHEAA's approved Direct Loan Program servicing platform as a remote user will significantly reduce the required capital expenditures and should streamline the process of its becoming a qualified NFP servicer.

The Issuer expects its fees for servicing student loans under the Direct Loan Program will be no less than the fees the Department is currently paying the servicers that have already been awarded servicing contracts under the Direct Loan Program. Those fees are set at $1.05 per month per borrower account in school or grace and $2.11 per month per borrower account in repayment. Delinquent loans are paid at a decreasing rate per month per borrower account as the days past due increase. The Issuer expects that the servicing fees will be higher for the first 100,000 borrower accounts that may be serviced by the Issuer under the Direct Loan Program. In an announcement of March 18, 2011 regarding the NFP solicitation, the Department indicated that while it intended to proceed with those MOU entities such as the Issuer that had accepted the current common pricing schedule, upon completion of the common pricing structure re-evaluation, all reasonable and appropriate actions will be taken to apply the common pricing to all agreements made under the procurement process. On April 19, 2011, the Department published an amendment to the NFP solicitation that establishes the common pricing schedule for the first 100,000 borrower accounts allocated to each qualified NFP servicer, which set the fees at $1.15 per month per borrower account in school, $2.32 for borrowers account in grace or in repayment and $2.28 per month per borrower account in deferment or forbearance. Delinquent loans are paid at a decreasing rate per month per borrower account as the days past due increase.

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.

On March 30, 2010, the Reconciliation Act was enacted into law. Included in the Reconciliation Act were provisions that eliminate the FFEL Program. As of July 1, 2010 no additional FFELP loans may be originated, and all new federal student loans will be originated solely under the Direct Loan Program. However, FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired or are anticipated to be acquired by the Issuer (including the loans described in this Offering Memorandum under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS") continue to be subject to the provisions of the FFEL Program, and are not materially affected by the Reconciliation Act.

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. As a result of the recent changes to the FFEL Program, as of July 1, 2010, the Issuer cannot originate FFELP loans.

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, were eligible, subject to certain conditions precedent in the Indenture, for rate relief programs offered by the Issuer (the "RR Program"). Effective January 1, 2010, the RR Program was eliminated, other than the 0.25% interest rate reduction for borrowers using auto-debit to make loan payments. Financed student loans purchased or made by the Issuer prior to July 1, 2008, which were participating in the RR Program prior to January 1, 2010, will continue to 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.

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. Student loans subject to such agreements will not 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 (and based on the outstanding principal balances of the financed student loans as of such date), of the financed student loans to be held in the trust estate created under the Indenture, approximately:

—54.8% are guaranteed by the Missouri Department of Higher Education (the "State Guaranty Agency"); and

—12.5% are guaranteed by the Pennsylvania Higher Education Assistance Agency; and

—the remaining approximately 32.7% are guaranteed by one of the following guaranty agencies (each such guaranty agency guarantees less than 10% of the financed student loans as of the statistical cut-off date):

–National Student Loan Program
–United Student Aid Funds, Inc.
–Student Loan Guarantee Foundation of Arkansas
–California Student Aid Commission (EdFund)
–Tennessee Student Assistance Corporation
–Texas Guaranteed Student Loan Corporation
–Educational Credit Management Corporation
–Illinois Student Assistance Corporation
–Kentucky Higher Education Assistance Authority
–Great Lakes Higher Education Guaranty Corporation
–American Student Assistance
–New York State Higher Education Services Corporation
–Oklahoma State Regents for Higher Education
–Colorado Student Loan Program (College Assist)
–Rhode Island Higher Education Assistance Authority
–Louisiana Office of Student Financial Assistance Commission
–New Jersey Higher Education Student Assistance Authority
–Florida Department of Education, Office of Student Financial Assistance
–Montana Guaranteed Student Loan Program
–Northwest Education Loan Association

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 Underwriter 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: 2010—2.81%; 2009—2.42%; 2008—2.75%; 2007—2.6%; and 2006—2.2%. 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: 2010—26.50%; 2009—30.52%; 2008—36.40%; 2007—33.93%; and 2006—35.55%.

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, 2010, the State Guaranty Agency had total assets of $83,985,256, deferrals, accounts payable and other liabilities of $17,727,660, and a fund balance of $65,971,669. 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 205 Jefferson Street, Jefferson City, Missouri 65101 and currently employs 61 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. For loans guaranteed on or after July 1, 2008, the State Guaranty Agency paid the Default Fee with respect to Eligible Loans on behalf of students or parents of students attending school in Missouri and guaranteed by the State Guaranty Agency.

Pennsylvania Higher Education Assistance Agency

The following information has been furnished by PHEAA for use in this Offering Memorandum. Neither the Issuer nor the Underwriter 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 March 31, 2011, PHEAA has guaranteed a total of approximately $48.8 billion principal amount of Stafford Loans, $7.9 billion principal amount of PLUS and SLS Loans, and $52.1 billion principal amount of Consolidation Loans under the Higher Education Act. PHEAA initially guaranteed loans only to residents of the Commonwealth of Pennsylvania (the "Commonwealth") or persons who planned to attend or were attending eligible education institutions in the Commonwealth. In May 1986, PHEAA began guaranteeing loans to borrowers who did not meet these residency requirements pursuant to its national guarantee program. Under the Pennsylvania Act, guarantee payments on loans under PHEAA's national guarantee program may not be paid from funds appropriated by the Commonwealth.

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
2006	1.42
2007	1.96
2008	1.98
2009	1.95
2010	1.75

As of March 31, 2011, PHEAA had total federal reserve-fund assets of approximately $88.9 million. Through March 31, 2011, the outstanding amount of original principal on loans that had been directly guaranteed by PHEAA under the Federal Family Education Loan Program was approximately $46.0 billion. In addition, as of March 31, 2011, PHEAA had total assets of $10.0 billion, which does not include Federal Reserve Fund assets.

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)
2006	3,792
2007	4,121
2008	3,948
2009	4,086
2010	913

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
2006	0.20
2007	0.25
2008	0.25
2009	0.25
2010	0.44

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 displays PHEAA's calculation of the ratio on a regulatory basis of accounting. In addition to gain contingencies not recognized under generally accepted accounting principles, the FY 2010 reserve ratio includes an adjustment related to foregoing the transfer of default aversion fees from the Federal Reserve Fund to the Agency Operating Fund as agreed to in our management plan approved by the Department of Education on May 22, 2007. 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
2006	33.93
2007	37.76
2008	32.81
2009	29.32
2010	32.28

SERVICING OF THE FINANCED STUDENT LOANS

The Issuer and each other Servicer is required under the Higher Education Act, the rules and regulations of the guaranty agencies and, in the case of the Issuer, the Indenture, to use due diligence in the servicing and collection of the financed student loans. 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; the Backup Servicer

Substantially all of the financed student loans will, when pledged to the Trustee under the Indenture, be serviced by the Issuer, with the remaining approximately 0.05% of the financed student loans being serviced by PHEAA pursuant to an existing servicing agreement between PHEAA as Servicer and the Issuer. PHEAA will initially 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. The Issuer has covenanted in the Indenture that the Issuer will always have a Backup Servicing Agreement with a third-party servicer with respect to all financed student loans serviced by it.

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

The Issuer

The Issuer's servicing operation services education loans for other lenders in addition to servicing most of the Issuer's own loan portfolio. The Issuer currently services the financed student loans serviced by it 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 Higher Education Act, the rules and regulations of the guaranty agencies and the specific servicing terms and conditions set forth in the Indenture. See "SUMMARY OF THE INDENTURE PROVISIONS—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 Underwriter makes any guarantee or any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of PHEAA subsequent to the date hereof.

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

As of March 31, 2011, PHEAA had approximately 2,500 employees. PHEAA's two principal servicing products are its full servicing operation (in which it performs all student loan servicing functions on behalf of its customers) and its remote servicing operation (in which it provides only data processing services to its customers that have their own servicing operations). As of March 31, 2011, PHEAA services approximately 6.4 million student loan accounts representing an aggregate of approximately $103.8 billion outstanding principal amount for its full servicing customers which consist of national and regional banks and credit unions, secondary markets, and government entities, including $43.6 billion serviced for the Department of Education. Under PHEAA's remote servicing operation, the remote clients service approximately 1.4 million student borrowers representing approximately $21.0 billion outstanding principal amount. As of March 31, 2011, one remote client has provided notice of the termination of their remote servicing agreement. This client has approximately $8.4 billion in outstanding principal and 607,000 student borrowers as of March 31, 2011. This volume will be deconverted from the PHEAA system over a period of time yet to be determined.

PHEAA's most recent audited financial reports are available at www.pheaa.org. The location of PHEAA's audited financial statements is included here in for the convenience of potential purchasers of the Notes. In no event is such information or any information on PHEAA's website incorporated herein by reference. Neither the Issuer nor the Underwriter are responsible for the accuracy of the information contained on the PHEAA website.

Backup Servicer and Backup Servicing Agreement

The Issuer covenants in the Indenture to maintain a Backup Servicing Agreement with a third-party servicer with respect to all of the financed student loans serviced by it and to pay all fees and expenses of such third-party servicer associated therewith. PHEAA will initially act as backup servicer (the "Backup Servicer") with respect to all of the financed student loans serviced by the Issuer pursuant to a backup servicing agreement, dated as of May 12, 2011 (the "Backup Servicing Agreement") between the Issuer and the Backup Servicer.

The Backup Servicing Agreement has a term commencing on June 1, 2011 and continuing for a two-year period, unless earlier terminated by the Issuer or the Backup Servicer for the events described below (after notice of the same to the breaching party and the expiration of any applicable cure period) and automatically extends for successive one-year periods unless a party provides the other party of written notice of termination not less than 90 days prior to the annual termination date. In addition, to the extent the Backup Servicing Agreement is no longer required pursuant to the terms of the Indenture (which would require an amendment to the Indenture), the Backup Servicing Agreement will terminate 90 days after receipt of written notice from the Issuer or the Trustee of such event.

The Issuer may terminate the Backup Servicing Agreement upon the occurrence of any of the following events (with respect to the first, second and fourth bullet points below, after notice to the Backup Servicer and the right within 60 days to cure any such breach or error to the full satisfaction of the Issuer and the Trustee):

- material breaches of representations or warranties made by the Backup Servicer in or pursuant to the Backup Servicing Agreement (or any information or report delivered by it) that has a Material Adverse Effect or Servicer Material Adverse Effect;

- failure in any material respect of the Backup Servicer to perform or observe any term, covenant or agreement under the Backup Servicing Agreement which has a Material Adverse Effect or Servicer Material Adverse Effect;

- the Backup Servicer discontinues its business, generally fails to pay its debts as such debts become due, makes a general assignment for the benefit of creditors, is subject to a voluntary or involuntary bankruptcy, reorganization, insolvency or other proceeding (whether federal or state) relating to relief of debtors, or any judgment, decree or order, entered by a court of competent jurisdiction, which approves a petition seeking the Backup Servicer's reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator for itself or all or a substantial part of its assets continues in effect for thirty (30) consecutive days;

- a Servicer Material Adverse Effect shall have occurred;

- the Backup Servicer fails to remain eligible to service FFELP loans under the Higher Education Act and related regulations; or

- certain force majeure events continue for over 20 days or to the extent that the Backup Servicer is unable to perform any obligations arising under the Backup Servicing Agreement as a result of having to give priority to administer existing programs on behalf of the Commonwealth of Pennsylvania.

A "Material Adverse Effect" means (a) a material adverse change in the value of a material portion of the financed student loans or (b) any event which could reasonably be viewed as having a material adverse effect on (1) the validity, enforceability or collectibility of a material portion of the financed student loans or the notes; (2) the status, existence, perfection, priority or enforceability of the Trustee's security interest in a material portion of the financed student loans or (3) a guaranty agency's obligation to continue to guarantee payment of a material portion of the financed student loans.

A "Servicer Material Adverse Effect" means the occurrence of an event or a change in circumstances that would have a material adverse effect on the ability of the Backup Servicer to perform its obligations under the Backup Servicing Agreement.

The Backup Servicer may terminate the Backup Servicing Agreement upon the occurrence of any of the following events:

- failure by the Issuer to perform or observe any of the material provisions or covenants of the Backup Servicing Agreement which materially and adversely affects the Backup Servicer's ability to perform its obligations thereunder;

- the Backup Servicer determines that it is no longer able to perform its obligations as a back-up third party servicer, upon one hundred eighty (180) days written notice to the Issuer and the Trustee;

- the Issuer and the Backup Servicer are unable to agree on a proposed increase in fees of the Backup Servicer (which increase may result from changes in applicable governmental regulations, guaranty agency program requirements or regulations, or any change in postage rates), after 270 days prior written notice to the Trustee and the Issuer; or

- failure of the Issuer to pay the Backup Servicer its fees due under the Backup Servicing Agreement (subject to the notice and cure periods specified therein).

If the Issuer determines that it does not want to continue servicing the financed student loans (and provides 60 days written notice to the Backup Servicer) 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 (in which case it will promptly notify the Trustee of such), the Trustee (which has no duty to make such determination but is required to provide notice of any such material violation to the registered owners) or the registered owners of at least a majority of the principal amount of the notes outstanding, and such violation remains uncured after notice thereof and the expiration of any applicable cure period, and the Trustee (at the written direction of the Issuer or the registered owners of at least a majority of the principal amount of the notes outstanding) gives 60 days written notice to the Issuer and the Backup Servicer, the Backup Servicer would become the successor Servicer for the financed student loans serviced by the Issuer.

FEES AND EXPENSES

The annual fees payable by the Issuer are set forth in the table below. In addition, the senior administration fee payable to the Issuer (as Administrator) and the trustee fee payable to the Trustee each include payment or reimbursement for their expenses in the amount reflected following the table below. The priority of payment of such fees is described below in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—The Collection Fund; Flow of Funds."

Fees	Recipient	Amount
Senior Administration Fee	Higher Education Loan Authority of the State of Missouri	0.05%[1]
Subordinate Administration Fee	Higher Education Loan Authority of the State of Missouri	0.10%[2]
Servicing Fee	Higher Education Loan Authority of the State of Missouri	0.70%[3]
Trustee Fee	U.S. Bank National Association	Up to 0.02%[4]

[1] As a percentage of the Pool Balance as of the last business day of the preceding month. The percentage used to calculate the Senior Administration Fee payable each month (other than July 2011 and August 2011) is one-twelfth of the percentage referenced above. Notwithstanding the foregoing, the Senior Administration Fee that accrues for the months of July 2011 and August 2011 will be paid in August 2011 and will be calculated based on the Pool Balance as of the end of the Acquisition Period and based on the actual number of days from the date of issuance to August 31, 2011 divided by 360.

[2] Payable on each quarterly distribution date, but calculated separately for each calendar month in the Collection Period as a percentage of the Pool Balance as of the close of business on the last business day of the preceding calendar month. The percentage used to calculate the Subordinate Administration Fee accruing each month (other than July 2011 and August 2011) is one-twelfth of the percentage referenced above. Notwithstanding the foregoing, the monthly portion of the Subordinate Administration Fee for July 2011 and August 2011 will be calculated based on the Pool Balance as of the end of the Acquisition Period and based on the actual number of days from the date of issuance to August 31, 2011 divided by 360.

[3] As a percentage of the Pool Balance as of the last business day of the preceding month. The percentage used to calculate the Servicing Fee payable each month (other than July 2011 and August 2011) is one-twelfth of the percentage referenced above. Notwithstanding the foregoing, the Servicing Fee that accrues for the months of July 2011 and August 2011 will be paid in August 2011 and will be calculated based on the Pool Balance as of the end of the Acquisition Period and based on the actual number of days from the date of issuance to August 31, 2011 divided by 360. The Administrator will be responsible for paying any fees or expenses owed to PHEAA as Servicer and as Backup Servicer when due.

[4] Amount referenced above is the maximum trustee fee permitted. The initial trustee fee will be 0.0085% per annum, as a percentage of the principal amount of the notes outstanding, a portion of which is payable on each quarterly distribution date.

The Trustee is also entitled, as a part of the trustee fee, to expense reimbursement up to a maximum annual amount (prior to an event of default) equal to the sum of $75,000 and the positive difference, if any, between the maximum trustee fee permitted for the year as described in footnote 4 and the actual trustee fee paid for such year. Any amounts described in the prior sentence that are not paid or reimbursed to the Trustee in any year shall be available to the Issuer (as Administrator), as a part of the senior administration fee, on the July monthly payment date of each year to pay or reimburse the Issuer for its expenses incurred under the Indenture.

USE OF PROCEEDS

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

Source of Funds:	
Proceeds to the trust estate from the sale of the notes	$572,005,062
Contribution	30,739,566[1]
Total	$602,744,628
Uses:	
Deposit to Acquisition Fund	$591,828,038[1, 2]
Deposit to Capitalized Interest Fund	5,918,280[3]
Deposit to Reserve Fund	1,479,570[4]
Costs of Issuance[5]	3,518,740
Total	$602,744,628

[1] Consists of FFELP loans and/or cash.

[2] Amounts on deposit in the Acquisition Fund will be used to acquire or purchase the FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" from the sources described in "ACQUISITION OF THE FINANCED STUDENT LOANS." In addition, during the Acquisition Period, after taking into account the acquisition and purchase of the FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," remaining available amounts on deposit in the Acquisition Fund up to $25 million may be used to purchase or acquire additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS." The Issuer may deposit additional funds in the Acquisition Fund for the payment of a portion of the costs of issuance, which is not reflected in the table above.

[3] The amount of this deposit is expected to be approximately 1.00% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized) expected to be acquired by the Issuer by the expiration of the Acquisition Period.

[4] The amount of this deposit is expected to be approximately 0.25% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized) expected to be acquired by the Issuer by the expiration of the Acquisition Period.

[5] May include certain premiums to be paid to purchase FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

As described in the table and footnote 2 above, certain of the proceeds deposited into the Acquisition Fund on the date of issuance will be transferred by the Trustee to the 2008 Indenture Trustee to be applied by the 2008 Indenture Trustee, together with the other moneys available under the 2008 Indenture, to cause a defeasance of the 2008 Indenture and a redemption of all of the bonds issued thereunder (including the principal of $262,500,000 and accrued interest on the bonds issued under the 2008 Indenture, together with all fees, expenses, rebates and other amounts payable by the Issuer thereunder). The actual amount of proceeds that will be transferred to the 2008 Indenture Trustee will not be determined until the date of issuance. Contemporaneously with the receipt of such proceeds, the 2008 Indenture Trustee will release to the Trustee eligible loans which will be deposited to the credit of the Acquisition Fund, and such eligible loans will all constitute financed student loans under the Indenture.

ACQUISITION OF THE FINANCED STUDENT LOANS

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

General

All of the eligible loans to be pledged as part of the trust estate under the Indenture will be (a) acquired from the Issuer’s general fund, (b) released to the Trustee from the 2008 Indenture as described under “USE OF PROCEEDS”; or (c) purchased from unaffiliated third-party sellers. Funds on deposit in the Acquisition Fund will be used to purchase or acquire the pool of FFELP loans described in (and as may be modified as described in) “CHARACTERISTICS OF THE FINANCED STUDENT LOANS,” which the Issuer expects to purchase or acquire within ten days of the date of issuance. With respect to all such FFELP loans to be purchased from third-party sellers, the Issuer will have executed binding contracts on the date of issuance entitling it to purchase all such FFELP loans. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the FFELP loans described in “CHARACTERISTICS OF THE FINANCED STUDENT LOANS,” and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described in “CHARACTERISTICS OF THE FINANCED STUDENT LOANS.” All funds remaining on deposit in the Acquisition Fund at the end of the Acquisition Period will be transferred to the Collection Fund and applied on the December 2011 quarterly distribution date.

The eligible loans purchased from third-party sellers will be directly purchased from funds on deposit in the Acquisition Fund or may be first purchased by the Issuer into its general fund and subsequently financed with amounts on deposit in the Acquisition Fund and pledged to the Trustee under the Indenture. The student loan purchase agreements will identify the portfolio of student loans to be purchased and will specify the purchase price to be paid for those loans, which may be at a premium or a discount (any premium paid will be paid by the Issuer from a source other than proceeds from the notes).

Rights and Remedies Relating to Acquisition or Purchase; Limitations

The vast majority of the financed student loans to be acquired from third-party sellers that are described under “CHARACTERISTICS OF THE FINANCED STUDENT LOANS” were previously owned by the Issuer and sold by the Issuer to these third-party sellers. These third-party sellers will have virtually no repurchase obligations with respect to the financed student loans acquired by the Issuer. The Issuer had previously acquired many of these student loans from various sellers under various student loan purchase agreements, and performed origination services with respect to many of them. The Issuer also performed origination services with respect to most of the remaining financed student loans. In addition, the Issuer has been the servicer with respect to substantially all of the financed student loans for a significant period of time. For these reasons, and given the limited nature of the Issuer’s rights and remedies with respect to the financed student loans purchased, originated or serviced under the related student loan purchase agreements and prior origination and servicing agreements, the Issuer does not expect that the third-party sellers (or the original sellers) or any prior servicers will have any significant obligation to repurchase any of the financed student loans.

In addition, under some circumstances, the Issuer may be required to purchase or provide a substitute for a financed student loan, which right against the Issuer arises generally if a financed student loan ceases to be guaranteed or insured (and a guarantee or insurance claim is not paid by a guaranty agency or by the United States) or is determined to be encumbered by a lien other than the lien of the

Indenture and if the same is not cured within the applicable cure period. The Issuer may also have the right to require a Servicer to so purchase a financed student loan, which right generally 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.

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

As of May 31, 2011, 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 were as described below, which will be (a) acquired from the Issuer's general fund, (b) released to the Trustee from the 2008 Indenture as described under "USE OF PROCEEDS," or (c) purchased from unaffiliated third-party sellers as described in "ACQUISITION OF THE FINANCED STUDENT LOANS." The aggregate outstanding principal balance of the student loans in each of the following tables includes the principal balance due from borrowers, but does not include total accrued interest of approximately $13,996,262 (of which approximately $11,473,473 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 $571,739,414 due to rounding.

In the event that the principal amount of student loans required to provide collateral for the notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain a rating on the notes in the highest long-term rating category of each rating agency that will rate the notes, the pricing of the interest rate on the notes, the principal amount of notes to be offered, the rate of amortization or prepayment on the portfolio of student loans from the statistical cut-off date to the date of issuance varying from the rates that were anticipated, or otherwise, the portfolio of student loans to be pledged to the Trustee may consist of a subset of the pool of student loans described below or may include additional student loans not described below.

The pool of student loans described below is the pool that the Issuer expects pledge to the Trustee within ten days of the date of issuance. With respect to all such FFELP loans to be purchased from third-party sellers, the Issuer will have executed binding contracts on the date of issuance entitling it to purchase all such FFELP loans. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of FFELP loans below, and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described below. All funds remaining on deposit in the Acquisition Fund at the end of the Acquisition Period will be transferred to the Collection Fund and applied on the December 2011 quarterly distribution date. See "RISK FACTORS—The Issuer may not be able to use all of the note proceeds to acquire student loans and may be required to pay principal on notes earlier than anticipated."

The aggregate characteristics of the 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 aggregate characteristics may also vary as a result of the inclusion of student loans not described below or the exclusion of student loans that are described below, in each case for the reasons described in the preceding paragraphs in this section. The information as of the statistical cut-off date set forth in this section is with respect to student loans expected to be pledged to the Trustee under the Indenture. The Issuer believes that the characteristics of the pool of student loans described below is representative of the pool of student loans that will ultimately be pledged to the Trustee under the Indenture by the expiration of the Acquisition Period.

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 #	$13,996,262
Accrued Interest to be Capitalized	$11,473,473
Aggregate Outstanding Principal Balance	$571,739,414
Number of Borrowers	67,703
Average Outstanding Principal Balance Per Borrower	$8,445
Number of Loans	117,187
Average Outstanding Principal Balance Per Loan	$4,879
Weighted Average Annual Borrower Interest Rate *	4.674%
Weighted Average Remaining Term to Scheduled Maturity (Months)	140
Weighted Average Special Allowance Payment (SAP) Margin	2.284%

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 Principal Balance
PLUS	10,042	$ 53,658,719	9.4%
SLS	17	47,341	0.0
Subsidized Consolidation	3,466	40,545,818	7.1
Subsidized Stafford	54,341	183,160,891	32.0
Unsubsidized Consolidation	8,418	119,423,028	20.9
Unsubsidized Stafford	40,903	174,903,617	30.6
Total	117,187	$571,739,414	100.0%

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

Range of Annual Borrower Interest Rate	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Less than or equal to 1.00%	3,374	$ 11,048,230	1.9%
1.01% - 1.50%	409	419,900	0.1
1.51% - 2.00%	21,635	86,014,910	15.0
2.01% - 2.50%	35,089	140,740,422	24.6
2.51% - 3.00%	967	7,437,617	1.3
3.01% - 3.50%	4,459	14,853,798	2.6
3.51% - 4.00%	690	7,490,809	1.3
4.01% - 4.50%	1,027	13,799,656	2.4
4.51% - 5.00%	1,129	15,603,357	2.7
5.01% - 5.50%	1,294	14,955,874	2.6
5.51% - 6.00%	1,190	11,783,401	2.1
6.01% - 6.50%	1,238	14,711,780	2.6
6.51% - 7.00%	35,408	145,110,365	25.4
7.01% - 7.50%	2,449	31,657,387	5.5
7.51% - 8.00%	490	6,435,093	1.1
8.01% - 8.50%	6,313	49,569,685	8.7
8.51% and above	26	107,131	0.0
Total	117,187	$571,739,414	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 Principal Balance
4 Year	82,808	$424,621,630	74.3%
Prop Voc/Tech/Other	15,246	74,274,350	13.0
2 Year	19,082	72,140,719	12.6
Unknown	37	546,785	0.1
Graduate	14	155,930	0.0
Total	117,187	$571,739,414	100.0%

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

SAP Interest Rate Index	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
CP Index	113,330	$561,530,764	98.2%
T-Bill Index	3,854	10,183,487	1.8
Unguaranteed	3	25,163	0.0
Total	117,187	$571,739,414	100.0%

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

Borrower Payment Status	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Repayment	65,825	$331,279,028	57.9%
Forbearance	13,332	83,065,636	14.5
Deferment	22,420	102,842,691	18.0
In School	10,290	35,740,304	6.3
In Grace	5,320	18,811,755	3.3
Total	117,187	$571,739,414	100.0%

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

Number of Days Delinquent	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Current	94,920	$464,854,701	81.3%
Less than 30	7,137	36,681,149	6.4
30 to 59	3,704	18,768,376	3.3
60 to 89	2,330	11,057,085	1.9
90 to 119	2,154	9,895,447	1.7
120 to 149	905	4,348,377	0.8
150 to 179	1,014	4,649,759	0.8
180 to 210	1,265	5,512,621	1.0
211 to 269	1,395	6,578,584	1.2
270 and above	2,363	9,393,317	1.6
Total	117,187	$571,739,414	100.0%

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

Date of Disbursement	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Prior to April 1, 2006	67,142	$282,807,673	49.5%
April 1, 2006 – Present	50,045	288,931,741	50.5
Total	117,187	$571,739,414	100.0%

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

Date of Disbursement	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Prior to October 1, 1993	476	$ 1,012,255	0.2%
October 1, 1993 – June 30, 2006	67,519	286,822,654	50.2
July 1, 2006 – Present	49,192	283,904,505	49.7
Total	117,187	$571,739,414	100.0%

Student loans disbursed prior to October 1, 1993, are 100% guaranteed by the guaranty agency. 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 are 97% guaranteed by the applicable guaranty agency.

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

Range of Outstanding Principal Balance	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
$0.00 - $4,999.99	80,127	$206,252,865	36.1%
$5,000.00 - $9,999.99	27,106	176,273,939	30.8
$10,000.00 - $14,999.99	5,264	63,254,546	11.1
$15,000.00 - $19,999.99	1,806	31,131,886	5.4
$20,000.00 - $24,999.99	1,074	23,970,950	4.2
$25,000.00 - $29,999.99	651	17,713,969	3.1
$30,000.00 - $34,999.99	414	13,290,021	2.3
$35,000.00 - $39,999.99	220	8,178,240	1.4
$40,000.00 - $44,999.99	140	5,923,236	1.0
$45,000.00 - $49,999.99	87	4,122,328	0.7
$50,000.00 - $54,999.99	67	3,512,753	0.6
$55,000.00 - $59,999.99	54	3,093,762	0.5
$60,000.00 - $64,999.99	40	2,491,600	0.4
$65,000.00 - $69,999.99	26	1,768,445	0.3
$70,000.00 - $74,999.99	29	2,090,489	0.4
$75,000.00 - $79,999.99	10	767,906	0.1
$80,000.00 - $84,999.99	16	1,319,129	0.2
$85,000.00 - $89,999.99	5	429,001	0.1
$90,000.00 - $94,999.99	6	553,011	0.1
$95,000.00 - $99,999.99	5	489,310	0.1
$100,000.00 and above	40	5,112,028	0.9
Total	117,187	$571,739,414	100.0%

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

Range of Months Remaining Until Scheduled Maturity	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
1-12	915	$ 300,551	0.1%
13-24	1,867	1,180,927	0.2
25-36	2,554	2,745,865	0.5
37-48	2,975	4,614,726	0.8
49-60	3,254	6,765,593	1.2
61-72	4,896	15,883,674	2.8
73-84	7,014	28,584,234	5.0
85-96	8,847	33,713,312	5.9
97-108	12,093	52,266,948	9.1
109-120	29,496	138,866,644	24.3
121-132	18,215	81,627,045	14.3
133-144	8,985	40,428,617	7.1
145-156	4,171	19,212,457	3.4
157-168	2,337	13,184,836	2.3
169-180	1,874	13,787,424	2.4
181-192	1,301	13,518,888	2.4
193-204	897	10,639,279	1.9
205-216	490	6,580,621	1.2
217-228	499	8,170,167	1.4
229-240	794	13,813,110	2.4
241-252	334	6,623,892	1.2
253-264	471	6,885,473	1.2
265-276	692	6,645,953	1.2
277-288	767	7,220,183	1.3
289-300	703	9,901,291	1.7
301-312	182	4,627,525	0.8
313-324	155	5,936,126	1.0
325-336	88	2,611,598	0.5
337-348	95	3,173,959	0.6
349-360	175	10,005,773	1.8
361 and above	51	2,222,725	0.4
Total	117,187	$571,739,414	100.0%

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

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

Geographic Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Principal Balance
Missouri	57,398	$255,234,968	44.6%
Mississippi	14,977	67,531,043	11.8
California	6,723	41,468,921	7.3
Arkansas	7,791	36,823,475	6.4
Illinois	4,949	25,466,340	4.5
Texas	3,564	20,241,620	3.5
Kansas	3,231	14,145,257	2.5
Georgia	1,475	9,666,758	1.7
Florida	1,437	9,059,504	1.6
Tennessee	1,393	8,002,927	1.4
Arizona	1,054	6,219,001	1.1
Virginia	661	4,421,375	0.8
North Carolina	796	4,377,845	0.8
Washington	692	4,000,219	0.7
Oklahoma	802	3,841,509	0.7
New York	441	3,375,064	0.6
Oregon	698	3,360,688	0.6
Alabama	513	3,355,812	0.6
Louisiana	597	3,333,851	0.6
Colorado	664	3,309,182	0.6
Pennsylvania	573	3,287,698	0.6
Ohio	551	3,137,850	0.5
Indiana	500	3,030,954	0.5
Maryland	469	2,900,227	0.5
Minnesota	383	2,579,476	0.5
Iowa	415	2,318,331	0.4
Massachusetts	347	2,232,156	0.4
Nebraska	416	2,193,379	0.4
South Carolina	347	2,124,756	0.4
Michigan	325	1,909,281	0.3
Hawaii	260	1,904,104	0.3
Other	288	1,822,010	0.3
New Jersey	243	1,748,168	0.3
Wisconsin	295	1,732,897	0.3
Kentucky	318	1,649,919	0.3
Nevada	218	1,399,508	0.2
Connecticut	181	1,183,405	0.2
District Of Columbia	135	1,079,724	0.2
Utah	187	897,493	0.2
New Mexico	163	827,557	0.1
Idaho	92	593,759	0.1
Alaska	90	546,207	0.1
New Hampshire	65	539,536	0.1
Maine	74	421,434	0.1
West Virginia	62	415,841	0.1
North Dakota	60	383,793	0.1
Rhode Island	52	383,752	0.1
Delaware	57	381,850	0.1
South Dakota	41	290,600	0.1
Montana	58	264,148	0.0
Vermont	25	203,092	0.0
Wyoming	41	121,155	0.0
Total	117,187	$571,739,414	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 Principal Balance
The Higher Education Loan Authority of the State of Missouri	117,147	$571,482,744	100.0%
Pennsylvania Higher Education Assistance Agency	40	256,670	0.0
Total	117,187	$571,739,414	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 Principal Balance
Missouri Department of Higher Education	70,641	$313,362,007	54.8%
Pennsylvania Higher Education Assistance Agency	4,945	71,687,784	12.5
National Student Loan Program	10,265	51,721,672	9.0
United Student Aid Funds, Inc.	11,052	48,464,391	8.5
Student Loan Guarantee Foundation of Arkansas	8,181	32,805,367	5.7
California Student Aid Commission (EdFund)	4,829	23,731,476	4.2
Tennessee Student Assistance Corporation	4,057	17,129,859	3.0
Texas Guaranteed Student Loan Corporation	1,240	5,414,098	0.9
Educational Credit Management Corporation	926	3,870,372	0.7
Illinois Student Assistance Commission	415	1,296,009	0.2
Kentucky Higher Education Assistance Authority	224	758,772	0.1
Great Lakes Higher Education Guaranty Corporation	246	608,270	0.1
American Student Assistance	92	499,770	0.1
New York State Higher Education Services Corporation	33	182,979	0.0
Oklahoma State Regents for Higher Education	21	96,885	0.0
Colorado Student Loan Program (College Assist)	2	38,516	0.0
Rhode Island Higher Education Assistance Authority	7	34,343	0.0
Louisiana Office of Student Financial Assistance Commission	5	11,475	0.0
New Jersey Higher Education Student Assistance Authority	1	11,214	0.0
Florida Department of Education, Office of Student Financial Assistance	1	7,512	0.0
Montana Guaranteed Student Loan Program	3	3,954	0.0
Northwest Education Loan Association	1	2,689	0.0
Total	117,187	$571,739,414	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 U.S. Bank National Association, as Trustee. The Indenture and the notes will each be governed by the laws of the State. The following summary describes the material terms of the notes and related provisions of the Indenture. However, it is not complete and is qualified in its entirety by the actual provisions of the Indenture and the notes. Certain other provisions of the Indenture are described in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES" and "SUMMARY OF THE INDENTURE PROVISIONS."

Interest Payments

Interest will accrue on the notes at the interest rate described below during each interest accrual period. The initial interest accrual period for the notes begins on the date of issuance and ends on December 26, 2011. 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 December 27, 2011. Subsequent quarterly distribution dates for the notes will be on the twenty-fifth day of each March, June, September and December, or if any such day is not a business day, the next business day. Interest accrued but not paid on any quarterly distribution date will be due on the next quarterly distribution date together with an amount equal to interest on the unpaid amount at the rate per annum described below.

The interest rate on the notes for each interest accrual period, except for the initial interest accrual period, will be equal to three-month LIBOR plus 0.85%. The LIBOR rate for the notes for the initial interest accrual period will be calculated by reference to the following formula:

x + [(a / b * (y-x)] plus (0.85%), as calculated by the Trustee.
where:

x = five-month LIBOR;

y = six-month LIBOR;

a = 8 (the actual number of days from the maturity date of five-month LIBOR to the first quarterly distribution date); and

b = 31 (the actual number of days from the maturity date of five-month LIBOR to the maturity date of six-month LIBOR).

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

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

"*Business day*" means:

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

Principal Distributions

The aggregate outstanding principal balance will be due and payable in full for the notes on the June 2036 quarterly distribution date. The actual date on which the final distribution on the notes will be made may be earlier than such maturity date 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 in excess of the specified Reserve Fund balance will be transferred to the Collection Fund and will be applied as described under "—The

Collection Fund; Flow of Funds." Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes or (b) on any quarterly distribution date (after giving effect to all payments of principal made from the Collection Fund on such quarterly distribution date) when the market value of securities and cash in the Reserve Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

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

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

- for the December 2011 quarterly distribution date, the amount, if any, by which the sum of (i) the Initial Pool Balance plus any moneys transferred from the Acquisition Fund to the Collection Fund at the end of the Acquisition Period and (ii) 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 for the December 2011 quarterly distribution date;

- for each quarterly distribution date thereafter, the amount, if any, by which the Adjusted Pool Balance for the preceding quarterly distribution date exceeds the Adjusted Pool Balance for the current quarterly distribution date; and

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

For this purpose, "Adjusted Pool Balance" means, for any quarterly distribution date, the sum of the Pool Balance plus any amounts on deposit in the Capitalized Interest Fund and the Reserve Fund, in each case as of the last day of the collection period for 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 a 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.

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

Optional Purchase

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

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

- reduce the outstanding principal amount of the notes then outstanding on the related quarterly distribution date to zero;
- pay to the noteholders the interest payable on the related quarterly distribution date; and
- pay any rebate fees and other amounts payable to the Department of Education, pay amounts payable under any joint sharing agreements or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, and pay unpaid senior administration fees, servicing fees, trustee fees, subordinate administration fees and carryover 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 created under the Indenture ten business days prior to any quarterly distribution date when the Pool Balance is 10% or less of the Initial Pool Balance, all of the remaining student loans in the trust estate will be offered for sale by the Trustee before the next succeeding quarterly distribution date. The Issuer and unrelated third parties may offer to purchase the trust estate's student loans in the auction. The net proceeds of any auction sale will be used to retire any outstanding notes on the next quarterly distribution date after receipt of such proceeds.

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

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

Prepayment, Yield and Maturity Considerations

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

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

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

Weighted average lives, expected maturities and percentages of original principal remaining at certain quarterly distribution dates can also be affected as described herein under the caption "RISK FACTORS—The Issuer may not be able to use all of the note proceeds to acquire student loans and may be required to pay principal on notes earlier than anticipated."

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

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

General

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

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

Funds

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

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

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

Fund Deposits

As described under "USE OF PROCEEDS," certain of the proceeds from the sale of the notes will be used to make the initial deposits to the Capitalized Interest Fund and the Reserve Fund and a portion of the initial deposit to the Acquisition Fund described below (the remaining deposit to the Acquisition Fund will be a contribution by the Issuer).

Acquisition Fund; Purchase of Student Loans

On the date of issuance, financed student loans and cash will be deposited into the Acquisition Fund created under the Indenture as described under "USE OF PROCEEDS." An estimate of the amount of FFELP loans and cash to be deposited in the Acquisition Fund on or about the date of issuance is set forth under "USE OF PROCEEDS." Certain of the amounts deposited into the Acquisition Fund will be used to acquire the pool of FFELP loans as described in (and as may be modified as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," which will be acquired from (a) the Issuer's general fund; (b) released to the Trustee from the 2008 Indenture as described under "USE OF PROCEEDS"; or (c) certain unaffiliated third-party sellers. Such FFELP loans will be deposited into the Acquisition Fund. The Issuer expects to purchase or acquire the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" within ten days of the date of issuance, and with respect to all such FFELP loans to be purchased from third-party sellers will have executed binding contracts on the date of issuance entitling it to purchase all such FFELP loans. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS." Funds on deposit in the Acquisition Fund may also 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 amounts owed to the Department of Education and the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay certain of the Issuer's operating expenses, including, senior administration fees, servicing fees, trustee fees 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 at the end of the Acquisition Period will be transferred to the Collection Fund and applied on the December 2011 quarterly distribution date. Student loans deposited in or acquired with funds deposited in the Acquisition Fund that are pledged to the trust estate created under the Indenture will be held by the Trustee or its agent or bailee and accounted for as a part of the Acquisition Fund. Except for (a) the acquisition or purchase of the pool of FFELP Loans described above, (b) any substitutions of financed student loans to be made by the Issuer as described under "ACQUISITION OF THE FINANCED STUDENT LOANS" or (c) any acquisition of student loans that were previously financed student loans back from a guaranty agency or a servicer as described under "—Collection Fund; Flow of Funds," there will be no subsequent acquisitions of or recycling of student loans into the trust estate.

Reserve Fund

On the date of issuance, a deposit will be made to the Reserve Fund in an amount equal to approximately $1,479,570 which is approximately 0.25% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized) expected to be acquired by the Issuer by the expiration of the Acquisition Period. On each quarterly distribution date or monthly payment date, to the extent that money in the Collection Fund is not sufficient to pay amounts owed to the Department of Education and the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay certain of the Issuer's operating expenses, including senior administration fees, servicing fees, trustee fees 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 (a) 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. The Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the noteholders and to decrease the likelihood that the noteholders will experience losses. In some circumstances, however, the Reserve Fund could be reduced to zero. Amounts on deposit in the Reserve Fund in excess of the specified Reserve Fund balance will be transferred to the Collection Fund and will be applied as described under "—The Collection Fund; Flow of Funds." Other than such excess amounts, principal payments due on the notes will be made from the Reserve Fund only (a) on the final maturity date for the notes or (b) on any quarterly distribution date (after giving effect to all payments of principal made from the Collection Fund on such quarterly distribution date) when the market value of securities and cash in the Reserve Fund is sufficient to pay the remaining principal amount of and interest accrued on the notes.

Capitalized Interest Fund

On the date of issuance, approximately $5,918,280, which is approximately 1.00% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized) expected to be acquired by the Issuer by the expiration of the Acquisition Period, will be deposited into the Capitalized Interest Fund. If on any quarterly distribution date or monthly payment date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the U.S. Department of Education and to the guaranty agencies, to pay amounts payable under any applicable joint sharing agreement or otherwise remove amounts deposited in the trust estate which represent amounts that are allocable to student loans that are not financed student loans, or to pay senior 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. Any amounts on deposit in the Capitalized Interest Fund on the June 2012 quarterly distribution date will be transferred from the Capitalized Interest Fund to the Collection Fund and will be applied on such quarterly distribution date.

Department Rebate Fund

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

Collection Fund; Flow of Funds

The Trustee will credit to the Collection Fund all revenues derived from financed student loans; all proceeds of any sale of financed student loans; all amounts received under any joint sharing agreement; any amounts transferred from the 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 senior administration fees will be paid to the Administrator (initially the Issuer) on each monthly payment date from money available in the Collection Fund. The subordinate administration fee will be paid to the Administrator (initially the Issuer) on each quarterly distribution date from amounts available in the Collection Fund. The amounts payable as described in the second, third, fourth and eighth bullet points below are specified under the caption "FEES AND EXPENSES" hereunder. Carryover servicing fees in the ninth bullet point below are initially $0.00 and may only be increased to the extent permitted by the Indenture. The Administrator will be responsible for paying when due any fees or expenses owed to the Servicers and to the backup servicer under any Backup Servicing Agreement. In addition, each month money available in the Collection Fund will be used to pay amounts due to the U.S. Department of Education and the guaranty agencies with respect to financed student loans and amounts required to be deposited into the Department Rebate Fund and may be used to recall claims with respect to or repurchase student loans (only to the extent such student loans were previously financed student loans) from the applicable guaranty agency or any Servicer only if such claim recall or repurchase is required by the related guarantee agreement, servicing or other agreement, is strongly encouraged by the common manual or related regulations, or is required by federal law or regulations. On each quarterly distribution date, prior to an event of default, money available in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available;

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

Flow of Funds After Events of Default

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

Investment of Funds Held by Trustee

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

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

BOOK-ENTRY REGISTRATION

General

The following information concerning DTC and DTC's book-entry system has been obtained from information made publicly available by DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the Issuer and the Underwriter 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 Underwriter will have any responsibility or obligation to any DTC participants, Clearstream participants or Euroclear participants or the persons for whom they act as nominees with respect to the accuracy of any records maintained by DTC, Clearstream or Euroclear or any participant, the payment by DTC, Clearstream or Euroclear or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the notes, the delivery by any DTC participant, Clearstream participant or Euroclear participant of any notice to any beneficial owner which is required or permitted under the terms of the Indenture to be given to noteholders or any other action taken by DTC.

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

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

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

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

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

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

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions to the depositaries.

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

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

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

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

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

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

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

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

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

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

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

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

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

Distributions with respect to notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations (see "—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."

TRUSTEE

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

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

U.S. Bancorp, with total assets exceeding $308 billion as of December 31, 2010, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. As of December 31, 2010, U.S. Bancorp served approximately 17 million customers, operated 3,031 branch offices in 25 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, governments and institutions.

U.S. Bank has one of the largest corporate trust businesses in the country, with offices in 47 U.S. cities. The Indenture will be administered from U.S. Bank's corporate trust office located at 425 Walnut St., CN-OH-W6CT, Cincinnati Ohio 45202. The telephone number of the Trustee is (513) 632-5578.

U.S. Bank has provided corporate trust services since 1924. As of December 31, 2010, U.S. Bank was acting as trustee with respect to more than 109,600 issuances of securities with an aggregate outstanding principal balance of more than $4.0 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations. As of December 31, 2010, U.S. Bank (and its affiliate U.S. Bank Trust National Association) was acting as trustee on 252 issuances of student loan-backed securities with an outstanding aggregate principal balance of approximately $19,442,979,922.

The Issuer may maintain customary banking relations on arm's-length terms with the 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. See "SUMMARY OF THE INDENTURE PROVISIONS—The Trustee" for additional information regarding the responsibilities of the Trustee.

SUMMARY OF THE INDENTURE PROVISIONS

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

Parity and Priority of Lien

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

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

Except as otherwise provided in the Indenture, the Issuer:

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

- will not take any action or fail to take any action that would result in the lien of the Indenture or the priority of that lien for the notes thereby secured being lost or impaired; and

- will pay or cause to be paid, or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the financed student loans.

Representations and Warranties

The Issuer will represent and warrant in the Indenture that:

- it is duly authorized to issue the notes and to execute and deliver the Indenture and to make the pledge to the payment of notes under the Indenture;

- all necessary action for the issuance of the notes and the execution and delivery of the Indenture has been duly and effectively taken; and

- the notes in the hands of the registered owners are and will be valid and enforceable obligations of the Issuer secured by and payable solely from the trust estate created under the Indenture.

Sale of Financed Student Loans

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

Further Covenants

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

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

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

Statements to Noteholders

For each collection period, the Issuer will post on its website (and the Trustee will direct any noteholder who requests a copy to the Issuer's website), a report setting forth information with respect to the notes and financed student loans as of the end of such period, including the following:

- descriptions of portfolio characteristics;
- identification of remaining note balances;
- descriptions of amounts of the distribution allocable to principal and interest of the notes;
- changes in Pool Balance over the distribution period;
- fees paid by the trust estate; and
- limited descriptions of activity in the Reserve Fund, Collection Fund and Acquisition Fund.

Servicing and Enforcement of the Servicing Agreements

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

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

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

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

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

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

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

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

The Issuer covenants to maintain a Backup Servicing Agreement with a third-party servicer with respect to all of the financed student loans serviced by the Issuer and agrees to pay the fees and expenses associated therewith.

Additional Covenants With Respect to the Higher Education Act

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

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

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

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

- causing to be diligently enforced, and causing to be taken all reasonable steps necessary or appropriate for the enforcement of all terms, covenants and conditions of all financed student loans and agreements in connection with the financed student loans, including the prompt payment of all principal and interest payments and all other amounts due to the

Issuer thereby and not releasing the obligations of any borrower or agreeing to, permitting, allowing or causing any amendment or modification of any financed student loan except to the extent permitted by the Indenture;

- maintaining and causing the benefits of the guarantee agreements, certificates of insurance, the interest benefit payments and the special allowance payments to be held for the benefit of the Trustee and enforcing its rights under the guarantee agreements and not voluntarily permitting or consenting to any amendment or rescission or taking any action that would adversely affect the registered owners;
- complying with all United States and state statutes, rules, and regulations which apply to the Program and to the financed student loans; and
- administering and collecting (or causing to be administered and collected) all financed student loans in a competent, diligent, and orderly fashion and in accordance with all applicable requirements of the Higher Education Act, the Secretary, the regulations of the Secretary and each guaranty agency, and the Indenture.

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

Continued Existence; Successor

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

Events of Default

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

(a) 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;

(b) 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;

(c) 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

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

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

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

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

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

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

SIXTH, to the Administrator, any subordinate administration fees due and remaining unpaid constituting part of the subordinate administration fees;

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

EIGHTH, to the Issuer.

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

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

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

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

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

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

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

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

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

The Trustee

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

- except during the continuance of an event of default, the Trustee undertakes to perform only those duties as are specifically set forth in the Indenture;
- except during the continuance of an event of default and in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provisions of the Indenture are specifically required to be furnished to the Trustee, the Trustee will be under a duty of reasonable care to examine the same to determine whether or not they conform as to form with the requirements of the Indenture and whether or not they contain the statements required under the Indenture;
- in case an event of default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs; and

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

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

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

The Trustee will not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture; provided, however, that the Trustee will be liable for its negligence or willful misconduct in taking such action. The Trustee is authorized to enter into agreements with other persons, in its capacity as Trustee, in order to carry out or implement the terms and provisions of the Indenture. The Trustee will not be liable with respect to any action taken, suffered or omitted to be taken in good faith in accordance with the Indenture or any other transaction document or at the direction of the registered owners evidencing the appropriate percentage of the aggregate principal amount of the outstanding notes relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture or any other transaction document.

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

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

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

Compensation of Trustee. The Issuer will pay to the Trustee reasonable compensation for the services rendered by it under the Indenture, and also all of its advances, counsel fees and other expenses reasonably made or incurred in and about the execution and administration of the trust created by the Indenture. Any successor Trustee may not materially increase the trustee fee without complying with the amendment provisions of the Indenture as described below under “—Supplemental Indentures.” If not paid by the Issuer, the Trustee will have a lien on all money held pursuant to the Indenture, subject only to the prior lien of the notes for the payment of the principal and interest thereon from the Collection Fund, unless the Trustee is adjudicated to have incurred liability in connection with its services under the Indenture due to the Trustee’s negligence or willful misconduct.

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

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

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

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

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

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

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

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

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

Supplemental Indentures

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

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

- to make any other change which, in the judgment of the Trustee, is not materially adverse to the registered owners of any notes outstanding under the Indenture.

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

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

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

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

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

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

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

Certain Notices to Rating Agencies

The Indenture requires the Trustee to notify each rating agency then rating the notes of, among other things: (a) any amendment, change, expiration, extension or renewal of the Indenture, (b) redemption, defeasance, or acceleration of any of the notes, (c) any event of default, (d) any change in the Trustee, (e) the sale of financed student loans, or (f) certain other information within its knowledge in certain circumstances in connection with any supplemental indenture. These notification provisions do not apply to the extent such notice or information has been previously supplied to the rating agencies and the Trustee has written evidence to such effect. The Indenture requires the Issuer to provide Fitch, if then rating the notes, any information reasonably requested by Fitch in connection with a rating notification. The Indenture further requires the Issuer to provide S&P with all event notices (as defined under "GLOSSARY OF TERMS") on or about the time that any event notice is delivered to Fitch.

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 Registered Owners

Whenever in the Indenture the requirements of a rating notification must be satisfied for any proposed actions, failures to act or other event, to the extent that the notes no longer carry a rating from Fitch, such proposed action, failure to act or other event 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 will consist of overcollateralization and cash on deposit in the Capitalized Interest Fund and the Reserve Fund.

As described in "USE OF PROCEEDS," on the date of issuance, certain of the proceeds from the sale of the notes will be deposited by the Issuer to the credit of the Reserve Fund, the Capitalized Interest Fund and the Acquisition Fund (the remaining deposit to the Acquisition Fund will be a contribution by the Issuer). Certain of the amounts deposited into the Acquisition Fund will be used to acquire the pool of FFELP loans described in (and as may be modified as described in) "CHARACTERISTICS OF THE FINANCED STUDENT LOANS" from (a) the Issuer's general fund, (b) from the 2008 Indenture as described under "USE OF PROCEEDS"; or (c) certain unaffiliated third-party sellers. Such FFELP loans will be deposited into the Acquisition Fund. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of FFELP loans described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," and after giving effect to the purchase or acquisition of such FFELP loans, any remaining available amounts up to $25 million may be used to acquire or purchase additional FFELP loans not described in "CHARACTERISTICS OF THE FINANCED STUDENT LOANS."

On the date of issuance, deposits in the amounts of approximately $5,918,280 and $1,479,570 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 and the Reserve Fund will exceed the original principal balance of the notes to be issued by the Issuer, which excess will represent the initial overcollateralization for the trust estate created under the Indenture and the credit enhancement.

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

ERISA CONSIDERATIONS

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

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

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

Plan Asset Regulation

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

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

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

Prohibited Transactions

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

The Underwriter, 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 Underwriter, 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 Underwriter 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.

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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 owners of the notes (solely for purposes of this section of the Offering Memorandum, the "registered owners") or that the relationship which will result from this transaction is that of a partnership, or an association taxable as a corporation.

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

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

Characterization of the Notes as Indebtedness

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

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

The Issuer believes, based on the advice of counsel, that it has retained the preponderance of the primary benefits and burdens associated with ownership of the financed student loans and should, thus, be treated as the owner of the financed student loans for federal income tax purposes. If, however, the Service were successfully to assert that this transaction should be treated as a sale of the financed student loans, the Service could further assert that the entity created pursuant to the Indenture, as the owner of the financed student loans for federal income tax purposes, should be deemed engaged in a business and, therefore, characterized as a publicly traded partnership taxable as a corporation.

Taxation of Interest Income of Registered Owners

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

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 also 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.

UNDERWRITING

Subject to the terms and conditions to be set forth in a Note Purchase Agreement (the "Note Purchase Agreement"), between the Issuer and Morgan Stanley & Co. LLC, as the Underwriter, the Underwriter has agreed to purchase the notes at a price equal to 99.1687% of the principal amount of the notes, less an underwriting discount of $2,595,600. After the initial offering, the prices of the notes may change.

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

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

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

The Issuer has agreed to indemnify the Underwriter, and under certain limited circumstances, the Underwriter 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.

The Issuer may be subject to various claims, lawsuits, and proceedings that arise from time to time.

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. Certain legal matters will be passed on for the Underwriter by Dorsey & Whitney LLP.

RATINGS

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

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

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

CONTINUING DISCLOSURE

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

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GLOSSARY OF TERMS

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

"*Acquisition Period*" means a period from the date of issuance to and including the date that is 30 days after the date of issuance.

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

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

"*Carryover Servicing Fee*" means any fee for servicing the financed student loans not permitted to be paid from funds available in the third bullet point described in "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES—Collection Fund; Flow of Funds"; the Carryover Servicing Fee shall initially be equal to $0.00 and may only be increased if permitted by the terms of the Indenture.

"*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 November 30, 2011, and with respect to each subsequent Quarterly Distribution Date, the Collection Period shall mean the three calendar months immediately preceding such Quarterly Distribution Date.

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

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

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

“*Event Notice”* shall mean notice of a proposed action, failure to act, or other event specified in the notice given at least ten days prior to the occurrence of such proposed action, failure to act, or other event.

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

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

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

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

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

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

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

“*Investment Securities*” shall mean:

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

(b) debentures of the Federal Housing Administration;

(c) certain debt instruments of certain government-sponsored agencies, including: (i) Federal Home Loan Mortgage Corporation debt obligations, (ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives) consolidated system-wide bonds and notes, (iii) Federal Home Loan Banks consolidated debt obligations; (iv) the Federal National Mortgage Association debt obligations; (v) Financing Corp. ("FICO") debt obligations; and (vi) Resolution Funding Corp ("REFCORP") debt obligations or any agency or instrumentality of the United States of America which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; provided, however, such obligations must be limited to those instruments which have a predetermined fixed dollar amount of principal due at maturity that cannot vary, not have an "r" suffix attached to any rating, and have interest tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

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

(e) deposits that are fully insured by the Federal Deposit Insurance Corp. ("FDIC") which (i) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (ii) if rated, do not have an "r" suffix attached to the rating, and (iii) have interest which is tied to a single interest rate index plus a single fixed spread (if any), which interest moves proportionately with such index;

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

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

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

(i) investments in a money market fund rated at least "AAAm" or "AAAm-G" by S&P and "AAAmmf" by Fitch, including funds for which the Trustee or an affiliate thereof acts as investment advisor or provides other similar services for a fee; and

(j) any other investment after the requirements of a rating notification have been satisfied.

"*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 the registered owner of a note.

"*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 Notification" means that Fitch shall have been given an Event Notice and Fitch shall not have issued any written notice during the ten-day period following the giving of an Event Notice that the occurrence of the proposed action, failure to act, or other event specified in the Event Notice will cause Fitch to downgrade any of the ratings then applicable to the notes or cause such rating agency to suspend, withdraw or qualify the ratings then applicable to the notes; provided that such ten-day period shall be extended by up to twenty days if the Issuer has received notice that such proposed action, failure to act, or other event is under review by Fitch and Fitch cannot complete its review during the ten-day period (and the Issuer will give prompt written notice to the Trustee of any such notice of review received by it). Such inaction by Fitch cannot be viewed as an approval of the requested action of the Issuer by Fitch.

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

"*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 and Pennsylvania Higher Education Assistance Agency or an affiliate thereof and any additional Servicer or successor Servicer with which the Issuer has entered into a Servicing Agreement with respect to the financed student loans and for which the Issuer has satisfied the requirements of a rating notification with respect to Fitch.

"*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.

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APPENDIX A

DESCRIPTION OF THE FFEL PROGRAM

Beginning on July 1, 2010, FFELP Loans made pursuant to the Higher Education Act were no longer originated, and all new federal student loans were originated solely under the Federal Direct Student Loan Program (the "Direct Loan Program"). However, FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired or are anticipated to be acquired by the Issuer (including the loans described in this Offering Memorandum under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOANS") continue to be subject to the provisions of the FFEL Program. The following description of the FFEL Program has been provided solely to explain certain of the provisions of the FFEL Program applicable to FFELP Loans made on or after July 1, 1998 and prior to July 1, 2010. Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP Loans (including Consolidation Loans) may be made or insured under the FFEL Program, and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make or insure loans under the FFEL Program (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an Act of Congress enacted after the date of enactment of the Student Aid and Fiscal Responsibility Act of 2009.

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

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

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

Federal Family Education Loans

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

Generally, a FFELP Loan was made only to a United States citizen or permanent resident or otherwise eligible individual under federal regulations who (a) had been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution; (b) was 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) agreed to notify promptly the holder of the loan of any address change; (d) was not in default on any federal education loans; (e) met the applicable "need" requirements; and (f) had not committed a crime involving fraud or obtaining funds under the Higher Education Act which funds had not been fully repaid. Eligible institutions included higher educational institutions and vocational schools that complied with certain federal regulations. With certain exceptions, an institution with a cohort default rate that was equal to or greater than 25% for each of the three most recent fiscal years for which data was available was not an eligible institution under the Higher Education Act.

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

The Higher Education Act provides for federal (a) insurance or reinsurance of eligible Subsidized Stafford Loans, (b) interest benefit payments for borrowers remitted to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (c) special allowance payments representing an additional subsidy paid by the Secretary of the United States Department of Education (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 were limits as to the maximum amount which could be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. The Secretary had discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

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

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

Unsubsidized Stafford Loans were available for students who did 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 were 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 were 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 were determined without respect to the expected family contribution. The borrower is required to pay interest from the time such loan was disbursed or capitalize the interest until repayment begins.

PLUS Loan Program

The Higher Education Act authorized PLUS Loans to be made to graduate students, professional students, or parents of eligible dependent students. Only graduate students, professional students and parents who did not have an adverse credit history were eligible for PLUS Loans. The basic provisions applicable to PLUS Loans were 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.

Federal Direct Student Loan Program

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

Secretary's Temporary Loan Consolidation Authority. On March 30, 2010, HCEARA additionally temporarily granted the Secretary authority to make a Federal Direct Consolidation Loan to a borrower (a) who has one or more loans in two or more of the following categories: (i) loans made under the Direct Loan Program, (ii) loans purchased by the Secretary pursuant to the provisions described herein under "—Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans," and (iii) loans made under the FFEL Program that are held by an eligible lender; (b) who has not yet entered repayment on one or more of such loans in any of the categories described in clause (a)(i)-(iii) herein; and (c) whose application for such Federal Direct Consolidation Loan is received by the Secretary on or after July 1, 2010 and before July 1, 2011.

The Consolidation Loan Program

The Higher Education Act authorized a program under which certain borrowers could 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 expired on June 30, 2010. Consolidation Loans were 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 could have been either in repayment status or in a grace period preceding repayment, but the borrower could not still be in school. Delinquent or defaulted borrowers were eligible to obtain Consolidation Loans if they agree to re-enter repayment through loan consolidation. Borrowers were permitted to add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. Further, a married couple who agreed to be jointly and severally liable was treated as one borrower for purposes of loan consolidation eligibility. A Consolidation Loan is 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.

Interest Rates

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

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

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

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

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

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

Loan Disbursements

The Higher Education Act generally required 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 required 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 was 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 was available may (a) disburse any such loan made in a single installment for any period of enrollment that was not more than a semester, trimester, quarter, or 4 months and (b) deliver any such loan that was 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 was permitted to 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 was not permitted to 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 was not permitted to 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 was $23,000 (excluding PLUS Loans). Dependent undergraduate students were permitted to 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 were permitted to borrow an additional Unsubsidized Stafford Loan of up to $12,000 per academic year. The Secretary had 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 were permitted to borrow on behalf of each dependent student or (b) graduate or professional students were permitted to borrow for any academic year was not allowed to exceed the student's estimated cost of attendance minus other financial assistance for that student as certified by the eligible institution which the student attends.

Repayment

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

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

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

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed, subject to deferral. For parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible, upon the request of the parent, to begin repayment on the later of (a) six months and one day after the student for whom the loan is borrowed ceases to carry at least one-half of the normal full-time academic workload (as determined by the school) and (b) if the parent borrower is also a student, six months and one day after the date such parent borrower ceases to carry at least one-half such a workload. Similarly, graduate and professional student borrowers whose loans were first disbursed on or after July 1, 2008 may begin repayment six months and one day after such student ceases to carry at least one-half the normal full-time academic workload (as determined by the school). Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program for all PLUS Loans except those PLUS Loans which are made, insured, or guaranteed on behalf of a dependent student; such excepted PLUS Loans are not eligible for the income-based repayment plan which became effective on July 1, 2009. Furthermore, eligible lenders were permitted to 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 were 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 were permitted to 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 were 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 participated in the FFEL Program was permitted to use a master promissory note for FFELP Loans. The MPN permitted a borrower to obtain future loans without the necessity of executing a new promissory note. Borrowers were not, however, required to obtain all of their future loans from their original lender, but if a borrower obtained a loan from a lender which did not presently hold a MPN for that borrower, that borrower was 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 were permitted to originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. The special allowance payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

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

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

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

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

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

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

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

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

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

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

Loan Fees

Insurance Premium. For loans guaranteed before July 1, 2006, a Guaranty Agency was 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 had waived this fee since 1999. For loans guaranteed on or after July 1, 2006 that are first disbursed before July 1, 2010, a federal default fee equal to 1.00% of principal was required to be paid into such Guaranty Agency's Federal Student Loan Reserve Fund (hereinafter defined as the "Federal Fund").

Origination Fee. Lenders were authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.00% of the principal amount of the loan for loans disbursed prior to July 1, 2006; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 1.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; and 0.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010. The Secretary is authorized to charge borrowers of Direct Loans 4.00% of the principal amount of the loan for loans disbursed prior to February 8, 2006. A lender was permitted to 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 was required to pay to the Secretary an additional origination fee equal to 0.50% of the principal amount of the loan for loans first disbursed on or after October 1, 1993, but prior to October 1, 2007. For all loans first disbursed on or after October 1, 2007 and before July 1, 2010, the lender was required to pay an additional origination fee equal to 1.00% of the principal amount of the loan.

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

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

Insurance and Guarantees

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

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

Federal Insurance. The Higher Education Act provides that, subject to compliance with such Act, the full faith and credit of the United States is pledged to the payment of insurance claims and ensures that such reimbursements are not subject to reduction. In addition, the Higher Education Act provides that if a Guarantor is unable to meet its insurance obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new Guarantor capable of meeting such obligations or until a successor Guarantor assumes such obligations. Federal reimbursement and insurance payments for defaulted loans are paid from the student loan insurance fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

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

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

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

If the Secretary has terminated or is seeking to terminate Guarantee Agreements, or has assumed a Guarantor's functions, notwithstanding any other provision of law: (a) no state court may issue an order affecting the Secretary's actions with respect to that Guarantor; (b) any contract entered into by the Guarantor with respect to the administration of the Guarantor's reserve funds or assets purchased or acquired with reserve funds shall provide that the contract is terminable by the Secretary upon 30 days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets or is inconsistent with the terms or purposes of the Higher Education Act; and (c) no provision of state law shall apply to the actions of the Secretary in terminating the operations of the Guarantor. Finally, notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a Guarantor (other than outstanding student loan guarantees under the Higher Education Act), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the Guarantor, minus any necessary liquidation or other administrative costs.

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

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

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

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

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

Under the Guarantee Agreements, if a payment by the borrower on a FFELP Loan guaranteed by a Guarantor is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the borrower's payment. The Secretary's equitable share of the borrower's payment equals the amount remaining after the Guarantor has deducted from such payment: (a) the percentage amount equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made with respect to the loan and (b) as of October 1, 2007, 16% of the borrower's payments (to be used for the Guarantor's Operating Fund (hereinafter defined)). The percentage deduction for use of the borrower's payments for the Guarantor's Operating Fund varied prior to October 1, 2007: from October 1, 2003 through and including September 30, 2007, the percentage in effect was 23% and prior to October 1, 2003, the percentage in effect was 24%. The Higher Education Act further provides that on or after October 1, 2006, a Guarantor may not charge a borrower collection costs in an amount in excess of 18.50% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower; provided that the Guarantor must remit to the Secretary a portion of the collection charge equal to 8.50% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009, a Guarantor must remit to the Secretary any collection fees on defaulted loans paid off with consolidation proceeds by the borrower which are in excess of 45% of the Guarantor's total collections on defaulted loans in any one federal fiscal year.

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

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

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

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

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

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

Guarantor Reserves

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

The Higher Education Act provides for a recall of reserves from each Federal Fund in certain years, but also provides for certain minimum reserve levels which are protected from recall. The Secretary is authorized to enter into voluntary, flexible agreements with Guarantors under which various statutory and regulatory provisions can be waived; provided, however, the Secretary is not authorized to waive, among other items, any deposit of default aversion fees by Guarantors. In addition, under the

Higher Education Act, the Secretary is prohibited from requiring the return of all of a Guarantor's reserve funds unless the Secretary determines that the return of these funds is in the best interest of the operation of the FFEL Program, or to ensure the proper maintenance of such Guarantor's funds or assets or the orderly termination of the Guarantor's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a Guarantor to: (a) return to the Secretary all or a portion of its reserve fund which the Secretary determines is not needed to pay for the Guarantor's program expenses and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the Guarantor's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure.

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

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

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

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

Put Program. In a May 21, 2008 "Dear Colleague" letter, the Secretary 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"), which Put Program was later extended to the 2009-2010 academic year. Pursuant to the Put Program, the Department of Education required eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program to the Department of Education and unless the participating lender has entered into a Master Participation Agreement (described under the caption "Purchase of Participation Interests Program" below) to enter into a Master Loan Sale Agreement with the Department of Education. Only eligible Stafford Loans and PLUS Loans made to students and parents of dependent students for respective academic years were eligible for the Put Program. Each participating lender was required to 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 the following August 31.

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 and 2009-2010 academic years. Each eligible FFEL Program lender was required to submit a Notice of Intent to participate in the Put Program and the Purchase of Participation Interests Program to the Department of Education and to enter into a Master Participation Agreement with the Department of Education and a third party custodian acceptable to the Department of Education. Each participating lender was required to exercise, if at all, its option to sell participation interests in their eligible loans to the Department of Education on or before August 1 of such year. The Department of Education held the participation interests in the eligible loans until the earlier of (i) the date the participating lender notified the Department of Education that it would 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 of the corresponding year such participation interest was sold to the Department of Education.

Asset-Backed Commercial Paper Conduit Program. In a November 10, 2008 "Dear Colleague" letter, the Secretary announced that, due to stagnation in the credit markets and the billions of dollars of student loans which remain on bank balance sheets, the Department of Education would develop an asset-backed commercial paper conduit program (the "Asset-Backed Commercial Paper Conduit Program") to purchase fully disbursed FFELP Loans (other than Consolidation Loans) awarded between October 1, 2003 and July 1, 2009. Each conduit would be privately created by an eligible lender trustee and would contain the ownership rights of lenders to their eligible FFELP Loans. The conduit would issue commercial paper to investors and secure the repayment of the commercial paper with the conduit's FFELP Loan pool. The funds provided by investors would be paid to the student lenders who transferred the ownership rights in their eligible FFELP Loans to the conduit. The Department of Education would, pursuant to the Ensuring Continued Access to Student Loans Act, enter into forward purchase commitments with each eligible lender trustee participating in the Asset-Backed Commercial Paper Conduit Program and commit to purchasing at a date in the future eligible FFELP Loans at a certain price from the conduit if the conduit lacks sufficient funds to repay its investors as the commercial paper becomes due. A single conduit borrower, Straight-A Funding, LLC, was established pursuant to the Asset-Backed Commercial Paper Conduit Program. The ability to finance eligible FFELP Loans under the Asset-Backed Commercial Paper Conduit Program terminated on June 30, 2010. The Asset-Backed Commercial Paper Conduit Program currently terminates in January of 2014. Any FFELP Loans not refinanced by a lender will be put to the Department of Education on the expiration of the Asset-Backed Commercial Paper Conduit Program.

Lender-of-Last-Resort Program

Until July 1, 2010, the FFEL Program allowed Guaranty Agencies and certain eligible lenders to act as lenders-of-last-resort. A lender-of-last-resort was 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 were otherwise unable to obtain FFELP Loans (other than Consolidation Loans) were permitted to apply to receive loans from the state's lenders-of-last-resort.

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.

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APPENDIX B

GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

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

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

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

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

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

Initial Settlement

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

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

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

Secondary Market Trading

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

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

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

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

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

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

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

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

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

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

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

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

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

Certain U.S. Federal Income Tax Documentation Requirements

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

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

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

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

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

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

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

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APPENDIX C

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

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

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

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

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

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

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

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

- the statistical cut off date for the financed student loans is May 31, 2011;
- the date of issuance is July 19, 2011;
- all of the financed student loans are acquired on the date of issuance;
- all financed student loans (as grouped within the "rep lines") that are in school status are assumed to remain in school until their status end date, and then enter a 6 month grace term before entering repayment. All other financed student loans remain in their current status until their status end date and then move to repayment, no financed student loan moves from repayment to any other status and the initial outstanding principal balance of any financed student loan that has lost its guarantee as of the statistical cut-off date is zero;
- the financed student loans that are (i) unsubsidized Stafford or Consolidation loans not in repayment status, (ii) subsidized Stafford or Consolidation loans in forbearance status or (iii) SLS or PLUS loans, have interest accrued and capitalized upon entering repayment;
- the financed student loans that are (i) subsidized Stafford loans in school, grace or deferment status, or (ii) subsidized Consolidation loans in deferment status, have interest

paid (interest benefit payments) by the Department of Education quarterly, based on a quarterly calendar accrual period;

- there are government payment delays of 60 days for interest benefit and special allowance payments;
- no delinquencies or defaults occur on any of the financed student loans, no purchases from the trust estate for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;
- index levels for calculation of borrower and government payments are:
  - a three-month commercial paper rate of 0.20000%;
  - a 91-day Treasury bill rate of 0.02500%; and
  - a 1-year Treasury bill rate that equals the 91-day Treasury bill rate;
- quarterly distributions begin on December 25, 2011, and payments are made quarterly on the twenty-fifth day of every March, June, September and December thereafter, whether or not the twenty-fifth is a business day;
- the interest rate for the notes at all times will be equal to 1.09605%;
- interest accrues on the notes on an actual/360 day count basis;
- monthly senior administration fees and monthly servicing fees paid to the Administrator (initially the Issuer) will be equal to (except for the July 2011 and August 2011 months) 1/12 of 0.05% of the Pool Balance and 1/12 of 0.70% of the Pool Balance, respectively, each as of the last day of the immediately preceding month, out of which the Administrator will pay any servicing fees and expenses then owed to any other Servicer;
- monthly senior administration fees and monthly servicing fees paid to the Administrator (initially the Issuer) for the July 2011 and August 2011 months will be equal to 0.05% and 0.70% of the Pool Balance, respectively, each at the end of the Acquisition Period and based on the actual number of days from the date of issuance to August 31, 2011, divided by 360 and will be paid in August 2011;
- quarterly subordinate administration fees paid to the Administrator (initially the Issuer) will be equal to 1/12 of 0.10% of the Pool Balance as of the last day of the immediately preceding month (calculated separately for each month but paid quarterly), except that the calculation for the July 2011 and August 2011 months will be based on the Pool Balance as of the end of the Acquisition Period and based on the actual number of days from the date of issuance to August 31, 2011 divided by 360;
- quarterly trustee fees paid to the Trustee will be equal to 0.02% of the outstanding note balance as of the immediately preceding quarterly distribution date multiplied by the actual number of days from the previous quarterly distribution date, through but not including such quarterly distribution date divided by 360, except that the calculation of the quarterly trustee fees for the quarterly distribution date in December 2011 will be based on the outstanding note balance as of the date of issuance and based on the actual number of days from the date of issuance through but not including the December 2011 quarterly distribution date divided by 360;
- other fees equal to $75,000 paid annually every July prior to any payments of interest or principal on the notes;
- the Reserve Fund has an initial balance equal to 0.25% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized)

expected to be acquired by the Issuer by the expiration of the Acquisition Period and thereafter has a balance equal to the greater of (a) 0.25% of the then current Pool Balance and (b) 0.15% of the Initial Pool Balance;

- all payments are assumed to be made at the end of the month and amounts on deposit in the Collection Fund, Capitalized Interest Fund and Reserve Fund, including reinvestment income earned in the previous month, net of servicing fees, are reinvested in eligible investments at the assumed reinvestment rate of 0.02500% per annum through the end of the collection period; reinvestment earnings from the prior collection period are available for distribution;
- the Collection Fund has an initial balance of $0;
- no clean-up call or mandatory auction of the financed student loans occurs;
- a Consolidation Loan rebate fee equal to 1.05% per annum of the outstanding principal balance of the financed student loans that are Consolidation Loans, paid monthly by the Issuer to the Department of Education;
- the Capitalized Interest Fund has an initial balance equal to 1.00% of the aggregate principal balance of the FFELP loans (including accrued interest that is expected to be capitalized) expected to be acquired by the Issuer by the expiration of the Acquisition Period, and on the June 2012 quarterly distribution date, the Trustee will transfer any amounts remaining in the Capitalized Interest Fund to the Collection Fund;
- no event of default has occurred or is continuing to occur.

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

Weighted Average Lives, Payment Windows and Expected Maturity Dates of the Notes at Various Percentages of the CPR

	0% CPR	**2% CPR**	**4% CPR**	**6% CPR**	**8% CPR**
			Weighted Average Life (Years) [1]		
Notes	6.25	5.74	5.29	4.91	4.57
			Expected Maturity Date		
Notes	September 25, 2026	September 25, 2025	June 25, 2024	September 25, 2023	December 25, 2022

[1] The weighted average life of the notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (a) multiplying the amount of each principal payment on the notes by the number of years from the date of issuance to the related quarterly distribution date, (b) adding the results, and (c) dividing that sum by the aggregate principal amount of the notes as of the date of issuance.

Percentages of Original Principal Amount of the Notes Remaining at Certain Quarterly Distribution Dates at Various Percentages of the CPR

Dates	0% CPR	2% CPR	4% CPR	6% CPR	8% CPR
July 19, 2011	100%	100%	100%	100%	100%
December 25, 2011	98	98	97	97	96
December 25, 2012	91	89	87	85	83
December 25, 2013	83	80	76	73	70
December 25, 2014	74	70	65	61	57
December 25, 2015	65	60	55	50	46
December 25, 2016	55	50	44	40	35
December 25, 2017	46	40	35	30	26
December 25, 2018	36	30	26	22	18
December 25, 2019	26	21	17	14	11
December 25, 2020	17	14	11	8	6
December 25, 2021	12	8	6	4	2
December 25, 2022	8	5	3	1	0
December 25, 2023	5	3	1	0	0
December 25, 2024	3	1	0	0	0
December 25, 2025	1	0	0	0	0
December 25, 2026	0	0	0	0	0
December 25, 2027	0	0	0	0	0
December 25, 2028	0	0	0	0	0
December 25, 2029	0	0	0	0	0
December 25, 2030	0	0	0	0	0
December 25, 2031	0	0	0	0	0
December 25, 2032	0	0	0	0	0
December 25, 2033	0	0	0	0	0
December 25, 2034	0	0	0	0	0
December 25, 2035	0	0	0	0	0

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Continuing Disclosure Agreement") is executed and delivered by the Higher Education Loan Authority of the State of Missouri (the "Obligated Person") in connection with the issuance of $576,800,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2011-1 (LIBOR Floating Rate Notes) (the "Series 2011-1 Notes"). The Series 2011-1 Notes are being issued pursuant to an Indenture of Trust, dated as of July 1, 2011 (the "Indenture"), between the Obligated Person and U.S. Bank National Association, as trustee (the "Trustee"). The Obligated Person undertakes and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Continuing Disclosure Agreement is being executed and delivered by the Obligated Person for the benefit of the Registered Owners and beneficial owners of the Series 2011-1 Notes and in order to assist the Underwriter (as defined below) in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" shall mean any Annual Financial Information provided by the Obligated Person pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Agreement.

"*Disclosure Representative*" shall mean the Treasurer of the Obligated Person or his or her designee, or such other person as the Obligated Person shall designate.

"*Dissemination Agent*" shall mean any Dissemination Agent designated by the Obligated Person.

"*EMMA*" means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

"*Listed Event*" shall mean any of the events listed in Section 5(a) of this Continuing Disclosure Agreement.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board, and any successors or assigns, or any other entities or agencies approved under the Rule.

"*Offering Memorandum*" shall mean the Offering Memorandum, dated July 7, 2011, of the Obligated Person with respect to its offering of the Series 2011-1 Notes.

"*Repository*" shall mean, until otherwise designated by the Securities and Exchange Commission, the Electronic Municipal Market Access website of the MSRB located at http://emma.msrb.org and, if applicable, the State Repository.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"*SEC*" shall mean the United States Securities and Exchange Commission.

“State Repository” shall mean any public or private repository or entity designated by the State of Missouri as a state information depository for purposes of the Rule and recognized as such by the SEC. As of the date of this Continuing Disclosure Agreement, there is no State Repository.

“*Underwriter*” means the “participating underwriter” as that term is defined in the Rule, and in relation to the Series 2011-1 Notes, shall mean Morgan Stanley & Co. LLC or any successors known to the Obligated Person.

Section 3. Provision of Annual Financial Information.

(a) The Obligated Person shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Obligated Person’s fiscal year, commencing with the report of the fiscal year ending June 30, 2011, provide to the Repository, at www.emma.msrb.org, in such electronic format accompanied by such identifying information (the “Prescribed Form”) as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, the Annual Financial Information which is consistent with the requirements of Section 4 of this Continuing Disclosure Agreement.

(b) The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, or by specific cross reference to other documents which have been submitted to the Repository and available to the public on the Repository’s website or filed with the SEC. If the document so referenced is a final offering document within the meaning of the Rule, such final offering document must be available from the Repository. The Obligated Person shall clearly identify each such other document so incorporated by cross-reference.

(c) If the financial statements of the Obligated Person are audited, the audited financial statements of the Obligated Person must be submitted if and when available but may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by that date.

Section 4. Content of Annual Financial Information. The Obligated Person’s Annual Financial Information shall contain or incorporate by reference the following:

(a) annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America;

(b) an update and a discussion of the financial information and operating data in the Offering Memorandum under the heading “HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI—Members and Staff,” “—Previous Financings of the Issuer” and “—Lewis and Clark Discovery Initiative; Scholarship Funding”; under the heading “USE OF PROCEEDS”; and under the heading “CHARACTERISTICS OF THE FINANCED STUDENT LOANS”;

(c) The following Indenture information:

(i) balances in the Capitalized Interest Fund, the Collection Fund, the Department Rebate Fund and the Reserve Fund; and

(ii) outstanding principal amount of the Series 2011-1 Notes issued under the Indenture then outstanding; and

(d) changes to the Higher Education Act having a special financial impact on the program of the Obligated Person financed by the Series 2011-1 Notes which is not generally experienced in the student loan sector.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the Obligated Person shall give, or cause to be given, on behalf of itself and any other persons providing undertakings under the Rule with respect to the Series 2011-1 Notes, notice to the Repository of the occurrence of any of the following events with respect to the Series 2011-1 Notes:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011-1 Notes, or other material events affecting the Series 2011-1 Notes;

(vii) modifications to rights of Registered Owners of the Series 2011-1 Notes, if material;

(viii) any call of any Series 2011-1 Notes, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Series 2011-1 Notes, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership, or similar event of the Obligated Person;

(xiii) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) If the Obligated Person obtains knowledge of the occurrence of a Listed Event, the Obligated Person shall file, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event, a notice of such occurrence in Prescribed Form with EMMA.

(c) The Obligated Person shall provide, in a timely manner, to the MSRB in Prescribed Form in accordance with EMMA, notice of any failure of the Obligated Person to timely provide the Annual Financial Information as specified in Section 4 hereof.

(d) If the Obligated Person changes its fiscal year, it shall provide in Prescribed Form notice of the change of fiscal year to the Trustee and to the MSRB.

Section 6. Termination of Reporting Obligation. The Obligated Person's obligations under this Continuing Disclosure Agreement shall terminate upon the earliest to occur of (a) the legal defeasance, prior redemption or payment in full of all of the Series 2011-1 Notes; (b) the date that the Obligated Person shall no longer constitute an "obligated person" with respect to the Series 2011-1 Notes within the meaning of the Rule (or, if later, the date on which the Obligated Person determines to no longer voluntarily comply with the Rule in the event that the Rule does not apply to the Series 2011-1 Notes at the time). The Obligated Person shall file a notice of any such termination with the Repository in the Prescribed Form in accordance with EMMA.

Section 7. Dissemination Agent. The Obligated Person may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 8. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Obligated Person may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is consistent with the Rule, as determined by an opinion of counsel experienced in federal securities laws selected by the Obligated Person. Written notice of any such amendment or waiver shall be provided by the Obligated Person to the MSRB in Prescribed Form in accordance with EMMA, and the next Annual Financial Information shall explain in narrative form the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Obligated Person from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Obligated Person chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Continuing Disclosure Agreement, the Obligated Person shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Obligated Person to comply with any provision of this Continuing Disclosure Agreement, any Registered Owner or beneficial owner of the Series 2011-1 Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Person to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this

Continuing Disclosure Agreement in the event of any failure of the Obligated Person to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

Section 11. **Beneficiaries**. This Continuing Disclosure Agreement shall inure solely to the benefit of the Obligated Person, the Dissemination Agent, the Underwriter and Registered Owners and beneficial owners from time to time of the Series 2011-1 Notes and shall create no rights in any other person or entity.

Date: July 1, 2011

HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI

By ______________________________
Executive Director

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APPENDIX E

FINANCIAL STATEMENTS OF THE ISSUER FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

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Higher Education Loan Authority of the State of Missouri

Financial Statements as of and for the Years Ended June 30, 2010 and 2009, and Independent Auditors' Report

HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Higher Education Loan Authority
of the State of Missouri
Chesterfield, Missouri

We have audited the accompanying statements of net assets of the Higher Education Loan Authority of the State of Missouri (the "Authority") as of June 30, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These basic financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Higher Education Loan Authority of the State of Missouri, as of June 30, 2010 and 2009, and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2–13 and the Schedule of Funding Progress on page 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Higher Education Loan Authority of the State of Missouri's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri
October 21, 2010

The Management Discussion and Analysis of the financial performance of the Higher Education Loan Authority of the State of Missouri (the "Authority") is required supplementary information. This discussion and analysis provides an analytical overview of the Authority's condensed financial statements and should be read in conjunction with the financial statements that follow.

THE AUTHORITY

The Authority is recognized as one of the largest nonprofit student loan secondary markets in America by statistics gathered and maintained by the U.S. Department of Education. The Authority is a leading holder and servicer of student loans with over $4.6 billion in assets.

The Authority was created by the General Assembly of the State of Missouri through passage of House Bill ("HB") 326, signed into law on June 15, 1981, in order to insure that all eligible post-secondary education students have access to guaranteed student loans. The legislation was amended, effective August 28, 1994, effective August 28, 2003, and again effective May 2, 2008 to provide the Authority with generally expanded powers to finance, originate, acquire, and service student loans, including, but not limited to, those guaranteed or insured pursuant to the Higher Education Act.

The passage of HB 221, effective August 28, 2003, allows the Authority to originate Parent Loans for Undergraduate Students ("PLUS" loans) and extends the date for repayment of bonds issued by the Authority from 30 to 40 years. The bill also repealed sections of law setting restrictions on variable-rate unsecured loans. The repeal of variable rate restrictions allows the Authority to restructure the rates assessed for the Supplemental and Qualified Institution Loan Programs.

The passage of Senate Bill ("SB") 389, effective August 28, 2007, further amended the Authority's purpose in order to support the efforts of public colleges and universities to create and fund capital projects, and in order to support the Missouri Technology corporation's ability to work with colleges and universities in identifying opportunities for commercializing technologies, transferring technologies, and to develop, recruit, and retain entities engaged in innovative technologies. In addition, powers of the Authority were amended to include fund transfers to the Lewis and Clark Discovery Fund (discussed in the footnotes to the financial statements) and authorized the Authority to participate in any type of financial aid program that provides grants and scholarships to students.

The enactment of SB 967 on May 2, 2008, allows the Authority to originate Stafford loans, however "the Authority's origination of Stafford loans under the Federal Family Education Loan Program ("FFELP") shall not exceed ten percent of the previous year's total Missouri FFELP volume as determined by the Student Market Measure report, data from the U.S. Department of Education or other reputable sources." The Authority originated and disbursed just under $155 million of Stafford loans during fiscal 2010 compared to $76 million for fiscal 2009.

Due to the enactment on March 30, 2010, of the Health Care and Education Reconciliation Act of 2010 ("HCEARA") which included the Student Aid and Fiscal Responsibility Act ("SAFRA") and eliminated the FFELP effective July 1, 2010 including the origination of new FFELP loans after June 30, 2010, the

Authority will not be originating FFELP loans in the future. As of July 1, 2010, all loans made under the Higher Education Act will be originated under the Federal Direct Student Loan Program (Direct Loan Program). However, the Authority is already pursuing a contract with the U. S. Department of Education ("the Department") to service Direct Loan Program loans in accordance with HCERA, Public Law 111-152, which requires the Secretary to contract with each eligible and qualified not-for-profit servicers to service loans. The Department has already determined that the Authority meets the basic eligibility requirements for a not-for-profit servicer as outlined in HCERA with final determinations of eligibility and qualifications under the terms of the statute to be made as part of a future formal solicitation process. In addition to pursuing a federal loan servicing contract the Authority also still services over $4.2 billion of its own student loans and $1.4 billion in lender partner owned loans that will provide the Authority ongoing revenue streams for many years to come. This legacy portfolio and its related revenue will assist the Authority in a gradual and smooth transition to a direct loan servicing business model.

The Authority is governed by a seven-member Board, five of whom are appointed by the Governor of the State, subject to the advice and consent of the State Senate, 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. Raymond H. Bayer, Jr., appointed by the Board during fiscal 2007, serves as Executive Director and Chief Executive Officer of the Authority.

The Authority owns and services student loans established by the Higher Education Act under FFELP. Loans authorized under FFELP 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 parents of dependent undergraduate and graduate students, or to graduate or professional students ("PLUS Loans"); and (d) loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans ("Consolidation Loans"). The Authority also owns consolidated Health Education Assistance Loans ("HEAL") established by the Public Health Service Act and insured through the Department of Health and Human Services ("HHS"). In addition, the Authority is the lender and servicer for supplemental loans, which are also known as private or alternative loans. These supplemental loans were previously made available predominantly to students in the Midwest who reached the maximum available funding under FFELP. There are several types of loans under the supplemental program including those for borrowers attending eligible undergraduate, technical, graduate, law, medical, and pharmacy schools. Supplemental loans are not guaranteed by the federal government.

The Authority suspended its federal consolidation and supplemental loan programs during fiscal 2008 due in part to credit market disruptions, which make financing these loans more difficult. The Authority's federal consolidation loan program was suspended due to increased origination fees payable to the federal government and reductions to the lender yield required by federal law. As it relates to the supplemental loan program, in addition to increasing delinquencies and defaults in the Authority's existing portfolio, the creation of the Federal Grad PLUS program increases the risk profile of future supplemental loans, which are now made predominantly to undergraduate students as opposed to graduate and professional students.

The Authority purchased/originated $939 million of gross principal student loans from a variety of financial institutions during fiscal 2010. This compares to $842 million of gross principal during fiscal year 2009 and $1.3 billion of gross principal during fiscal year 2008 representing a 10% increase for fiscal 2010 compared to a 35% decrease for fiscal 2009. For fiscal 2010, the Authority originated $180 million Stafford and PLUS loans and purchased $718 million in loans from lender partners. The remaining $41 million consisted of $30 million rehabilitated loans purchased from the Missouri guaranty agency and $11 million in repurchases from various guarantors of loans that had previously been in a bankruptcy status. The Authority did not originate or purchase any supplemental or consolidation loans during fiscal 2010. While student loan purchases increased, the Authority also collected servicing fee income from its lender partners for serviced loans that in the past would have been purchased. In fiscal 2010, the Authority's income was supplemented by over $7.1 million in servicing fee income. In addition, the Authority received approximately $19.6 million in revenues associated with the sale of loans to the Department through the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA) Federal Loan Participation Purchase Program.

The net loan activity of new purchases less existing loan principal decreases through borrower and claim payments, cancellation activity, and loan sales, resulted in a decrease of 4% from $4.4 billion to $4.2 billion in the student loan portfolio from fiscal 2009 to fiscal 2010 as compared to a 15% decrease from $5.2 billion to $4.4 billion from fiscal 2008 to fiscal 2009. As of the end of this fiscal year the student loan portfolio held by the Authority is made up of approximately 34.6% Consolidation Loans, 51.5% Stafford Loans, 8.5% PLUS Loans, 5.4% Supplemental Loans, and less than 0.1% HEAL Loans. This compares to 35.4% Consolidation Loans, 49.6% Stafford Loans, 9.6% PLUS Loans, 5.4% Supplemental Loans, and 0.1% HEAL Loans as of year-end fiscal 2009.

While difficult credit markets required the Authority to primarily rely on the federal programs created under the ECASLA Federal Loan Participation Purchase Program to finance all new student loan originations and most of its student loan acquisitions during fiscal 2009, the Authority completed three successful bond financings in fiscal 2010 utilizing the LIBOR floating rate note market. In the first transaction, which closed on November 5, 2009, the Authority issued and privately placed $186.0 million in LIBOR floating rate notes ("LFRNs") in the 2009-1 Trust to refinance the non Straight-A Conduit eligible assets from the 2005 Trust, which were primarily consolidation loans. In the second transaction, which closed on January 28, 2010, the Authority issued $761.4 million in LFRN bonds under the 2010-1 Trust to purchase and extinguish $819.2 million of failed auction rate bonds from the Eleventh General Student Loan Bond Resolution ("11th General") at a discount. In the third transaction, which closed on May 26, 2010, the Authority issued $822.5 million in LFRN bonds under the 2010-2 Trust to redeem $49.8 million in fixed rate bonds from the 6th General at a 0.5% premium, to redeem the $33.9 million in variable rate demand notes from the 8th General at par, and to purchase and extinguish $704.0 million in failed auction rate bonds from the 11th General at a discount. The $822.5 million in bond proceeds were also utilized to purchase loans from MOHELA's operating fund.

During fiscal 2010, the Authority placed over $468 million in loans in the ECASLA Federal Loan Participation Purchase Program and had put over $704 million in loans through the ECASLA Federal Loan Purchase Commitment Program. The Authority plans to continue to utilize both the Participation and Purchase programs through September 17, 2010 and October 15, 2010, respectively. The programs will no longer be available to the Authority after those dates because both programs are expiring. The Authority will continue to utilize the ECASLA Straight-A Conduit during fiscal 2011 as that program is available through November 19, 2013. On October 30, 2009, the Authority funded an additional $118.6 million in loans through the Straight-A Conduit to refinance eligible assets held under the 2005 Trust. As of June 30, 2010, the Authority had $282.1 million in loans outstanding under the Straight-A Conduit.

On June 24, 2009, the Authority entered into a new $80 million revolving line of credit with three banks to serve as a "bridge" financing for the Authority's utilization of the ECASLA Federal Loan Participation Purchase Program. The ECASLA Program requires that a student loan be originated and disbursed before it can be financed in the program, so the Authority temporarily (usually for less than a week) borrows funds from this facility to initially disburse new student loans before the loan is participated into ECASLA. The bridge financing was terminated on May 24, 2010 because it was no longer needed given the small remaining ECASLA Participation Program eligible volume and the pending closure of the ECASLA Participation and Purchase Programs. Additional information regarding the ECASLA Programs can be found in the continuing developments section.

The 2005 Trust Bonds referred to above, were credit enhanced by a synthetic letter of credit, which consisted of a standby bond purchase agreement (liquidity provider) and a bond insurance policy. The bond insurer's credit rating was downgraded and most of the bonds were put to the liquidity provider. The put bonds are known as bank bonds, which under the bond documents carry an interest rate indexed to prime. Indexing the bonds to prime led to higher interest rates on the bonds, which were in excess of the yield on the assets resulting in net losses in the trust. As noted above, the Authority was able to work with the transaction parties in the trust to refinance the bonds into the Straight-A Conduit on October 30, 2009 and into the 2009-1 Trust on November 5, 2009.

The Authority continues to focus on the development of creative solutions to support the Authority's mission. In the past, the Authority has offered various rate reduction programs to borrowers who establish payments through automatic deduction as well as various loan forgiveness programs. Beginning in fiscal 2009, the Authority modified its borrower benefits to comply with new requirements related to the Federal ECASLA programs. As a result, borrowers who establish payments through automatic deduction can receive a 0.25% interest rate reduction. In Fiscal 2010, the Authority utilized a new program called the Director's choice program that provides three one thousand dollar hardship grants to needy students for each of the 154 Missouri post-secondary institutions. During Fiscal 2010, the Authority provided $0.4 million in Director's choice grants. In Fiscal 2011, the Authority will provide $30 million in funds for the State of Missouri's need based scholarship program, Access Missouri. The Authority has set aside $30 million in cash in a separate account for this purpose. The first payment of $9 million was made to the State of Missouri on September 1, 2010, with subsequent payments of varying amounts planned on the first of the month for the next 7 months. The Authority reserves the right to modify these programs as needed. The Authority has granted over $47.3 million in loan forgiveness for a variety of student borrowers including teachers, Pell Grant recipients, and those in military service. Borrowers received over $9.4 million in loan forgiveness during fiscal 2010, in addition to $2.1 million during fiscal 2009 and $1.5 million during fiscal 2008.

FINANCIAL POSITION

This report includes three financial statements: the statements of net assets; the statements of revenues, expenses, and changes in net assets; and the statements of cash flows. These financial statements are prepared in accordance with Government Accounting Standards Board principles. The statements of net assets present the financial position of the Authority at the end of the fiscal year and include all assets and liabilities of the Authority. The statements of revenues, expenses, and changes in net assets present the Authority's results of operations. The statements of cash flows provide a view of the sources and uses of the Authority's cash resources.

Condensed financial information and a brief synopsis of the variances follow:

CONDENSED STATEMENTS OF NET ASSETS
(In thousands)

	2010	2009	2008
Cash and cash equivalents	$ 242,721	$ 145,363	$ 124,024
Accrued interest receivable	112,844	136,868	163,331
Capital assets	14,045	14,182	14,202
Other	25,435	24,991	31,980
Student loans receivable	4,229,752	4,415,659	5,169,858
Total assets	$ 4,624,797	$ 4,737,063	$ 5,503,395
Current liabilities	$ 950,145	$ 783,136	$ 513,415
Long-term liabilities	3,359,542	3,785,520	4,877,912
Total liabilities	$ 4,309,687	$ 4,568,656	$ 5,391,327
Invested in capital assets	$ 14,045	$ 14,182	$ 14,202
Restricted	217,214	126,276	51,172
Unrestricted	83,851	27,949	46,694
Total net assets	$ 315,110	$ 168,407	$ 112,068

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(In thousands)

	2010	2009	2008
Interest on loans	$ 187,621	$ 237,404	$ 280,835
Special allowances	(89,617)	(47,953)	22,085
ECASLA income	19,578	-	-
Gain on extinguishment of debt	139,461	-	-
Investment income and other	7,440	4,665	6,241
Total operating revenues	264,483	194,116	309,161
Bond expenses	58,510	131,021	235,802
Student loan expenses	25,139	26,752	32,632
Administrative and general expenses	34,131	31,358	34,812
Total operating expenses	117,780	189,131	303,246
Operating income before special items	146,703	4,985	5,915
Special items	-	51,354	(233,870)
Change in net assets	$ 146,703	$ 56,339	$ (227,955)

FINANCIAL ANALYSIS

Financial Position

Total assets decreased $112 million compared to a decrease in liabilities of $259 million resulting in an increase to the Authority's net assets of $147 million in fiscal 2010. This increase compares favorably to an increase of $56 million in fiscal 2009. The change in net assets in fiscal 2010 is primarily tied to net gains on the extinguishment of debt of $139.5 million, which included two large purchases and extinguishments of

$819.2 million and $704.0 million in bonds at a discount, the refinancing of the 2005 Trust Indenture and several smaller purchases and extinguishments of bonds at a discount. In fiscal 2009, the primary factor in the increase in net assets was tied to gains on the repurchase of debt of $50 million.

Cash and cash equivalents increased by 67% to $242.7 million in fiscal 2010 from $145.4 million in fiscal 2009, as compared to an 17% increase from $124.0 million in fiscal 2008 to fiscal 2009. The current and prior year increases in cash are due to the loss of recycling in all but one trust estate, which prevents cash from being reinvested in student loans. As required by the bond resolutions, this cash must predominantly be utilized for the purchase and extinguishment of debt or the optional redemption of debt.

Accrued interest receivable is down 18% from fiscal 2009 as compared to a 16% decrease from fiscal 2008 to fiscal 2009 and is a direct result of the decrease in interest rates on student loans from fiscal 2009 to 2010.

Other assets, which include deferred charges, pension asset, as well as, miscellaneous receivables and prepaid expenses increased from $25.0 million in fiscal 2009 to $25.4 million in fiscal 2010. The change is the result of a $2.5 million increase in the short and long-term deferred charges from $14.7 million in fiscal 2009 to over $17.2 million in fiscal 2010. The increase in short and long-term deferred charges is due to the unamortized costs of issuance associated with the Authority's three new bond transactions. This increase was partially offset by a $2.3 million reduction in miscellaneous receivables and prepaids as well as a $0.2 million reduction in the pension asset.

Student loans receivables decreased 4% from $4.4 billion in fiscal 2009 to $4.2 billion in fiscal 2010 as compared to a 15% decrease from $5.2 billion in fiscal 2008 to fiscal 2009. The fiscal 2010 decline is primarily related to the Authority's sale of over $704 million in loans through the ECASLA purchase program and the net of the purchase activity less loan principal reductions during fiscal 2010 and fiscal 2009. The fiscal 2009 decline was primarily related to the Authority's sale of over $1.1 billion in loans. The fiscal 2009 sale of loans was prompted by a mutual desire of the Authority and certain investors to redeem auction rate bonds.

For fiscal 2010, current liabilities increased by $167.0 million due to increases in current bonds payable of $36.3 million, ECASLA participation payable of $183.2 million and Conduit payable of $102.1 million, which was partially offset by a $142.4 million decline in other liabilities. Long-term liabilities decreased by $426.0 million or 11% as the Authority redeemed significant amounts of long-term debt at a discount. The overall decrease in total liabilities is the result of the aforementioned bond redemptions. Despite the overall decrease in liabilities, the Authority did complete three new bond issuances of $186.0 million, $761.4 million and $822.5 million and utilized the federal ECASLA participation program and Straight-A Conduit to finance student loans. However, the $1.8 billion in bond issuances were offset by $2.2 billion in bond extinguishments and redemptions in fiscal 2010. The Authority also closed its $80 million revolving line of credit with three banks that served as a "bridge" financing for the Authority's utilization of the ECASLA Federal Loan Participation Program.

Operating Results

Change in net assets increased 160% to $146.7 million in fiscal 2010 from $56.3 million in fiscal 2009 due primarily to a net gain on the extinguishment of debt of $139.5 million and ECASLA put and lender fee income of $19.6 million. This is a year over year increase of $91.2 million from fiscal 2009, as compared to an increase of $284.3 million from fiscal 2008 to fiscal 2009. The net gain on extinguishment of debt primarily came from three bond financings. Two of the transactions involved the purchase and subsequent extinguishment of $819.2 and $704.0 million of failed auction rate bonds from the 11th General Resolution at a discount. These two transactions resulted in gross gains of $45.8 million and $67.8 million respectively for a total gain of $113.6 million. When adjusted for the write-off of unamortized costs of issuance associated with the extinguished debt of $2.7 million and $3.0 million respectively, as well as a premium expense of $0.2 million, the net gain related to these two transactions was $107.7 million. Bond proceeds from the issuance of LFRNs under the 2010-1 and 2010-2 facilitated the 11th General bond purchases. The third transaction was related to the redemption of the 2005 Trust Indenture bonds, which resulted in a gross gain of $24 million that when adjusted for the write-off of $1.0 million in related unamortized costs of issuance, resulted in a net gain of $23 million. Proceeds from the issuance of the LFRNs under the 2009-1 Trust and a Straight-A Conduit draw assisted in the redemption of the 2005 Trust. In addition to these three large transactions, the Authority also utilized cash contained in the various trusts to complete several smaller purchases at a discount, which contributed $11.0 million in gross gains on the extinguishment of debt that when adjusted for the write-off of $2.1 million in associated unamortized costs of issuance, provided a net gain of $8.9 million.

When adjusted for the net gain on extinguishment of debt and the ECASLA put and lender fee income which totaled $159.0 million the Authority's core operating revenue declined $88.7 million or 46%. As indicated in detail below, changes in the special allowance subsidy program due to loan mix changes as well as the interest rate environment were the key components for the core operating revenue variance. The primary factor impacting the change in net assets before net gain on the extinguishment of debt and the ECASLA related income was the reduction in the lender yield on the Authority's assets, which is represented by the $41.7 million decline in special allowance subsidy, the $42.6 million reduction in interest income and the $7.2 million reduction in interest subsidies totaling $91.5 million, which exceeds the $72.3 million reduction in interest expense on the bonds that finance those assets. Additionally, fiscal 2010 saw reductions of $1.7 million in investment income due to a lower yield on investments during the period. Operating income in fiscal 2010 benefited from $7.1 million in servicing fee revenue.

Total operating revenue increased 36% from fiscal 2009 to fiscal 2010 as compared to a 37% decrease from fiscal 2008 to fiscal 2009. As noted above the primary reason for the increase was related to the net gain on the extinguishment of debt. The decrease in special allowance is a result of the drop in the 90-day AA financial commercial paper rate (CP rate) from an average of 1.7% in fiscal 2009 to an average of 0.28% in fiscal 2010 and an increase in the percentage of loans in the portfolio subject to negative special allowance payments. For example, federal law requires the Authority to charge a parent an 8.5% interest rate on a PLUS loan originated after July 1, 2006, which the Authority collects from the parent borrower. However, the Authority only earns a yield on that loan at the CP rate plus 1.94%. The CP rate for quarter ended June 30, 2010 was just 0.41%, which means the Authority's annual yield for that quarter was only 2.35%. The Authority is required to rebate the additional interest paid by the borrower of 6.15% (8.5% - 2.35%) to the Department through the rebate of excess special allowance. Examples of the rates driving student loans and an explanation regarding 9.5% floor income follow in the next several paragraphs.

Fixed rate unsubsidized Stafford loans made on or after July 1, 2006 and subsidized Stafford loans made between July 1, 2006 and June 30, 2008 in all loan statuses bear interest at 6.8%. Fixed rate subsidized Stafford loans made between July 1, 2008 and June 30, 2009 bear interest at 6.0%, while the same loans made between July 1, 2009 and June 30, 2010 bear interest at 5.6%. Subsidized and unsubsidized Stafford loans made on or after July 1, 1998 and before July 1, 2006 that are in a status other than in-school, grace or deferment bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.30%, with a maximum rate of 8.25%. Loans made within the same period with in-school, grace, and deferment status bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.70%, with a maximum rate of 8.25%. The variable rate loans are adjusted annually on July 1 based on the 91-day T-Bill rate on the last auction date in May. During fiscal 2010, the rate on these loans was set at 2.48% and 1.88% respectively. The rate on the same loans during fiscal 2009 was 4.21% and 3.61% respectively and during fiscal 2008 was 7.22% and 6.62% respectively.

PLUS loans first disbursed on or after July 1, 2006 bear a fixed rate at 8.5%. Variable rate PLUS Loans made on or after July 1, 1998 bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.10%, with a maximum rate of 9%. The rates are adjusted annually on July 1 based on the 91-day T-Bill rate on the last auction date in May. The T-Bill rate used for fiscal 2010 was 0.18%, which set the rate at 3.28% as compared to 5.01% for fiscal 2009 and 8.02% for fiscal 2008. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998, bear interest at a rate equal to the weighted average of the loans consolidated, rounded to the nearest higher one-eighth of 1%, with a maximum rate of 8.25%.

As noted above, the Authority realized a year over year reduction in special allowance subsidy issued by the Department to lenders participating in FFELP. The special allowance subsidy is paid on the spread between student loan borrower interest rates, which are relatively fixed for a year, and the commercial paper and 91-day T-Bill rates, which decreased significantly throughout fiscal 2008, fiscal 2009 and fiscal 2010. This decrease was in large part due to the falling 90-day AA financial commercial paper rates and the increase in the percentage of loans subject to the rebate of excess special allowance payments from 45% in fiscal 2009 to 57% in fiscal 2010. In addition, qualified loans within tax-exempt bonds issued prior to October 1993 are eligible to receive a subsidy based upon the greater of the same spread or 9.5%. However, in a Dear Colleague Letter issued on January 23, 2007, the Department clarified the requirements of the statute and regulations that control the qualifications for loans eligible for the 9.5% floor. The U.S. Department of Education provided further guidance on this clarification in a Dear Colleague Letter dated April 27, 2007. These requirements include a special audit to determine the eligibility for 9.5% special allowance billings. The Department paid special allowance at the standard rate on any loans that were included in the 9.5% minimum from quarter ending December 31, 2006 until the Department received the results of the special audit of the bonds and the loans within those bonds. This audit was completed and the Authority received a payment of $0.8 million from the Department for the quarters ended December 31, 2006 through December 31, 2007. The principal balance of loans receiving 9.5% special allowance dropped from $16.3 million in fiscal 2009 to $5.1 million in fiscal 2010, which represents a drop of over 68%.

Total operating expense realized a 38% decrease, or $71.4 million from fiscal 2009 to fiscal 2010 compared to a 38% decrease, or $114.1 million from fiscal 2008 to fiscal 2009. The primary reason for the decline in operating expenses is the decline in bond interest expense from $124.7 million in fiscal 2009 to $51.9 million in fiscal 2010, which represents a decrease of 58%. While bond interest rates generally fell as broader market interest rates declined, these declines did not keep pace with the drop in yields on the Authority's assets. While not as significant as in fiscal 2009, the Authority continued to experience various interest rate spikes on its debt in fiscal 2010 due to the failure of the auction rate market, which set those bonds at the maximum rate under the bond documents. Bonds outstanding decreased by $380.2 million primarily due to the purchase and extinguishment of bonds at a discount. As previously noted, the Authority issued $186.0 million under the 2009-1 Trust, $761.4 million under the 2010-1 Trust and $822.5 million under the 2010-2 Trust. The Authority also borrowed $282.0 million under the Straight-A Conduit and utilized $468.8 million in short-term borrowings under the ECASLA Federal Loan Participation Purchase Program.

Another key factor in the decline in operating expenses before special items was a $5.6 million decrease in consolidation rebate fees. However, this decline was partially off-set by a $4.0 million increase in the provision for loan losses. During fiscal 2010, the Authority continued to experience increases in delinquencies in its supplemental loan portfolio as the percentage of supplemental loans over 120 days past due increased to 8.72% from 6.61% in fiscal 2009. During fiscal 2010 the Authority, charged-off an additional $3.1 million in supplemental loans, net of recoveries that were over 270 days past due. In the FFELP portfolio, the Authority wrote-off $0.2 million and provisioned $0.6 million for probable losses.

Arbitrage rebate liability is calculated based upon the earnings of tax-exempt debt. The arbitrage liability was affected by decreased bond earnings and the further reduction of those earnings through student borrower benefit programs. During fiscal 2010, the Authority processed $8.8 million in loan forgiveness that reduced arbitrage. The arbitrage rebate liability declined $9.5 million in fiscal year 2010 to $4.7 million compared to a decrease of $2.4 million in fiscal 2009. The reduction of arbitrage rebate liability produced $0.7 million in income for fiscal 2010 compared to $0.3 million in fiscal 2009.

Administrative and general expenses, which include salaries and fringe benefits, postage and forms, third party servicing fees, computer services, professional fees, occupancy expense, depreciation and other operating expenses; increased 9% compared to a 10% decline in fiscal 2009. Salaries and employee benefit related expenses increased by $1.4 million or 9% from fiscal 2009 to fiscal 2010. Also contributing to the increase in Administrative and General Expenses was a $0.9 million or 42% increase in other operating expenses. A 10% increase in computer services was predominantly offset by an 11% reduction in third party loan servicing.

While there were no special items in fiscal 2010, the fiscal 2009 special items were primarily related to the $50 million in one-time gains from the cancellation of debt. In addition, the Authority also realized a $1.5 million gain related to the termination of an excess pension benefit plan. The proceeds of the terminated plan were put into the Authority's regular pension benefit plan.

As noted above, the primary reason for the $146.7 million increase in net assets was related to activity associated with the $139.5 million net gain on extinguishment of debt. Restricted net assets increased by $90.1 million from $126.3 million in fiscal 2009 to $216.4 million in fiscal 2010, while unrestricted net assets increased by $56.8 million from $27.9 million in fiscal 2009 to $83.9 million in fiscal 2010. The one-time gains from the cancellation of debt were the key component to the $75 million increase in restricted net assets from $51 million in fiscal 2008 to $126.3 million in fiscal 2009. The other components are directly related to the decline in unrestricted net assets, which fell from $47 million in fiscal 2008 to $26 million in fiscal 2009. This decline is the result of the Authority's equity contributions to the new 2008 Trust Indenture and the commercial paper conduit.

Continuing Developments

The Health Care and Education Reconciliation Act of 2010

On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 ("HCEARA" or the "Reconciliation Act") was enacted into law. HCEARA includes a revised version of SAFRA ("The Student Aid and Fiscal Responsibility Act of 2009") previously adopted by the United States House of Representatives in September 2009, which also contained language terminating the origination of FFELP loans under FFELP by July 1, 2010. The Reconciliation Act eliminated FFELP effective July 1, 2010 and the origination of new FFELP loans after June 30, 2010. As of July 1, 2010, all loans made under the Higher Education Act will be originated under the Federal Direct Student Loan Program (the "Direct Loan Program"). The terms of existing FFELP loans are not materially affected by the Reconciliation Act.

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

As previously mentioned, the Authority is already pursuing a contract with the Department to service Direct Loan Program loans in accordance with HCERA, Public Law 111-152, which requires the Secretary to contract with each eligible and qualified not-for-profit servicer to service loans. The Department has already determined that the Authority meets the basic eligibility requirements for a not-for-profit servicer as outlined in HCERA with final determinations of eligibility and qualifications under the terms of the statute to be made as part of a future formal solicitation process. The Authority created a direct loan team in November 2009, which has subsequently hired 15 full-time staff including a Director of Federal Contracts as well as a consulting firm with considerable experience in student lending and federal government contracting.

The Ensuring Continued Access to Student Loans Act of 2008

On May 7, 2008, the President signed House Resolution 5715, the Ensuring Continued Access to Student Loans Act of 2008 ("ECASLA"). A key provision of the Act grants temporary authority to the Secretary of Education to purchase or enter into forward commitments to purchase student loans first disbursed under sections 428, 428B or 428H of the Act on or after October 1, 2003 and before July 1, 2009 on such terms as the Secretary determines are in the best interest of the United States. On October 7, 2008, the Participation and Purchase Programs were extended to September 30, 2010 for loans made in the 2009-2010 academic year.

The Department in implementing House Resolution 5715 has created two programs the Federal Family Education Loan Participation Purchase program and the Federal Family Education Loan Purchase Commitment program. The Authority filed its intent to participate in both programs on July 3, 2008 and July 23, 2009 for each program year respectively. The Authority also successfully encouraged many of its lender partners to file their intent to participate in both program years. The Authority began actively utilizing the ECASLA Loan Participation Purchase program in November 2008 for eligible Authority originated loans and the Authority has also utilized the program to purchase ECASLA eligible loans from its lender partners. In June 2009, the Authority completed its first put (sale of loans) of $2.7 million in loans to the Department under the ECASLA Master Loan Sale Agreement. The Authority has continued to put loans to the Department with over $1.4 billion put through September 17, 2010 and another $1.2 million put is scheduled for October 15, 2010. The utilization of this program is the reason for the new classification of Student Loan Receivable Held for Sale on the Authority's Statement of Net Assets.

The Master Participation Agreement is designed to provide short-term liquidity to eligible lenders for the purpose of financing the origination of FFELP loans. Loans participated in the program are charged a rate of commercial paper plus 50 basis point on the principal amount. All loans under the Participation Program must be either refinanced by the lender or sold to the Department under the Purchase Program. The Master Loan Sale Agreement allows eligible lenders to sell FFELP loans originated for the 2008-2009 academic year to the Department through the Purchase Program at 101% plus $75 per loan. The agreement expires on September 30, 2010.

In May 2009, the Department in conjunction with industry partners established the Asset-Backed Commercial Paper (ABCP) Conduit Program that will help ensure the continued availability of FFELP loans to students and parents for the 2009-2010 academic year. Participants in the Conduit Program must use 100 percent of the net proceeds of funds received from the Conduit to originate and disburse new FFELP loans. Loans eligible for the Conduit Program include Stafford and PLUS loans with first disbursement dates on or after October 1, 2003 and no later than June 30, 2009 and fully disbursed before September 30, 2009. The Department entered into a put agreement with the Straight-A Funding LLC Conduit using the authority provided by, and consistent with the requirements of ECASLA.

The Conduit purchases notes secured by eligible FFELP loans from eligible FFELP lenders and holders, which in turn serves as the underlying asset against which the Conduit sells commercial paper. The Conduit Program provides an advance of 97% of the student loan value. The commercial paper has variable maturities, but in no case longer than 90 days. As previously-issued commercial paper matures, proceeds from newly-issued commercial paper is used to satisfy investors holding earlier maturities. If necessary, the Federal

Financing Bank will provide a short-term liquidity backstop to re-finance maturing commercial paper. The Department will purchase loans from the Conduit in order to allow the Conduit to repay such short-term liquidity loans to the extent required. The Conduit Program has a term of five years and expires on November 19, 2013. On June 30, 2010, the Authority had $282.1 million in loans funded through the Asset-Backed Commercial Paper Conduit Program.

Lewis and Clark Discovery Initiative

On August 28, 2007, legislation establishing the Lewis and Clark Discovery Initiative (the "Initiative") became law. The legislation, known as Senate Bill 389 (the "LCDI Legislation") directs the Authority to distribute $350 million into a new fund in the State Treasury known as the Lewis and Clark Discovery Fund ("Fund") on the following schedule: $230 million no later than September 15, 2007; an additional $5 million by December 31, 2007; and further installments of $5 million each calendar quarter ending September 30, 2013. Investment earnings on the Fund are credited against subsequent payments by the Authority. In addition, the law provides that the Authority may delay payments if the Authority 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 Authority's business, the borrower benefit programs of the Authority or the economic viability of the Authority. However, the entire $350 million is to be paid by September 30, 2013 unless otherwise approved by the Authority and the Missouri Commissioner of the Office of Administration. The General Assembly has appropriated amounts to be deposited in the Fund for certain capital projects at public colleges and universities.

The Authority receives a significant benefit pursuant to the LCDI Legislation. The new law provides that following the initial September 15, 2007 distribution by the Authority, the Missouri Director of Economic Development shall allocate to and reserve for the Authority in 2007 and the next 14 years at least 30% of Missouri's tax-exempt, private activity bond cap allocation. This allocation was $150 million for 2007. The amount of this allocation may be reduced for 2014 and later years by the percentage of the $350 million not paid by the Authority to the Fund by the end of the preceding year.

On September 7, 2007 the Members of the Authority's Board approved a resolution to fund the initial payment of $230 million to the Lewis and Clark Discovery Fund in the Missouri State Treasury no later than September 14, 2007 pursuant to the terms of the new law relative to the LCDI Legislation. On September 14, 2007, in accordance with the Board's Resolution and Missouri Senate Bill 389, the Authority sent a $230 million wire to the Missouri State Treasury. On November 6, 2007, the Members of the Authority's Board approved a resolution to fund the first quarterly payment of $5 million less interest income earned on the funds on deposit with the State Treasurer. The net payment paid on December 31, 2007 was $2.9 million. On March 28, 2008, the Members voted to make a partial payment for March 31, 2008, equivalent to the interest income already earned and on deposit in the fund at the State Treasurer's Office. On June 26, 2008, the Board approved a resolution to make a payment of $927 thousand, which after including interest income earned from December 1, 2007 through June 30, 2008 of $4.1 million, results in the Authority making the full $5 million payment that was due on March 31, 2008. The Board also voted on June 26, 2008 to delay making the June 30, 2008 quarterly payment. On September 12, 2008, the Board voted to make a partial quarterly payment on September 30, 2008 of $0.1 million. For each subsequent quarterly payment through year ended June 30, 2010, the Board did not authorize payment. On July 21, 2010, the Authority received a two year extension from the Commissioner of the Office of Administration on the payment of LCDI funds to September 30, 2015. The two year extension was approved as a part of the Authority's agreement to provide $30 million in Missouri College Access funds for need based scholarships to the State during the 2011 Fiscal Year. This amount will partially offset dramatic reductions in scholarship funding by the State of Missouri due to budget shortfalls.

2005 Trust Indenture

On August 31, 2009, the Trustee for the 2005 Trust Estate filed a petition in Minnesota State Court asking the court to decide whether an event of default, an insurer adverse change and/or an automatic termination event has occurred under the 2005 Trust Indenture and/or its related documents. This petition was filed due to differing assertions by the parties to the transaction. This petition was dismissed on December 4, 2009 as the parties to the transaction worked collaboratively to complete the refinancing of the entire Trust on November 5, 2009. Additional information regarding this event can be found in the Financings Note 8.

HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI

STATEMENTS OF NET ASSETS AS OF JUNE 30, 2010 AND 2009 (Dollars in thousands)

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents:		
Restricted	$ 107,738	$ 25,331
Unrestricted	134,983	120,032
Total cash and cash equivalents	242,721	145,363
Student loans receivable	315,835	40,505
Student loans receivable — available for sale	470,596	422,238
Accrued interest receivable:		
Interest subsidy — U.S. Secretary of Education:	13,164	18,590
Student loans receivable (less allowance for doubtful amounts, $533 in 2010 and $1,104 in 2009)	90,619	110,404
Student loans receivable — available for sale	9,061	7,825
Miscellaneous receivables and prepaid expenses	2,912	5,192
Deferred charges	1,200	802
Total current assets	1,146,108	750,919
LONG-TERM ASSETS:		
Student loans receivable (less allowance for doubtful loans, $10,901 in 2010 and $6,158 in 2009)	3,443,321	3,952,915
Pension asset	5,306	5,151
Deferred charges, at cost less accumulated amortization of $11,341 in 2010 and $10,358 in 2009	16,017	13,896
Capital assets, at cost less accumulated depreciation of $7,187 in 2010 and $6,140 in 2009	14,045	14,182
Total long-term assets	3,478,689	3,986,144
TOTAL	$ 4,624,797	$ 4,737,063

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES:		
Conduit payable	$ 282,049	$ 180,000
Other liabilities	13,401	155,796
Bonds payable	144,155	107,875
ECASLA payable	468,817	285,600
Accrued interest payable	4,618	12,398
Special allowance subsidy payable	37,105	41,467
Total current liabilities	950,145	783,136
LONG-TERM LIABILITIES:		
Bonds payable	3,354,817	3,771,325
Arbitrage rebate payable	4,725	14,195
Total long-term liabilities	3,359,542	3,785,520
Total liabilities	4,309,687	4,568,656
NET ASSETS:		
Invested in capital assets	14,045	14,182
Restricted	217,214	126,276
Unrestricted	83,851	27,949
Total net assets	315,110	168,407
TOTAL	$ 4,624,797	$ 4,737,063

See notes to financial statements.

HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Dollars in thousands)

	2010	2009
OPERATING REVENUES:		
Interest on student loans	$ 156,349	$ 198,906
U.S. Secretary of Education:		
Interest subsidy	31,272	38,498
Special allowance	(89,617)	(47,953)
Investment income — interest on cash, cash equivalents, and investments	310	1,975
Servicing fee	7,130	2,630
Gain on extinguishment of debt	139,461	-
ECASLA income	19,578	60
Total operating revenues	264,483	194,116
OPERATING EXPENSES:		
Interest expense	51,922	124,679
Bond maintenance fees	3,513	3,899
Letter of credit fees	3,075	2,443
Total bond related expenses	58,510	131,021
Consolidation fees	16,048	21,620
Origination fees	1,654	921
Default fee payments	106	518
Reduction of arbitrage rebate liability	(670)	(297)
Provision for loan losses	8,001	3,990
Total student loan related expenses	25,139	26,752
Salaries and employee benefits	16,935	15,517
Postage and forms	2,488	2,362
Third party servicing fees	3,031	3,397
Computer services	4,144	3,772
Professional fees	1,889	2,025
Occupancy expense	1,492	1,202
Depreciation	1,080	915
Other operating expenses	3,072	2,168
Total general and administrative expenses	34,131	31,358
Total operating expenses	117,780	189,131
OPERATING INCOME BEFORE SPECIAL ITEMS	146,703	4,985
SPECIAL ITEMS:		
Net gain on repurchase of bonds	-	49,911
Net gain on termination of excess benefit plan	-	1,543
Lewis and Clark distribution	-	(100)
CHANGE IN NET ASSETS	146,703	56,339
NET ASSETS — Beginning of year	168,407	112,068
NET ASSETS — End of year	$ 315,110	$ 168,407

See notes to financial statements.

HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Dollars in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student loan and interest purchases and originations	$ (1,038,684)	$ (717,493)
Cash received for sale of loans and interest	670,147	-
Student loan repayments	604,537	655,284
Payment to employees and vendors	(60,263)	(54,670)
Net settlement of government interest	(61,373)	22,778
Other	-	(9)
Net cash provided by (used in) operating activities	114,364	(94,110)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from issuance of bonds	1,769,900	262,500
Proceeds from line of credit	-	78,518
Proceeds from conduit	308,719	79,000
Proceeds from ECASLA	872,345	289,913
Repayment of bonds	(2,025,849)	(115,799)
Interest paid on debt	(57,065)	(128,750)
Repayment on line of credit	-	(378,518)
Repayment on conduit	(206,670)	(44,500)
Repayment on ECASLA	(689,128)	(4,313)
Cash paid for bond issuance costs	(12,319)	(1,409)
Cash received for the extinguishment or cancellation of debt	24,000	79,797
Lewis and Clark distribution	-	(100)
Net cash (used in) provided by noncapital financing activities	(16,067)	116,339
CASH FLOWS FROM CAPITAL ACTIVITIES:		
Purchase of capital assets	(939)	(904)
Proceeds from sales of capital assets	-	14
Net cash used in capital activities	(939)	(890)
CHANGE IN CASH AND CASH EQUIVALENTS	97,358	21,339
CASH AND CASH EQUIVALENTS — Beginning of year	145,363	124,024
CASH AND CASH EQUIVALENTS — End of year	$ 242,721	$ 145,363

(Continued)

HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Dollars in thousands)

	2010	**2009**
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating income before special items	$ 146,703	$ 4,985
Adjustments to reconcile operating income before special items to net cash used in operating activities:		
Depreciation and amortization:		
Capital assets	1,080	915
Prepaid pension	263	187
Loan, letter of credit and bond fees	33,039	33,084
Provision for loan losses	8,001	3,990
Interest expense	60,740	122,528
Write-off of loans	3,426	2,523
Recoveries on supplemental loans	(168)	(299)
Reduction in arbitrage rebate liability	(670)	(297)
Cash received for the cancellation of debt	(24,000)	-
Gain on extinguishment of debt	(133,097)	-
Change in assets and liabilities:		
Decrease (increase) in student loans receivable	144,697	(323,481)
Decrease in accrued interest receivable	23,975	28,977
Increase in miscellaneous receivables and prepaid expenses and pension asset	(2,867)	(4,451)
Decrease (increase) in other liabilities, special allowance subsidy payable, and interest payable	(146,758)	37,229
Total adjustments	(32,339)	(99,095)
Net cash provided by operating activities	$ 114,364	$ (94,110)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Student loan principal and interest forgiveness	$ 8,800	$ 2,145
In-transit student loan purchases (including interest and premium)	-	145,110
Exchange of student loan receivables for the cancellation of debt	-	1,156,276

See notes to financial statements. (Concluded)

1. DESCRIPTION OF THE ORGANIZATION

Legislation, which was signed into law on June 15, 1981, by the Governor of the State of Missouri and became effective on September 28, 1981, created the Higher Education Loan Authority of the State of Missouri (the "Authority") for the purpose of providing a secondary market for loans made under the Federal Family Education Loan Program provided for by the Higher Education Act ("FFELP"). The legislation was amended, effective August 28, 1994, effective August 28, 2003, and again effective May 2, 2008, to provide the Authority with generally expanded powers to finance, originate, acquire, and service student loans, including, but not limited to, those guaranteed or insured pursuant to the Higher Education Act. The Authority is assigned to the Missouri Department of Higher Education. However, by statute, the State of Missouri is in no way financially accountable for the Authority. Student loan revenue bonds outstanding are payable as specified in the resolutions authorizing the sale of bonds. The bonds are not payable from funds received from taxation and are not debts of the State of Missouri or any of its other political subdivisions.

The Authority has also historically been one of the lenders for supplemental loans made available to students in the Midwestern region who have reached the maximum available under the FFELP. The balance of these loans outstanding is approximately 5% of the total loan receivable balance. During fiscal year 2008, the Authority discontinued originating supplemental and consolidated loans.

On March 30, 2010, the President signed into law The Health Care and Education Reconciliation Act of 2010, which included the Student Aid and Fiscal Responsibility Act ("SAFRA"). Effective July 1, 2010, the legislation eliminates the authority to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Loan Program ("DLP"). The new law does not alter or affect the terms and conditions of existing FFELP loans. The Authority will continue to service and purchase FFELP Loans. The Authority expects to be able to remain a going-concern while servicing the existing FFELP Loans currently on the statements of net assets. The Authority is currently in the process of restructuring its operations to reflect this change in law. The Authority has appointed a five member team from its senior management to lead the Direct Loan Servicing effort, and is diligently pursuing a Direct Loan servicing contract with the U.S. Department of Education.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting — The Authority's financial statements have been prepared on the basis of the governmental enterprise fund concept which pertains to financial activities that operate similarly to a private business enterprise. The Authority's funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 1989 except those that conflict or contradict with GASB pronouncements.

In accordance with the bond and other borrowing resolutions, the Authority utilizes fund accounting principles, whereby each fund is a separate set of self-balancing accounts. The assets of each bond fund are restricted pursuant to the bond resolutions. To accomplish the various public purpose loan programs empowered by its authorizing legislation and to conform with the bond and note resolutions and indentures, the Authority records financial activities in the various operating and bond related funds (see Note 14). Administrative transactions and those loan transactions not associated with the Authority's bond issues are recorded in the Operating Fund. For financial statement presentation purposes, the funds have been aggregated into one proprietary fund type.

Use of Estimates — The preparation of the Authority's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of net assets dates and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the arbitrage rebate payable, allowance for doubtful loans, and calculation of current and long-term student loans receivable and current and long-term bonds payable.

Cash Equivalents — The Authority considers all investment securities with original maturities of less than 90 days at the date of purchase to be cash equivalents. All cash equivalents whose proceeds are restricted for debt service reserve, the payment of rebate liabilities and payments to the State of Missouri for need-based scholarship funding (see Note 16) are classified as restricted cash equivalents (see Note 7).

Student Loans Receivable — Student loans receivables are stated at the principal amount outstanding adjusted for premiums. The related interest income generated from the loans is offset by premium amortization expense. Premiums on student loans are amortized over the estimated life of new loans purchased using a method that approximates the effective interest method. Because the Authority holds a large number of similar loans, the life of the loans can be estimated while considering expected amounts of prepayments from borrowers and loan consolidations. During the years ended June 30, 2010 and 2009, the estimated life of new loans purchased was three years. In addition, for the years ended June 30, 2010 and 2009, the Authority expensed all premiums for pools of loan purchases with less than $40 of initial premiums.

Interest on student loans is accrued based upon the actual principal amount outstanding. The U.S. Secretary of Education makes quarterly interest payments on subsidized loans until the student is required, under the provisions of the Higher Education Act, to begin repayment. Repayment must begin generally within six months after the student completes his or her course of study, leaves school, or ceases to carry at least one-half the normal full-time academic load as determined by the participating institution.

The U.S. Secretary of Education provides a special allowance to student loan owners participating in the FFELP. The special allowance amount is the result of applying a percentage, based upon the average bond equivalent rates of the three-month financial Commercial Paper (CP) rate, to the average daily unpaid principal balance and capitalized interest of student loans held by the Authority. The special allowance is accrued as earned or payable. For loans first disbursed prior to January 1, 2000, the 91-day Treasury bill rate is used rather than the three-month financial CP rate.

The Authority as a loan owner, does not necessarily earn what a borrower pays. Special allowance was designed to ensure loan owners earned a market rate of interest by making up the difference between what a borrower pays in interest (borrower rate) under federal law and what a loan owner earns (lender yield) on the loan under federal law. Borrower interest rates for Stafford and PLUS loans first disbursed between July 1, 1998 and June 30, 2006 were variable rates set annually based on the 91-day Treasury bill plus a spread of 1.70% to 3.10%. Lender yields on many of those same loans (loans first disbursed between January 1, 2000 and April 1, 2006) adjust quarterly based on the 90-day AA CP rate plus a spread of between 1.74% and 2.64%, however, the borrower rate serves as the "floor" for the lender yield. Loans first disbursed in these time periods can only earn positive special allowance due to the "floor" income feature. However, for loans first disbursed after April 1, 2006 federal law changed, removing the "floor" income feature, which allows the lender yield to float down below the borrower rate. In these situations the loan owner earns less than the borrower pays in interest causing negative special allowance, which must be rebated to the U. S. Department of Education. This situation was magnified by additional change in federal law that implemented fixed borrower interest rates from 6.8% to 8.5% for loans first disbursed after July 1, 2006. Furthermore for loans first disbursed after October 1, 2007, the spread lender's receive over the CP rate was reduced by 40 to 70 basis points. The Authority's total special allowance was negative in fiscal 2010 and 2009 due the Authority's loan portfolio mix and the decline in the CP rate.

Student Loans Receivable Available for Sale — Loans classified as student loans receivable available for sale are loans which have been placed into the Ensuring Continued Access to Student Loan Act of 2008 ("ECASLA") Participation Program or were purchased with the intent to place the loans into the ECASLA Participation Program. Student loans that are placed into the ECASLA Participation Program must be either refinanced by the Authority or sold to the Department of Education under the Purchase Program by the end of the program year. The intent of the Authority is to sell loans in the Participation Program to the Department under the Purchase Program.

Allowance for Doubtful Loans — The Authority has established an allowance for doubtful loans that is an estimate of probable losses incurred in the FFELP and supplemental loan portfolios at the statements of net assets date. The Authority presents student loans net of the allowance on the statements of net assets. Estimated probable losses are expensed through the provision for loan losses in the period that the loss event occurs. Estimated probable losses contemplate expected recoveries. When a charge-off event occurs, the carrying value of the loan is charged to the allowance for doubtful loans. The amount attributable to expected recoveries remains in the allowance for doubtful loans until received.

The supplemental loans in the Authority's portfolio present the greatest risk of loan loss since the loans are either self-insured or insured by a third-party as opposed to the United States Department of Education, who insures FFELP loans. As such, in evaluating the adequacy of the allowance for doubtful loans on the supplemental loan portfolio, the Authority considers several factors including the loan's insured status and the age of the receivable. When calculating the allowance for doubtful loans for the supplemental loan portfolio, the Authority's methodology divides the portfolio into categories of similar risk characteristics based on insured status and age of the receivable. The Authority then applies default and recovery rate projections to each category. Supplemental loan principal is charged off against the allowance when the loan exceeds 270 days delinquency. Subsequent recoveries on loans charged off are recorded directly to the allowance.

The Authority utilizes true write-offs experienced over the three preceding years to estimate the current year allowance on the FFELP loans. Up to 98% of the principal and interest within the Authority's FFELP loan portfolio is conditionally guaranteed by the Department of Education.

The allowance associated with the accrued interest receivable on student loans represents an allowance on the interest receivable on the supplemental loan portfolio consistent with the allowance for doubtful loans on the supplemental loan portfolio described above.

Miscellaneous Receivables and Prepaid Expenses — Miscellaneous receivables and prepaid expenses consist primarily of prepaid bond interest expense, receivables for servicing fees, and prepaid letter of credit fees.

Deferred Charges — Deferred charges consist of bond issuance costs. Deferred charges are amortized over the life of the bonds using a method that produces substantially the same results as the effective interest method.

Capital Assets — Capital assets consist of land, building, and office furniture and equipment recorded at cost. The Authority's policy is to capitalize all expenditures in excess of $10. Depreciation is charged to operations on the straight-line method over the estimated useful lives of the related assets, which is 30 years for the building and generally five years for all other asset classes. The Authority reviews capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

Arbitrage Rebate — Federal income tax rules limit the investment and loan yields which the Authority may retain for its own use when investing the proceeds from certain of its tax-exempt bond issues. The excess investment and loan yields are payable to the U.S. Treasury and are accrued in the accompanying statements of net assets. Excess loan yields may also be reduced by certain borrower benefit programs.

Net Assets — The net assets of the Authority are classified into three categories: unrestricted, restricted and invested in capital assets. Unrestricted net assets include net assets available for the operations of the Authority and other activities accounted for in either the Operating Fund or the Bond Funds. Unrestricted net assets accounted for in the Bond Funds are pledged and subject to the requirements of the Bond Funds in which those unrestricted net assets are maintained. Removal of unrestricted net assets from the Bond Funds are typically subject to the approval of one or more of the following: credit rating agencies, bond insurers, letter of credit providers, bondholders and/or the trustee. Furthermore, extensive financial analysis is required and performed by the Authority and the approving party prior to the approval and removal of net assets. Restricted net assets consist of the minimum collateral requirements discussed in Note 7, net of related liabilities, as defined in the bond resolutions. The net assets invested in capital assets are discussed in Note 6.

Operating Revenues and Expenses — While bond and note issuance has historically been the principal source of the funds necessary to carry out the purposes of the Authority, which are to originate and acquire student loans, during the last two years the Authority has relied extensively on Federal ECASLA programs to carry out its purpose. The Authority's revenue is derived primarily from income on student loans and results on the extinguishment of outstanding bonds payable. Secondary sources of revenue include subsidies from put and lender fees associated with ECASLA programs, servicing fee revenue, and investment income. The primary cost of the program is interest expense on bonds and other borrowings outstanding. Therefore loan income, net investment income and interest expense are shown as operating revenues and expenses in the statements of revenues, expenses, and changes in net assets.

Gain on Extinguishment of Debt — Gains on extinguishment of debt represents the net result of the Authority's efforts to purchase and extinguish previously issued bonds. Gains resulting from the purchase and extinguishment of bonds at a discount to carrying value and are off-set by the write-off of previously unamortized bond issuance costs and premiums on the purchased bonds.

ECASLA Income — In August 2008, the Department of Education implemented the Purchase Program pursuant to ECASLA. Under the Purchase Program, the Department of Education purchases eligible FFELP loans at a price equal to the sum of (i) par value, (ii) accrued interest, (iii) the one-percent origination fee paid to the Department of Education, and (iv) a fixed amount of $75 per loan. ECASLA income is earned from the Purchase Program.

Servicing Fee Revenue — The Authority provides services to lending institutions for guarantee processing, loan origination, loan disbursement and loan servicing with respect to student loans. Fees charged for these services are classified as Servicing Fee.

Interest Expense — Interest expense primarily includes scheduled interest payments on bonds and other borrowings as well as accretion of bond discounts, broker commission fees, repricing fees, and auction agent fees.

Consolidation Fees — The Authority must remit each month to the U.S. Department of Education (the "Department") an interest payment rebate fee for all of its Federal consolidation loans made on or after October 1, 1993. This fee is equal to 1.05% per annum of the unpaid principal balance and accrued interest of the loans. For loans made from applications received during the period beginning October 1, 1998 through January 31, 1999, inclusive, this fee is equal to 0.62% per annum of the principal and accrued interest of the loans. This fee is not and cannot be charged to the borrower.

Origination Fees — The Department charges lenders an origination fee based on the principal amount of each FFELP loan originated. The fee is paid to the Department and cannot be charged to the borrower. For loans first disbursed on or after October 1, 2007, the fee is 1% of the principal loan amount.

Bond Maintenance Fees — Bond maintenance fees consist primarily of rating agency fees, trustee fees and custodian fees.

Special Items — Special items represent significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence. Special items are discussed further in Note 15.

Risk Management — The Authority is exposed to various risks of loss related to property loss, torts, cyber liability, errors and omissions and employee injuries. Coverage for these various risks of loss is obtained through commercial insurance. There has been no significant reduction in insurance coverage from coverage in the prior year for all categories of risk. Settlements have not exceeded insurance coverage for the past three fiscal years. Commercial insurance is purchased in an amount that is sufficient to cover the Authority's risk of loss. The Authority will record an estimated loss related to a loss contingency as an expense and a liability if it meets the following requirements: (1) information available before the financial statements are issued indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and (2) the amount of the loss can be reasonably estimated.

Income Taxes — The Authority is a tax-exempt organization under the provisions of the Internal Revenue Code and accordingly, no provision for income taxes has been made in the accompanying financial statements.

3. CASH AND CASH EQUIVALENTS

At June 30, 2010 and 2009, the Authority's carrying amount of cash on deposit was $78,375 and $15,595, respectively. The bank balance of deposits are insured by the FDIC and through a security interest with Bank of America with Bank of New York Mellon as custodian. The security interest was invested in Government National Morgan Association notes at June 30, 2010. Other security types available to the Authority include U.S. Treasuries and general obligation bonds of the State of Missouri.

At June 30, 2010 and 2009, the Authority's cash equivalent balances of $164,346 and $129,768, respectively, represented investments in money market funds with credit ratings of AAAm.

4. INVESTMENTS HELD BY TRUSTEE

State law limits investments to any obligations of the State of Missouri or of the United States government, or any instrumentality thereof, certificates of deposit or time deposits of federally insured banks, or federally insured savings and loan associations, or of insured credit unions, or, with respect to moneys pledged or held under a trust estate or otherwise available for the owners of bonds or other forms of indebtedness, any investment authorized under the bond resolution governing the security and payment of such obligations or repurchase agreements for the specified investments.

As of June 30, 2010 and 2009, the Authority held no investments.

5. STUDENT LOANS RECEIVABLE

Student loans receivable are insured namely by the Missouri Department of Higher Education (MDHE), American Education Services (AES), the Student Loan Guarantee Foundation of Arkansas (SLGFA), United Student Aid Funds, Inc. (USA Funds), the National Student Loan Program (NSLP), the California Student Aid Commission (CSAC), the Tennessee Student Assistance Corporation (TSAC), the American Student Assistance (ASA), the Kentucky Higher Education Assistance Authority (KHEAA), the New York State Higher Education Services Corporation (NYSHESC), the Texas Guaranteed Student Loan Corporation (TGSLC), the Illinois Student Assistance Commission (ISAC), the Education Assistance Corporation (EAC), the Educational Credit Management Corporation (ECMC), the Northwest Education Loan Association (NELA), the Great Lakes Higher Education Corporation (GLHEC), or by other non-profit or state organizations, as to principal and accrued interest to the fullest extent allowed under current law. The supplemental loans are not federally insured.

Student loans receivable at June 30, 2010 and 2009, are as follows:

	2010	2009
MDHE	$2,278,641	$2,259,315
AES	482,771	517,321
SLGFA	232,499	263,491
USA FUNDS	231,988	249,285
NSLP	155,669	166,214
CSAC	128,275	144,963
TSAC	94,535	105,925
ASA	94,312	105,637
TGSLC	63,965	112,004
NYSHESC	53,346	55,754
GLHEC	50,419	17,457
KHEAA	46,304	53,240
ECMC	39,548	28,302
ISAC	29,820	26,503
NELA	11,286	12,437
EAC	2	35,378
Other	20,744	31,109
Total federal loans	4,014,124	4,184,335
Supplemental loans:		
Third party insured	14,982	18,440
Self-insured	211,547	219,041
Total supplemental loans	226,529	237,481
Allowance for doubtful loans	(10,901)	(6,158)
Total student loans receivable	$4,229,752	$4,415,658
Weighted average yield — end of year	5.62 %	5.26 %

The Authority's yield on federal student loan receivables is set by federal law and is generally variable based on either 90-day AA CP rate or the 91-day Treasury bill, plus a factor. These yields are based on the type of loan, the date of loan origination and in some cases, the method of financing. Consolidation loans, Stafford loans, and Parental Loans for Undergraduate Students (PLUS loans), originated after July 1, 2006, have a fixed rate for the borrower. The Authority's yield on supplemental loans are variable rate, based on either the Treasury bill or the prime rate, plus a factor, depending on when the loan originated and the credit worthiness of the borrower and/or co-signor.

The activity for the allowance for doubtful loans for the years ended June 30, 2010 and 2009, is as follows:

	2010	2009
Beginning balance	$ 6,158	$ 4,392
Provision for loan losses	8,001	3,990
Write offs of loans	(3,426)	(2,523)
Recoveries	168	299
	$ 10,901	$ 6,158

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 3,304	$ -	$ -	$ 3,304
Depreciable capital assets:				
Building	11,972	88		12,060
Furniture and equipment	5,046	863	(41)	5,868
Total depreciable capital assets	17,018	951	(41)	17,928
Less accumulated depreciation:				
Building	2,844	417		3,261
Furniture and equipment	3,296	663	(33)	3,926
	6,140	1,080	(33)	7,187
Net depreciable capital assets	10,878	(129)	(8)	10,741
Total	$ 14,182	$ (129)	$ (8)	$ 14,045

Capital asset activity for the year ended June 30, 2009, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 3,304	$ -	$ -	$ 3,304
Depreciable capital assets:				
Building	11,746	226	-	11,972
Furniture and equipment	4,392	678	(24)	5,046
Total depreciable capital assets	16,138	904	(24)	17,018
Less accumulated depreciation:				
Building	2,433	411	-	2,844
Furniture and equipment	2,807	504	(15)	3,296
	5,240	915	(15)	6,140
Net depreciable capital assets	10,898	(11)	(9)	10,878
Total	$ 14,202	$ (11)	$ (9)	$ 14,182

7. BONDS PAYABLE

The following table displays the aggregate changes in bonds payable for fiscal years ended June 30:

	2010	2009
Beginning bonds payable	$ 3,879,200	$ 4,888,775
Additions	1,769,900	262,500
Repayments	(51,405)	(115,799)
Bonds purchased and subsequently extinguished	(2,098,723)	-
Cancellation of debt	-	(1,156,276)
Ending bonds payable	$ 3,498,972	$ 3,879,200

Bonds payable at June 30 consist of:

	2010	2009
Student loan revenue bonds, variable interest rates ranging from 0% to 4.37% at June 30, 2010, and 0% to 7.86% at June 30, 2009, maturing through 2046	$3,498,972	$3,770,850
Student loan revenue bonds, fixed interest rates ranging from 4.10% to 5.85% at June 30, 2009	-	108,350
Total student loan revenue bonds	$3,498,972	$3,879,200
Weighted average rate	1.12 %	1.24 %

The following is a summary of debt service requirements at June 30:

Fiscal Years	Principal	Interest	Total
2011	$ 144,155	$ 40,188	$ 184,343
2012	130,351	38,265	168,616
2013	137,387	36,388	173,775
2014	139,741	34,445	174,186
2015	139,150	32,491	171,641
Total fiscal years 2011–2015	690,784	181,777	872,561
2016–2020	1,382,645	121,434	1,504,079
2021–2025	435,663	87,891	523,554
2026–2030	246,433	70,987	317,420
2031–2035	190,427	51,029	241,456
2036–2040	38,895	45,020	83,915
2041–2045	409,025	34,276	443,301
2046	105,100	1,780	106,880
	$3,498,972	$594,194	$4,093,166

Variable student loan revenue bonds consist of variable rate demand notes, auction rate notes, LIBOR indexed rate notes (LIRNs) and LIBOR floating rate notes. Variable rate demand notes bear interest at a rate determined by the remarketing agent. Such rate is determined every 7 days. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. The repricing fee is expensed as incurred and included within interest expense on the statements of revenues, expenses, and changes in net assets. Auction rate notes, which represent 18% of the outstanding variable rate debt, bear interest at the applicable auction rate as determined by a bidding process every 7, 28, or 35 days as stipulated in the related Bond Agreement. Starting in November 2007 and continuing through June 30, 2010, the auction rate notes experienced failures in the bidding process. As of June 30, 2010, due to the failures in the auction market, the interest rate was calculated based upon the rate provisions as stipulated in the Bond Agreements and amended by supplemental resolutions agreed to by the Authority. The interest rates continued to reprice every 7, 28 or 35 days under a failed auction but were determined based upon a 91-Day Treasury Bill (T-Bill) indexed rate for taxable debt or a JJ Kenny indexed rate for tax-exempt debt taken in consideration with the annual average auction rate as of the current repricing date. The Authority's LIRN are variable rate notes that reprice monthly based on one month LIBOR plus 13 basis points. The Authority also has three outstanding LFRN trusts that reprice every three months at spreads to three month LIBOR ranging from 60 to 105 basis points. The debt service requirements in the table above were prepared using the applicable variable rates on June 30, 2010, and may significantly differ from the rates paid in future periods.

Certain bonds are subject to redemption or rate period adjustment at the discretion of the Authority under certain conditions as set forth in the Bond Agreement. In addition, at June 30, 2010, $225,050 of the bonds are subordinate to the remainder of the outstanding bonds.

Bonds of each series are secured by (a) a pledge of proceeds derived from the sale of the bonds, (b) eligible loans, and (c) certain accounts established by the respective bond resolutions, including moneys and securities therein. For certain bonds, the Authority has entered into agreements with the Municipal Bond Investors Assurance Corporation, Bank of America N.A., and AMBAC Indemnity, whereby the parties have issued standby bond purchase agreements, letters of credit, or insurance policies to the Trustees as beneficiaries for the respective bondholders. The purpose of the standby bond purchase agreements, letters of credit or insurance policies is to provide liquidity to bondholders, and or guarantee payment of the bonds upon maturity or earlier redemption. The agreements contain certain covenants which, among other requirements, include minimum collateral requirements. The Authority maintains a minimum amount of assets pledged under required bond resolutions. The total of all minimum requirements for all bond issuances at June 30, 2010 and 2009, is $3,672,652 and $4,021,977, respectively. At June 30, 2010 and 2009, the Authority was in compliance with all financial covenants.

The respective bond resolutions establish the following special trust accounts for each bond series, unless otherwise indicated:

Loan Accounts — The loan accounts are used to account for the proceeds of bond issues not required to be deposited in the debt service reserve accounts. Generally, amounts in the loan accounts may be expended (a) to finance eligible student loans, (b) to pay bond issue costs, (c) to make deposits to the revenue accounts for the purpose of paying principal and/or interest on the bonds, and (d) to pay letter of credit fees.

Revenue Accounts — The revenue accounts are used to account for all revenues received by the Authority. Generally, amounts in the revenue accounts are used (a) to make principal and/or interest payments on the bonds, (b) to fund debt service reserve accounts, (c) to pay estimated program expenses to the operating account, and (d) to reimburse the issuers of letters of credit guaranteeing the bonds for amounts committed under the letters of credit. Excess amounts in the revenue account may be transferred to the loan accounts or to optional redemption accounts.

Operating Accounts — Amounts deposited in operating accounts are used to pay reasonable and necessary program expenses for the bond issues.

Debt Service Reserve Accounts — Under the terms of certain bond provisions, minimum amounts are required to be maintained in the debt service reserve accounts for related bond series. The total of these minimum requirements at June 30, 2010 and 2009, were $6,001 and $17,037, respectively. These funds are only to be used to make principal and/or interest payments on the bonds and any interest due on the borrowed funds. In accordance with the bond provisions, the Authority has purchased a non-cancelable Surety Bond in lieu of cash deposits in the debt service reserve accounts for certain of the bond obligations in the amount of $5,756 and $6,614 at June 30, 2010 and 2009, respectively. Such Surety Bonds expire on the earlier of the bond maturity date or the date in which the Authority satisfies all required payments related to such bond obligations. Under the ECASLA Federal Loan Participation Purchase Program funds received in the account are owed directly to the Department to pay principal and interest.

Rebate Accounts — Amounts deposited in the rebate accounts are used to pay the United States Treasury amounts required by Section 148 of the Internal Revenue Code.

The LFRNs issued in the 2009-1, 2010-1 and 2010-2 Trusts establish the following special trust accounts:

Collection Fund — Used to pay servicing administration fees, consolidated rebate fees, trustee fees, debt service, and make principal payments. Funds can also be used to re-instate the Reserve and Department Rebate Fund Accounts as required.

Reserve Accounts — Under the terms of certain bond provisions, minimum amounts are required to be maintained in the reserve accounts for related bond series. The total of these minimum requirements at June 30, 2010 was $4,349.

Capitalized Interest Funds — Used to pay certain service, administrative, and other fees not available to be paid from the Collection Account.

Rebate Accounts — Used to pay negative special allowance and consolidation rebate fees.

Acquisition Funds — Used initially to account for loans transferred to the trust and or pay cost of issuance due within sixty days of closing.

The Straight-A Conduit establishes the following accounts:

Collateral Accounts — Amounts deposited in this account are used to make payments for purchases of delinquent loans and associated special allowance.

Rebate Accounts — Amounts deposited in this account are used to make payments for negative special allowance.

Reserve Accounts — Under the terms of the Straight-A Conduit Program certain amounts are required to be maintained in the Reserve Account equal to 1% of the Principal Balance of the Financed Student Loans.

Collection Accounts — The Collection Account is used to account for receipt of borrower payments, pay financing costs, servicing fees, principal and to fund the DOE Reserve Account for special allowance payments.

As of June 30, 2010 and 2009, cash and cash equivalents were segregated as follows:

	2010	2009
Special trust accounts:		
Unrestricted:		
Loan accounts	$ -	$ 61,635
Collection fund	4,613	-
Revenue accounts	66,115	30,653
Operating accounts	3,274	782
Restricted:		
Debt service reserve accounts	9,341	24,769
Reserve accounts	7,442	-
Capitalized interest funds	18,486	-
Acquisition funds	142	-
Collection accounts	36,237	-
Collateral accounts	921	-
Rebate accounts	5,166	562
Total special trust accounts	151,737	118,401
Operating fund:		
Unrestricted	52,944	14,500
Due to special trust accounts	8,037	12,462
Restricted	30,003	-
Total operating fund	90,984	26,962
Total cash and cash equivalents	$ 242,721	$ 145,363

8. FINANCINGS

Straight-A Conduit Program — In May 2009, the Department issued the Asset-Backed Commercial Paper ("ABCP") Conduit Program to help ensure the continued availability of FFELP loans to students and parents for the 2009-2010 academic year. Participants in the Conduit Program must use 100 percent of the net proceeds of funds received from the Conduit to originate and disburse new FFELP loans. Loans eligible for the Conduit Program include Stafford and PLUS loans with first disbursement dates on or after October 1, 2003 and no later than June 30, 2009, which are fully disbursed before September 30, 2009. The Department entered into a PUT Agreement with the Straight-A Funding LLC Conduit ("Straight-A Conduit") using the authority provided by, and consistent with the requirements of the ECASLA.

The Straight-A Conduit will purchase notes secured by eligible FFELP loans from eligible FFELP lenders and holders, which in turn will serve as the underlying asset against which the conduit sells commercial paper. The commercial paper will have variable maturities, but in no case longer than 90 days. As previously-issued commercial paper matures, proceeds from newly-issued commercial paper will be used to satisfy investors holding earlier maturities. If necessary, the Federal Financing

Bank will provide a short-term liquidity backstop to re-finance maturing commercial paper. The Department will purchase loans from the conduit in order to allow the conduit to repay such short-term liquidity loans to the extent required. The Straight-A Conduit provides an advance of 97 percent of the student loan value for loans in the program. The term of the Straight-A Conduit is five years and expires on November 19, 2013. However, due to the short term nature of the commercial paper sold by the Straight-A Conduit, the Straight-A Conduit is classified as a current liability within the statement of net assets. On July 30, 2009, the Authority funded $190,158 in loans through the Straight-A Conduit. The Authority used this draw to refinance its multi-seller asset backed conduit that was originally entered into on July 26, 2007. On October 30, 2009, the Authority funded an additional $118,561 in loans through the Straight-A Conduit to refinance eligible assets held under the 2005 Trust. As of June 30, 2010, the Authority had $282,049 in loans outstanding under the Straight-A Conduit.

Conduit — On July 26, 2007, the Authority entered into an amended financing agreement for a $250,000 multi-seller asset backed commercial paper conduit (the "Conduit"). On November 23, 2007, the Authority amended the agreement to increase the Conduit to $500,000. On July 24, 2008, the Authority entered into an amended financing agreement for a $500,000 multi-seller asset backed commercial paper conduit. On October 16, 2008, the financing agreement was amended to reduce the facility limit to $375,000. As a result of a margin call by the bank demanding more equity which the Authority could not meet, the facility was amended on December 23, 2008. The amendment reduced the facility limit to $250,000 with a payout schedule through July 2009. On July 23, 2009, the Authority entered into an agreement to extend the termination date on the asset back commercial paper conduit to August 21, 2009, under the same terms present in the original agreement. On July 30, 2009, the asset back commercial paper conduit was paid in full.

Line of Credit — The Authority had a $300,000 revolving credit facility with a financial institution. The facility was to terminate on September 30, 2008. On September 30, 2008, the Authority entered into an amended financing agreement for the credit facility to extend the termination date to October 31, 2008, under the same terms present in the original agreement. The revolving credit facility was paid in full and terminated on October 16, 2008**.**

For the years ended June 30, 2010 and 2009, the following table displays the aggregate changes in the Conduit, Straight-A Conduit, and line of credit borrowings:

	2010	2009
Beginning balance	$ 180,000	$ 445,500
Additional borrowings	308,719	157,518
Repayments	(206,670)	(423,018)
Ending balance	$ 282,049	$ 180,000
Yield at end of year	1.12%	0.50%

The Ensuring Continued Access to Student Loans Act — Participation and Purchase Programs — On May 7, 2008, U.S. House Resolution 5715, the Ensuring Continued Access to Student Loans Act ("ECASLA") was signed. The Act gives the U.S. Department of Education the authority to advance funds and enter into forward purchase commitments with qualifying lenders for the purchase of FFELP loans.

The Master Participation Agreement is designed to provide short-term liquidity to eligible lenders for the purpose of financing the origination of FFELP loans. Loans participated in the program are charged a rate of commercial paper plus 50 basis point on the principal amount. All loans under the Participation Program must be either refinanced by the lender or sold to the Department under the Purchase Program. This ECASLA participation line of credit for the 2009-10 program year is available to the Authority until October 15, 2010. At June 30, 2010, the Authority had $470,596 in loans under the Participation Program, which are classified as available for sale on the statement of net assets. Loans classified as available for sale on the statement of net assets were funded through the ECASLA payable current liability on the statement of net assets. Loans classified as available for sale are expected to be sold to the Department under the Purchase Program in the year ending June 30, 2011.

The Master Loan Sale Agreement allows eligible lenders to sell FFELP loans originated for the 2009–2010 academic year to the Department of Education through the Purchase Program at 101% plus $75 per loan. Any lender participating must represent to the Department that it will continue to participate in the FFELP program. During the year ended June 30, 2010, the Authority sold $704,968 in loans and accrued interest to the Department under the Purchase Program.

Bridge Financing — On June 24, 2009, the Authority entered into a new $80,000 revolving line of credit with three banks to serve as a “bridge” financing for the Authority’s utilization of the ECASLA Federal Loan Participation Program. The interest rate is based on three options from which the Authority may choose: (i) Base Rate Option, based on the highest of (a) the Federal Funds Open Rate, plus 0.5%, and (b) the Prime Rate, and (c) the Daily LIBOR Rate, plus 100 basis points (1.0%) (ii) LIBOR Rate Option, or (iii) Daily LIBOR Rate Option. Different Interest Rate Options and different Interest Periods may be selected simultaneously for the loans comprising different borrowing tranches. Unused fee on the facility is 0.25%. The line of credit, which was scheduled to expire on June 23, 2010, was terminated by the Authority on May 24, 2010 because the facility was no longer needed.

2009-1 LIBOR Floating Rate Notes — On November 5, 2009, the Authority issued and privately placed $186,000 in LIBOR floating rate notes to refinance the non Straight-A Conduit eligible assets from the 2005 Trust, which were primarily consolidation loans. The notes are full turbo, requiring all revenues in excess of required expenses to be used to reduce the outstanding principal balance. The notes had a starting parity of 105.44%, and were issued in two series as follows: Series A-1 for $67,700 at three month LIBOR plus 0.60% with a expected weighted average life of 3.0 years and a final maturity of August 25, 2019, as well as, Series A-2 for $118,300 at three month LIBOR plus 1.05% with a expected weighted average life of 10.99 years and a final maturity of February 25, 2036. The expected weighted average life was calculated based on a two percent constant prepayment rate (CPR). The 2005 Trust was a tax-exempt variable rate demand note (VRDN) backed by a synthetic letter of credit, with a standby bond purchase agreement and bond insurance. The interest rate on the VRDN was variable and prior to the credit market crisis, when the product functioned properly the remarketing rate that the bonds reset at was a rate that tracked closely with the SIFMA index (variable rate municipal bond index). Because of downgrades to the bond insurer, most of the bondholders put the bonds to the standby liquidity provider and the bonds became term bank bonds. As bank bonds, the interest rate of the bonds became a variable rate based on prime plus 1%. Given the low variable rate yield on the underlying assets and the higher cost of funds for the bonds based on prime, the trust began operating at a negative spread. These events also caused the bond maturity to change from 35 years to 5 years with mandatory semi-annual principal payments in eight equal installments beginning one year after the bonds became bank bonds. The Authority was able to work with the transaction parties to restructure the failed VRDN by financing the Straight-A Conduit eligible loans held by the trust into the Straight-A Conduit and to finance the remaining non-conduit eligible loans into the 2009-1 LIBOR floating rate notes. As previously stated, the transaction resulted in a gross gain of $24,000 that when adjusted for the write-off of $1,000 in related unamortized costs of issuance, resulted in a net gain of $23,000. Proceeds from the issuance of the LFRNs under 2009-1 Trust and a Straight-A Conduit draw assisted in the extinguishment of the 2005 trust.

2010-1 LIBOR Floating Rate Notes — On January 28, 2010 the Authority issued $761,400 in LIBOR floating rate notes to pay down $819,150 of failed auction rate bonds from the 11th General. The notes were issued in one series at three month LIBOR plus 0.95% with an expected weighted average life of 6.89 years based on a two percent CPR and a final maturity of November 26, 2032. The trust, which had a starting parity of 106.34%, permits parity releases above 110% parity. The bonds were purchased from the 11th General at a purchase price of 92% of the principal amount, with respect to the senior purchased bonds, and 87% of the principal amount with respect to the subordinate purchased bonds, plus 100% of accrued and unpaid interest. The purchase of the bonds at a discount followed by the extinguishment of the bonds creates income and overcollateralization in the 11th General Resolution. This transaction also included a third party contribution of $750. The excess cash and loan overcollateralization was released by 11th General to the Authority operating fund and 2010-1 Trust, respectively.

2010-2 LIBOR Floating Rate Notes — On May 26, 2010 the Authority issued $822,500 in LIBOR floating rate notes to pay down the $49,820 in fixed rate bonds from the 6th General, $33,900 in VRDNs from the 8th General and $704,000 in failed auction rate bonds from the 11th General. The $822,500 million in bond proceeds were also utilized to purchase loans from the Authority's operating fund. The notes were issued in one series at three month LIBOR plus 0.85% with an expected weighted average life of 5.71 years based on a two percent CPR and a final maturity of August 27, 2029. The full turbo trust had a starting parity of 105.18%. The 6th and 8th General Resolutions were paid-in-full, however less than half of the remaining bonds under the 11th General Resolution were extinguished early. The bonds were extinguished early from the 11th General at a purchase price of 93.5% of principal, plus 100% of accrued and unpaid interest. As with the 2010-1 Trust, a significant amount of the income created by purchasing the bonds at a discount and extinguishing them early in the 11th General was released to the Authority's operating fund and as in the 2010-1 Trust the income had to first be recognized by the 11th General in order for it to be released to the Authority's operating fund and the 2010-2 Trust.

The financing transactions discussed in the three proceeding paragraphs resulted in a gain, net of unamortized cost of issuance, for the Authority of $139,461.

9. CONTRACTS, COMMITMENTS, AND CONTINGENCIES

The Authority has three contracts to utilize electronic data processing systems. The contracts provide for monthly charges based on the number of student loan accounts serviced and the amount of computer equipment supplied.

Charges incurred under the contracts for the years ended June 30, 2010 and 2009, are as follows:

	2010	2009
Charges based on loan accounts	$ 7,138	$ 7,132
Hardware rentals	37	37
Total	$ 7,175	$ 7,169

To the extent permitted under applicable law, the Authority has authorized an expenditure of a maximum of $550 in five equal annual installments beginning July 1, 2006, to support the University of Missouri — St. Louis GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) Partnership (the "Partnership"), which provides need-based scholarships and grants to students seeking higher education. Actual expenditures may be less in the event funding for these grants and scholarships is obtained by members of the Partnership. The Authority's commitment expired on July 1, 2010 with no installments having been paid by the Authority.

The Authority is involved, from time to time, in various claims and lawsuits incidental to the ordinary course of its business. While the ultimate outcome of litigation cannot be predicted with certainty, management, based on its understanding of the facts, does not believe the ultimate resolution of these matters will have a material adverse effect on the Authority's financial position or results of operations.

10. EMPLOYEE BENEFITS

The Authority maintains a single employer defined contribution plan, the Higher Education Loan Authority of the State of Missouri 401(k) Plan (the "401(k) Plan"), with investment management performed by Goldman Sachs and recordkeeping provided by Edward Jones for all employees who are at least 21 years of age, and who work in excess of 1,000 hours per plan year, and who have been employed at least one year by the Authority. Employees may elect to defer 1% to 50% of their total compensation into the 401(k) Plan, not to exceed the limits defined in the 401(k) Plan. Sixteen investment fund options are available for choice by the employee. The Authority contributes an amount equal to 100% of the first 8% contributed by the employee. Employer matching funds are invested in the same fund choices made by the employee and are subject to a five-year vesting schedule. Some employer matching funds are offset by accumulated forfeiture credits. The Authority may make a non-matching contribution to the 401(k) Plan. The amount of this contribution, if any, will be determined by the Authority when granted. To be eligible for the contribution, an employee must be credited with at least 1,000 hours of service and be employed on the last day of the 401(k) Plan year. During 2010 and 2009, the Authority contributed $510 and $501 and employees contributed $583 and $553 to the 401(k) Plan.

The Authority offers a noncontributory defined benefit pension plan, the Higher Education Loan Authority of the State of Missouri Pension Plan (the "Pension Plan"). The Authority previously offered a defined benefit Excess Benefit Plan, to supplement the benefits provided under the defined contribution plan. The Excess Benefit Plan was terminated in December 2008. The Pension Plan is administered by Wells Fargo Institutional Retirement and Trust Advisors. Employees vest in the Pension Plan after five years of service. The Excess Benefit Plan, which was administered by Wachovia Securities, was a closed plan with a limited number of participants remaining. All obligations of the Excess Benefit Plan were settled and the remaining over funding was returned to the Authority resulting in a gain of $1,543 after all expenditures (See Note 15). The Authority then contributed that balance from the Excess Benefit Plan to the Pension Plan. A report of the Pension Plan may be obtained by writing to the Authority's Pension Plan Administrator, 633 Spirit Drive, Chesterfield, MO 63005-1243 or by calling (636) 532-0600 with your request for a copy of the report of the Pension Plan. The Authority has elected to recognize prior service costs over a period which represents the estimated remaining service lives of the employees at the Pension Plan and Excess Benefit Plan origination dates.

Substantially all employees of the Authority are covered by the Pension Plan. Pension benefits are based upon the employee's length of service and average compensation.

Pension Plan assets are invested primarily in debt and equity securities at the discretion of the trustee. Those securities are valued at market value. The investment objective of the Plan is to ensure that assets will be available to meet the Plan's benefit obligations. The expected return on the Plan's assets is based on the historical and anticipated returns for each asset category. At June 30, 2010, the allocation was 97:3 investments in common collective trusts to cash. While at June 30, 2009, the allocation was 53:44:3 debt securities to equity securities to cash.

During the current year, the Authority contributed the actuarially determined minimum required funding. The annual required contribution for the years ended June 30, 2010, 2009, and 2008, was determined as part of the July 1, 2009, 2008, and 2007, respectively, actuarial valuations. The Authority's policy is to contribute annually not less than the actuarially determined minimum required contribution determined by using the Aggregate Actuarial Cost Method. Because this method is used, the amortization is a level percentage of payroll over the average remaining service life of active members. Separate determination and amortization of the unfunded actuarial liability are not part of such method and are not required when that method is used. There are no annual maximum contribution rates.

The following table establishes a display of the funding status measured as the ratio of Plan assets to actuarial accrued liability. This actuarial accrued liability is determined using the entry age actuarial cost method, as required for plans that use the Aggregate Cost Method to determine the recommended contribution.

Actuarial Valuation Date	Actuarial Value of Assets Available for Benefits	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
Pension Plan						
7/1/2009	$18,562	$20,675	89.8 %	$ 2,113	$10,708	19.7 %

The following tables detail the components of annual pension cost. The amounts recognized in the Authority's financial statements and major assumptions used to determine those amounts as of June 30, 2010, 2009, and 2008, are as follows:

	2010	2009	2008	
	Pension Plan	Pension Plan	Pension Plan	Excess Benefit Plan
Net pension obligation (NPO):				
NPO — beginning of year	$ (5,570)	$ (3,412)	$ (3,581)	$ (31)
Annual pension cost	2,280	1,878	2,207	6
Contributions for year	(2,016)	(4,036)	(2,038)	-
NPO — end of year	$ (5,306)	$ (5,570)	$ (3,412)	$ (25)

The negative NPO represents a pension asset.

	2010	2009	2008	
Components of annual pension cost:				
Annual required contribution (ARC)	$ 2,016	$ 1,717	$ 2,038	$ -
Interest on NPO	(389)	(239)	(251)	(2)
Adjustment to ARC	653	400	420	8
Annual Pension Cost (APC)	$ 2,280	$ 1,878	$ 2,207	$ 6

Percentage of ARC contributed	100 %	235 %	100 %	100 %
Major assumptions:				
Investment return	7 %	7 %	7 %	7 %
Inflation rate	4	4	4	4
Discount rate used for amortization of NPO	3	3	3	3
Salary scale	5	5	5	5
Amortization period (open) (years)	10.0	10.0	10.0	5.0
Cost method	Aggregate	Aggregate	Aggregate	Level Dollar
Mortality table	1994 Group Annuity Mortality table			

11. STUDENT LOAN PURCHASE COMMITMENTS

In addition to the student loans already purchased, the Authority has contractual commitments to purchase $64,925 in FFELP loans from one of its lender partners under certain agreements. In addition, as of June 30, 2010, the Authority has contractual commitments to purchase $26,979 in supplemental (alternative) loans from four lender partners. As it relates to $20,379 of that commitment (3 of the 4 lender partners), if the Authority is unable to buy these loans the Authority's liability is limited to $725. The Authority also has agreements with lending institutions that require the lender to use its best efforts to make and sell student loans to the Authority up to a contractually agreed-upon amount; however, the Authority has the right to refuse the purchase. The average length of the purchase commitments is three years. Management plans to fulfill the commitments using funds held by the Trustee, funds generated through the normal financing operations of the Authority and through the use of the Federal ECASLA programs. At June 30, 2010 and 2009, the Authority was servicing $1,378,409 and $2,454,893, respectively, in student loans for these and other lending institutions.

12. ARBITRAGE REBATE PAYABLE

In accordance with Section 148 and the regulations thereunder of the Internal Revenue Code of 1986, as amended, the Authority is required to pay to the United States Treasury certain amounts related to the Authority's tax-exempt bond issues. The amount required to be paid represents the excess of amounts earned over the interest cost of the tax-exempt borrowings. Non-purpose rebate payments are due every fifth year and when the bonds are retired. Purpose rebate payments are due every tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. The rebate calculation utilizes various assumptions and allows for the selection of alternative calculation options under the Code. Management estimates at June 30, 2010 and 2009, the liability to be $4,725 and $14,195, respectively, which has been provided for in the financial statements, however, the ultimate liability, if any, is dependent on investment yields and bond rates in the future.

The following table displays the aggregate changes in the arbitrage rebate payable for fiscal years ended June 30:

	2010	2009
Beginning balance	$ 14,195	$ 16,637
Reduction of arbitrage liability	(670)	(297)
Student loan forgiveness	(8,800)	(2,145)
Ending balance	$ 4,725	$ 14,195

The Authority annually employs an independent third party to prepare its arbitrage rebate calculation.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of ASC 825 *Financial Instruments*. The estimated fair value amounts have been determined by the Authority using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Authority could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The estimated fair values of the Authority's financial instruments are as follows:

	June 30, 2010		June 30, 2009	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Assets:				
Cash and cash equivalents	$ 242,721	$ 242,721	$ 145,363	$ 145,363
Student loans receivable	4,229,752	4,229,752	4,415,658	4,382,174
Liabilities:				
Conduit payable	$ 282,049	282,049	180,000	180,000
Bonds payable	3,498,972	3,498,972	3,879,200	3,877,584
ECASLA payable	468,817	468,817	285,600	285,600
Off-balance sheet instruments — standby letters of credit	$ -	$ 5,436	$ -	$ 6,661

Cash and Cash Equivalents — For cash and cash equivalents, the carrying amount is a reasonable estimate of fair value based on the short-term nature of the security.

Student Loans Receivable — Loans are categorized by repayment type (in-school, grace, repayment, and delinquent). The fair value is estimated using the Authority's current pricing policies and the present value of the future cash flow stream. Due to the variable rates of the Authority's student loan receivable portfolio, the carrying value of the portfolio approximates the estimated fair value at June 30, 2010. Estimated fair value approximates the amount for which similar loans could currently be purchased on the open market.

ECASLA Payable — For the ECASLA payable, the carrying value is a reasonable estimate of fair value as the maturity of the instrument is less than one year.

Conduit Payable — For the conduit payable, the carrying value is a reasonable estimate of fair value as the line of credit has a variable rate.

Bonds Payable —For fixed rate bonds, fair value was calculated from quoted market prices of the bonds. For variable rate bonds, the carrying amount is a reasonable estimate of fair value. There were no fixed rate bonds outstanding at June 30, 2010.

Standby Letters of Credit — The fair value is based on fees currently charged for similar agreements at the reporting date.

14. SEGMENT INFORMATION

A segment is an identifiable activity reported as a stand-alone entity for which one or more revenue bonds or other financing is outstanding. A segment has a specific identifiable revenue stream pledged in support of the related debt and has related expenses, gains and losses, assets, and liabilities that are required by an external party to be accounted for separately. The Authority has 12 segments that meet the reporting requirements of GASB Statement No. 34.

The outstanding debt of the Authority consists of Student Loan Revenue Bonds, a line of credit, the Federal ECASLA Loan Participation program and commercial paper conduit. The Student Loan Revenue Bonds are issued in accordance with four separate General Student Loan Program Bond Resolutions adopted by the Board of Directors in various years from 1988 through 2007, as well as in accordance with a two Trust Indenture (the "Indenture") adopted by the Board of Directors in 2005 and 2008. The Resolutions provide that the bonds are payable from the eligible loans pledged under the Resolutions, amounts deposited in the accounts pledged under the Resolutions and all other revenues and recoveries of principal from the loans purchased with the bond proceeds.

Administrative transactions not directly associated with the purchase of and revenue streams related to student loans are recorded in the Operating Fund.

Summary financial information for the Student Loan Revenue Bonds as of June 30, 2010 and 2009, are as follows:

	2010													
	Bond Funds													
Condensed Statements of Net Assets	6th General Resolution Trust Estate	8th General Resolution Trust Estate	11th General Resolution Trust Estate	12th General Resolution Trust Estate	2005 Trust Indenture	2008 Trust Indenture	Commercial Paper Conduit	ECASLA	Line of Credit	2009-1 Trust Indenture	2010-1 Trust Indenture	2010-2 Trust Indenture	Operating Fund	Total
Assets:														
Current assets	$ -	$ -	$ 195,660	$ 53,764	$ -	$ 32,271	$ 40,232	$475,089	$ -	$ 20,834	$112,588	$114,801	$100,869	$ 1,146,108
Long-term assets	-	-	1,056,715	261,666	-	252,854	258,796	22	-	172,906	686,192	757,441	32,097	3,478,689
Total assets	$ -	$ -	$1,252,375	$315,430	$ -	$285,125	$299,028	$475,111	$ -	$193,740	$798,780	$872,242	$132,966	$ 4,624,797
Liabilities:														
Current liabilities	$ -	$ -	$ 17,743	$ 1,640	$ -	$ 4,235	$284,623	$479,963	$ -	$ 11,913	$ 70,344	$ 76,337	$ 3,347	$ 950,145
Long-term liabilities	-	-	1,204,900	296,798	-	262,502	-	-	-	168,040	677,394	749,908	-	3,359,542
Interfund payable (receivable)	-	-	(9,987)	(1,910)	-	(740)	(189)	(6,484)	-	(146)	(2,228)	(2,640)	24,324	-
Total liabilities	-	-	1,212,656	296,528	-	265,997	284,434	473,479	-	179,807	745,510	823,605	27,671	4,309,687
Net assets:														
Invested in capital assets	-	-	-	-	-	-	-	-	-	-	-	-	14,045	14,045
Restricted	-	-	35,429	3,902	-	15,817	14,594	1,632	-	13,933	53,270	48,637	30,000	217,214
Unrestricted	-	-	4,290	15,000	-	3,311	-	-	-	-	-	-	61,250	83,851
Total net assets	-	-	39,719	18,902	-	19,128	14,594	1,632	-	13,933	53,270	48,637	105,295	315,110
Total liabilities and net assets	$ -	$ -	$1,252,375	$315,430	$ -	$285,125	$299,028	$475,111	$ -	$193,740	$798,780	$872,242	$132,966	$ 4,624,797

Condensed Statements of Net Assets	2009 Bond Funds: 6th General Resolution Trust Estate	8th General Resolution Trust Estate	11th General Resolution Trust Estate	12th General Resolution Trust Estate	2005 Trust Indenture	2008 Trust Indenture	Commercial Paper Conduit	ECASLA	Line of Credit	Operating Fund	Total
Assets:											
Current assets	$ 3,042	$ 2,659	$ 192,998	$ 37,013	$ 18,245	$ 12,861	$ 13,369	$289,072	$3,260	$178,400	$ 750,919
Long-term assets	53,401	38,347	2,770,214	312,370	321,840	272,380	198,835	-	400	18,357	3,986,144
Total assets	$56,443	$41,006	$2,963,212	$349,383	$340,085	$285,241	$212,204	$289,072	$3,660	$196,757	$4,737,063
Liabilities:											
Current liabilities	$ 544	$ 208	$ 93,857	$ 1,525	$ 55,866	$ 4,449	$185,627	$292,881	$ 530	$147,649	$ 783,136
Long-term liabilities	50,000	41,359	2,792,709	341,189	297,226	263,037	-	-	-	-	3,785,520
Interfund payable (receivable)	(367)	(627)	(5,842)	(1,953)	(227)	(507)	(359)	(3,785)	(395)	14,062	-
Total liabilities	50,177	40,940	2,880,724	340,761	352,865	266,979	185,268	289,096	135	161,711	4,568,656
Net assets:											
Invested in capital assets	-	-	-	-	-	-	-	-	-	14,182	14,182
Restricted	5,018	66	82,488	5,226	(12,780)	15,821	26,936	(24)	3,525	-	126,276
Unrestricted	1,248	-	-	3,396	-	2,441	-	-	-	20,864	27,949
Total net assets	6,266	66	82,488	8,622	(12,780)	18,262	26,936	(24)	3,525	35,046	168,407
Total liabilities and net assets	$56,443	$41,006	$2,963,212	$349,383	$340,085	$285,241	$212,204	$289,072	$3,660	$196,757	$4,737,063

Condensed Statements of Revenues, Expenses and Changes in Net Assets	2010 Bond Funds: 6th General Resolution Trust Estate	8th General Resolution Trust Estate	11th General Resolution Trust Estate	12th General Resolution Trust Estate	2005 Trust Indenture	2008 Trust Indenture	Commercial Paper Conduit	ECASLA	Line of Credit	2009-1 Trust Indenture	2010-1 Trust Indenture	2010-2 Trust Indenture	Operating Fund	Total
Operating revenues	$ (56)	$ 435	$171,061	$19,721	$ 25,348	$ 7,096	$ 5,740	$4,169	$ 66	$ 3,783	$ 9,483	$ 2,110	$ 15,527	$264,483
Operating expenses	2,362	(466)	58,288	9,416	6,870	6,234	3,882	2,091	725	3,556	8,740	2,451	13,631	117,780
Operating (loss) income	(2,418)	901	112,773	10,305	18,478	862	1,858	2,078	(659)	227	743	(341)	1,896	146,703
Interfund transfers	(3,848)	(967)	(155,544)	(25)	(5,698)	4	(14,200)	(422)	(2,865)	13,706	52,527	48,978	68,354	-
Increase (decrease) in net assets	(6,266)	(66)	(42,771)	10,280	12,780	866	(12,342)	1,656	(3,524)	13,933	53,270	48,637	70,250	146,703
Net assets — beginning of year	6,266	66	82,490	8,622	(12,780)	18,262	26,936	(24)	3,524	-	-	-	35,045	168,407
Net assets — end of year	$ -	$ -	$ 39,719	$18,902	$ -	$19,128	$ 14,594	$1,632	$ -	$13,933	$53,270	$48,637	$105,295	$315,110

2009

Condensed Statements of Revenues, Expenses and Changes in Net Assets	Bond Funds: 6th General Resolution Trust Estate	8th General Resolution Trust Estate	9th General Resolution Trust Estate	11th General Resolution Trust Estate	12th General Resolution Trust Estate	2005 Trust Indenture	2008 Trust Indenture	Commercial Paper Conduit	ECASLA	Line of Credit	Operating Fund	Total
Operating revenues	$ 1,944	$1,445	$ 420	$140,531	$16,831	$ 12,513	$ 6,684	$ 7,883	$1,270	$ 4,781	$ (186)	$194,116
Operating expenses	3,179	1,794	1,376	131,966	15,332	25,490	5,638	6,951	1,294	3,767	(7,656)	189,131
Operating (loss) income	(1,235)	(349)	(956)	8,565	1,499	(12,977)	1,046	932	(24)	1,014	7,470	4,985
Special items	-	(7)	(359)	50,459	(1)	(181)	-	-	-	-	1,443	51,354
Interfund transfers	-	-	(513)	370	-	-	17,216	18,680	-	(5,755)	(29,998)	-
Increase (decrease) in net assets	(1,235)	(356)	(1,828)	59,394	1,498	(13,158)	18,262	19,612	(24)	(4,741)	(21,085)	56,339
Net assets — beginning of year	7,501	422	1,828	23,094	7,124	378	-	7,324	-	8,266	56,131	112,068
Net assets — end of year	$ 6,266	$ 66	$ -	$ 82,488	$ 8,622	$(12,780)	$18,262	$26,936	$ (24)	$ 3,525	$ 35,046	$168,407

2010

Condensed Statements of Cash Flow	Bond Funds: 6th General Resolution Trust Estate	8th General Resolution Trust Estate	11th General Resolution Trust Estate	12th General Resolution Trust Estate	2005 Trust Indenture	2008 Trust Indenture	Commercial Paper Conduit	ECASLA	Line of Credit	2009-1 Trust Indenture	2010-1 Trust Indenture	2010-2 Trust Indenture	Operating Fund	Total
Net cash flows from operating activities	$ 51,861	$ 37,918	$ 1,545,515	$ 32,793	$ 324,100	$ 3,148	$ (96,935)	$(181,798)	$(3,201)	$(167,113)	$(704,230)	$(792,774)	$65,080	$114,364
Net cash flows from non-capital financing activities	(52,399)	(39,204)	(1,554,890)	(41,564)	(331,741)	(1,483)	100,587	181,171		174,677	732,367	816,529	(117)	(16,067)
Net cash flow from capital activities	-	-	-	-	-	-	-	-	-	-	-	-	(939)	(939)
Net increase (decrease) in cash and cash equivalents	(538)	(1,286)	(9,375)	(8,771)	(7,641)	1,665	3,652	(627)	(3,201)	7,564	28,137	23,755	64,024	97,358
Cash and cash equivalents — beginning of year	538	1,286	75,852	16,675	7,641	3,358	5,898	3,954	3,201	-	-	-	26,960	145,363
Cash and cash equivalents — end of year	$ -	$ -	$ 66,477	$ 7,904	$ -	$ 5,023	$ 9,550	$ 3,327	$ -	$ 7,564	$ 28,137	$ 23,755	$90,984	$242,721

Condensed Statements of Cash Flow	2009 Bond Funds 6th General Resolution Trust Estate	8th General Resolution Trust Estate	9th General Resolution Trust Estate	11th General Resolution Trust Estate	12th General Resolution Trust Estate	2005 Trust Indenture	2008 Trust Indenture	Commercial Paper Conduit	ECASLA	Line of Credit	Operating Fund	Total
Net cash flows from operating activities	$ 2,343	$ 1,847	$ 35,202	$ 41,276	$ 37,241	$ 51,280	$(256,541)	$(26,911)	$(280,576)	$ 304,378	$ (3,649)	$ (94,110)
Net cash flows from non-capital financing activities	(2,050)	(2,457)	(38,236)	(31,258)	(24,583)	(57,501)	259,899	30,917	284,530	(302,822)	(100)	116,339
Net cash flow from capital activities	-	-	-	-	-	-	-	-	-	-	(890)	(890)
Net increase (decrease) in cash and cash equivalents	293	(610)	(3,034)	10,018	12,658	(6,221)	3,358	4,006	3,954	1,556	(4,639)	21,339
Cash and cash equivalents — beginning of year	245	1,896	3,034	65,834	4,017	13,862	-	1,892	-	1,645	31,599	124,024
Cash and cash equivalents — end of year	$ 538	$ 1,286	$ -	$ 75,852	$ 16,675	$ 7,641	$ 3,358	$ 5,898	$ 3,954	$ 3,201	$26,960	$145,363

15. SPECIAL ITEMS

There were no special items within the statement of revenues, expenses, and changes in net assets for the year ended June 30, 2010. The descriptions below relate to those changes classified as special items within the statement of revenues, expenses, and changes in net assets for the year ended June 30, 2009.

Lewis and Clark Distribution — On August 28, 2007, legislation establishing the Lewis and Clark Discovery Initiative (the "Initiative") became law. The legislation, known as Senate Bill 389 (the "LCDI Legislation") directs the Authority to distribute \$350,000 into a new fund in the State Treasury known as the Lewis and Clark Discovery Fund (the "Fund") on the following schedule: \$230,000 no later than September 15, 2007; an additional \$5,000 by December 31, 2007; and further installments of \$5,000 each calendar quarter through September 30, 2013. During fiscal year 2010, the Authority and the Missouri Commissioner of the Office of Administration agreed to extend the date of final distributions to September 30, 2015. Investment earnings on the Fund are credited against subsequent payments made by the Authority. In addition, the LCDI Legislation provides that the Authority may delay payments if the Authority 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 Authority's business, the borrower benefit programs of the Authority or the economic viability of the Authority. However, the entire \$350,000 is to be paid by September 30, 2013, unless otherwise approved by the Authority and the Missouri Commissioner of the Office of Administration.

The Authority receives a significant benefit pursuant to the LCDI Legislation. The new law provides that following the initial September 15, 2007, distribution by the Authority, the Missouri Director of Economic Development shall allocate to and reserve for the Authority in 2007 and the next 14 years at least 30% of Missouri's tax-exempt, private activity bond cap allocation. This allocation was \$150,750 for calendar year 2009. The amount of this allocation may be reduced for 2014 and later years by the percentage of the \$350,000 not paid by the Authority to the Fund by the end of the preceding year.

On September 14, 2007, the Authority remitted to the State Treasurer \$230,000 for the initial payment in accordance with an Authority Board Resolution and as required by the LCDI Legislation. Two subsequent quarterly payments totaling \$3,826 have been made which represents the difference between the required payment of \$5,000 and interest earned, bringing the Authority current through March 31, 2008. On June 26, 2008, the Board voted to delay making the June 30, 2008, quarterly payment and on September 12, 2008, the Board voted to make a partial quarterly payment on September 30, 2008 of \$100. For each subsequent quarterly payment for the years ended June 30, 2010 and 2009, the Board did not authorize payment. Accrued interest earned for the year ended June 30, 2010 and 2009 totaled \$ 907 and \$3,744, respectively.

The Board will continue analyzing and determining on a quarterly basis what, if any, distribution the Authority should make to the LCDI Fund. Regardless of what distribution the Board authorizes in any given quarter, the LCDI Fund will continue to receive quarterly distributions of interest earned on the LCDI Fund. While the quarterly interest income distributions are not paid directly by the Authority, it reduces the amount the Authority has to pay under the LCDI statute.

Excess Benefit Plan — Effective July 2001, the Authority adopted the Excess Benefit Plan. The Plan was intended to make up the benefits not available under the Qualified Pension Plan benefit formula solely because of the Internal Revenue Code Section 15 Restriction. The Excess Benefit Plan was a closed plan with a limited number of participants remaining.

In June 2008, the Board approved the termination of the Excess Benefit Plan. After all obligations were settled, the gain recognized from the Excess Benefit Plan termination was \$1,543. The over funding gain from the Excess Benefit Plan was contributed to the Qualified Pension Plan in addition to the annual required contribution. The distribution in excess of the annual required contribution was capitalized within the prepaid asset within the Statement of Net Assets.

Gain on Cancellation of Debt — During the year ending June 30, 2009, a $49,911 gain on cancellation of debt was recognized. Most of the gain was a result of two transactions in which the Authority sold student loans to financial institutions at par and purchased failed auction rate bonds at a discount from the financial institutions. The bonds were immediately cancelled upon purchase. The gain on cancellation of the bonds was $47,811 after one-time expenses for the accelerated amortization of $4,521 in unamortized loan purchase premiums proportional to the loans sold and the accelerated amortization of $4,894 in unamortized costs of issuance associated with the bonds cancelled. In addition, during the year ending June 30, 2009 the Authority purchased bonds directly from bondholders at a discount in the open market and cancelled the bonds, resulting in a $2,100 gain on cancellation of debt.

16. SUBSEQUENT EVENTS

Access Missouri Scholarship Funding — The Authority and the Missouri Commissioner of the Office of Administration recently agreed to extend, by two years to September 30, 2015, the date of final distributions by the Authority of the full $350,000 described in the LCDI Legislation. In connection with this extension, the Authority agreed to provide the State with $30,000 of its operating funds to be used for need-based scholarship funding for Missouri students for the 2010-2011 academic year. This amount will partially offset dramatic reductions in scholarship funding by the State of Missouri due to budget shortfalls. This amount became available due to a recent successful bond refinancing by the Authority. The first payment of $9,000 was made to the State of Missouri on September 1, 2010, with subsequent payments of varying amounts planned on the first of the month for the next 7 months.

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

2010-3 LIBOR Floating Rate Notes — On September 28, 2010 the Authority issued $495,200 in LIBOR floating rate notes to purchase FFELP loans from its lender partners. The $495,200 million in bond proceeds were also utilized to purchase loans from the Authority's operating fund. The notes were issued in one series at three month LIBOR plus 0.85% with an expected weighted average life of 5.94 years based on a two percent CPR and a final maturity of August 26, 2030. The full turbo trust had a starting parity of 105.89%.

12th General Resolution Trust Estate — On August 9, 2010, the Authority's 12th General transaction was placed on credit watch negative by Standard & Poor's. According to Standard & Poor's press release related to the matter, which also included actions on other Issuer's student loan trusts, the action was taken to reflect the high percentage of non-federally guaranteed private loans serving as collateral to the trust, the past and future performance expectations of those private loans, the level of credit enhancement present in the trust and the need for enhanced levels of data reporting related to the performance of the private loans. The Authority is cooperating with Standard & Poor's to provide additional information on the collateral. If the bonds are downgraded it could lead to higher interest rates being paid on the bonds, which will reduce the excess spread in the trust.

The principal of and interest on the 12th General bonds are insured by financial guaranty policies provided by Ambac Assurance Corporation ("Ambac"), which also provides a surety bond that funds the reserve requirements for the bonds. On March 24, 2010, the Commissioner of Insurance of the State of Wisconsin petitioned the Wisconsin Circuit Court, filing a Verified Petition for Order of Rehabilitation in the matter of the Rehabilitation of Segregated Account of Ambac, which identified certain of Ambac's insurance policies to be placed into a segregated account for rehabilitation. Pursuant to the petition, the segregated account is to be treated as a separate insurer for purposes of insurance delinquency proceedings. While the 12th General policies were not initially on the list of insurance policies to be placed into the segregated account, each was identified as a policy to be considered for possible placement in the segregated account. On October 8, 2010, the Commissioner of Insurance of the State of Wisconsin submitted a supplement to the petition in order to allocate certain Ambac policies related to student loan obligations to the segregated account. The Authority received notice of this action on October 13, 2010, and learned that the 12th General policies were among those placed in the segregated account.

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HIGHER EDUCATION LOAN AUTHORITY OF THE STATE OF MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2010, 2009 AND 2008
(Dollars in thousands)
(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets Available for Benefits	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
Pension Plan 7/1/2009	$18,562	$20,675	89.8 %	$ 2,113	$10,708	19.7 %
Pension Plan 7/1/2008	18,939	19,224	98.5 %	285	10,195	2.8 %
Pension Plan 7/1/2007	18,148	18,585	97.6 %	437	12,159	3.6 %
Excess Benefit Plan 7/1/2007	4,656	2,481	187.7 %	-	220	-

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Higher Education Loan Authority of the State of Missouri • Student Loan Asset-Backed Notes, Series 2011-1

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