REMARKETED ISSUE **REMARKETING SUPPLEMENT** Expected Ratings - Moody's: Aa2/VMIG 1
Fitch: A+/F1+

(See "Ratings" herein)

Substitution of the Letter of Credit (hereinafter defined) is subject to the delivery of an opinion by Kutak Rock LLP, Bond Counsel, to the effect that substitution of the Letter of Credit for the Original Letter of Credit (hereinafter defined) will not, in and of itself, adversely affect the excludability of the interest on the Series 2008C-1/2 Bonds (hereinafter defined) from the gross income of the owners thereof for federal income tax purposes. In rendering such opinion, Bond Counsel has made no investigation of, and will render no opinion with respect to, the current status of the interest on the Series 2008C-1/2 Bonds under the Internal Revenue Code of 1986, as amended, or any other federal tax matter, except to note that interest on the Series 2008C-1/2 Bonds is a specific preference item for purposes of the federal alternative minimum tax. On September 11, 2008, the date of original issuance and delivery of the Series 2008C-1/2 Bonds, Bond Counsel rendered its opinion that under then existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2008C-1/2 Bonds was excludable from gross income for federal income tax purposes. See the caption "TAX MATTERS" in the Official Statement (hereinafter defined) for a discussion of Bond Counsel's opinion rendered on September 11, 2008.

$170,000,000
Vermont Student Assistance Corporation
Education Loan Revenue Bonds

$85,000,000 Senior Series 2008C-1
(Tax-Exempt Variable Rate Demand Bonds)
$85,000,000 Senior Series 2008C-2
(Tax-Exempt Variable Rate Demand Bonds)

Original Issuance Date: September 11, 2008
Remarketing Date: March 15, 2012 **Remarketing Price:** 100% plus Accrued Interest **Due:** December 15, 2040

THIS REMARKETING SUPPLEMENT HAS BEEN PREPARED AS A SUPPLEMENT TO THE OFFICIAL STATEMENT FOR THE SERIES 2008C-1/2 BONDS, DATED SEPTEMBER 4, 2008 (the "Official Statement"), which is available from Goldman, Sachs & Co. and Citigroup Global Markets Inc. (collectively, the "Remarketing Agents"), which Remarketing Agents are described herein. Capitalized terms used in this Remarketing Supplement and not otherwise defined shall have the meanings assigned to such terms in the Official Statement.

This Remarketing Supplement is furnished by the Vermont Student Assistance Corporation (the "Corporation") in connection with the remarketing of its Education Loan Revenue Bonds, Senior Series 2008C-1 (the "Series 2008C-1 Bonds") and its Education Loan Revenue Bonds, Senior Series 2008C-2 (the "Series 2008C-2 Bonds" and, together with the Series 2008C-1 Bonds, the "Series 2008C-1/2 Bonds") as a result of a replacement of a letter of credit for the Series 2008C-1/2 Bonds with an alternate letter of credit providing liquidity and credit support for the Series 2008C-1/2 Bonds. Upon the issuance of the Series 2008C-1/2 Bonds on September 11, 2008, liquidity and credit support was provided by a letter of credit (the "Original Letter of Credit") from Lloyds TSB Bank plc, acting through its New York Branch (the "Original Credit Provider"), which is scheduled to expire on March 30, 2012. The Original Letter of Credit is being replaced by a direct-pay letter of credit (the "Letter of Credit") from State Street Bank and Trust Company (the "Credit Provider"), which shall be effective as of March 15, 2012 and will replace the Original Letter of Credit on that date. In connection therewith, the Series 2008C-1/2 Bonds are subject to mandatory tender on March 15, 2012 and are being remarketed as of such date. Following such substitution, the short-term and long-term ratings on the Series 2008C-1/2 Bonds are expected to be based upon the credit rating of the Credit Provider. See the caption "RATINGS" herein.

The Series 2008C-1/2 Bonds were issued by the Corporation pursuant to an Indenture of Trust (Series C), dated as of September 1, 2008 (the "Original Base Indenture"), between the Corporation and People's United Bank (as successor by merger to Chittenden Trust Company), as trustee (the "Trustee"), as supplemented and amended by a 2008C-1/2 Supplemental Indenture of Trust, dated as of September 1, 2008 (the "2008C-1/2 Supplement"), between the Corporation and the Trustee. In connection with the replacement of the Original Letter of Credit, the Corporation will enter into a 2008C-1/2 Second Supplemental Indenture of Trust, dated as of March 1, 2012 (the "2008C-1/2 Second Supplemental Indenture" and, together with the 2008C-1/2 Supplement and the Original Base Indenture, the "Indenture"), between the Corporation and the Trustee. The Series 2008C-1/2 Bonds are currently the only Bonds (as defined in the Indenture) outstanding under the Indenture and are presently outstanding in the aggregate principal amount of $170,000,000. The Indenture also permits the issuance of additional Bonds in the future, subject to the conditions described herein. The Series 2008C-1/2 Bonds constitute Senior Bonds (as defined in the Indenture) under the Indenture. Reference is made to the Official Statement for information with regard to the payment priority of the Series 2008C-1/2 Bonds under the Indenture.

The Series 2008C-1/2 Bonds presently bear interest at a Weekly Rate (as defined in the Indenture) and will continue to bear interest at a Weekly Rate unless, at the direction of the Corporation and subject to satisfaction of certain conditions precedent in the Indenture, the interest rate on the Series 2008C-1/2 Bonds is changed to another type of interest rate. **THIS REMARKETING SUPPLEMENT DESCRIBES TERMS AND PROVISIONS APPLICABLE TO THE SERIES 2008C-1/2 BONDS ONLY WHILE THEY BEAR INTEREST AT THE WEEKLY RATE. IN THE EVENT OF A CONVERSION TO ANOTHER MODE, (A) THE SERIES 2008C-1/2 BONDS WILL NOT BE SUPPORTED BY THE LETTER OF CREDIT UNLESS THE SERIES 2008C-1/2 BONDS ARE CONVERTED TO A MONTHLY RATE (AS DEFINED IN THE INDENTURE) WITH THE PERMISSION OF THE CREDIT PROVIDER AND (B) POTENTIAL PURCHASERS OF THE SERIES 2008C-1/2 BONDS WILL BE PROVIDED WITH SEPARATE OFFERING MATERIALS CONTAINING DESCRIPTIONS OF THE TERMS APPLICABLE TO SUCH SERIES 2008C-1/2 BONDS IN THE MODE TO WHICH THE SERIES 2008C-1/2 BONDS ARE BEING CONVERTED AND, IN SUCH INSTANCE, THE SERIES 2008C-1/2 BONDS WILL BE SUBJECT TO MANDATORY TENDER.** Interest on the Series 2008C-1/2 Bonds is payable (i) each June 15 and December 15, (ii) at Maturity (as defined in the Indenture), and (iii) each Mode Change Date (as defined in the Indenture), in an amount equal to the interest accrued during the Interest Accrual Period (as defined in the Indenture) preceding the applicable interest payment date. The Series 2008C-1/2 Bonds are subject to optional and mandatory redemption prior to maturity and to optional and mandatory tender.

Upon the remarketing of the Series 2008C-1/2 Bonds, principal of and interest on the Series 2008C-1/2 Bonds and the Purchase Price (as defined in the Indenture) upon tender of the Series 2008C-1/2 Bonds will be payable from an irrevocable direct-pay Letter of Credit issued by the Credit Provider (however, if the Series 2008C-1/2 Bonds bear interest at other than a Weekly Rate or a Monthly Rate, the Series 2008C-1/2 Bonds will not be supported by the Letter of Credit).

STATE STREET.

The Letter of Credit to be issued by the Credit Provider will expire, unless otherwise extended or renewed or earlier terminated in accordance with its terms, on March 15, 2014.

THE CORPORATION HAS NO TAXING POWER. THE SERIES 2008C-1/2 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND THE CORPORATION SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2008C-1/2 BONDS EXCEPT FROM THE TRUST ESTATE (AS DEFINED IN THE INDENTURE) PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF VERMONT IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2008C-1/2 BONDS. THE SERIES 2008C-1/2 BONDS ARE PAYABLE, BOTH AS TO PRINCIPAL AND INTEREST, SOLELY AS PROVIDED IN THE INDENTURE.

REFERENCE IS MADE TO THE OFFICIAL STATEMENT FOR INFORMATION WITH RESPECT TO THE SERIES 2008C-1/2 BONDS AND THE INDENTURE UNDER WHICH THE SERIES 2008C-1/2 BONDS WERE ISSUED. New information concerning the Letter of Credit and the Credit Provider is contained in this Remarketing Supplement and replaces information in the Official Statement concerning the Original Letter of Credit and the Original Credit Provider. Updated information concerning the Trustee, the Remarketing Agents, certain investment considerations, security for the Series 2008C-1/2 Bonds, the Corporation, amendments to the Indenture and ratings is contained in this Remarketing Supplement. The following appendices have been updated by this Remarketing Supplement: Appendix A—Summary of Certain Provisions of the Indenture and Appendix B—Summary of Certain Provisions of the Federal Family Education Loan Program.

Dated: March 13, 2012

Goldman, Sachs & Co. and Citigroup Global Markets Inc.
as Remarketing Agents

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REMARKETING SUPPLEMENT

$170,000,000
Vermont Student Assistance Corporation
Education Loan Revenue Bonds

$85,000,000 Senior Series 2008C-1
(Tax-Exempt Variable Rate Demand Bonds)

$85,000,000 Senior Series 2008C-2
(Tax-Exempt Variable Rate Demand Bonds)

This Remarketing Supplement is furnished by the Vermont Student Assistance Corporation (the "Corporation") in connection with the remarketing of its Education Loan Revenue Bonds, Senior Series 2008C-1 (the "Series 2008C-1 Bonds") and its Education Loan Revenue Bonds, Senior Series 2008C-2 (the "Series 2008C-2 Bonds" and, together with the Series 2008C-1 Bonds, the "Series 2008C-1/2 Bonds") as a result of a replacement of a letter of credit providing liquidity and credit support for the Series 2008C-1/2 Bonds. Upon the issuance of the Series 2008C-1/2 Bonds on September 11, 2008, liquidity and credit support was provided by a letter of credit (the "Original Letter of Credit") from Lloyds TSB Bank plc, acting through its New York Branch, which is scheduled to expire on March 30, 2012. The Original Letter of Credit is being replaced by a direct-pay letter of credit (the "Letter of Credit") providing liquidity and credit support from State Street Bank and Trust Company (the "Credit Provider"), which shall be effective as of March 15, 2012 and will replace the Original Letter of Credit on that date. In connection therewith, the Series 2008C-1/2 Bonds are subject to mandatory tender on March 15, 2012 and are being remarketed as of such date. Following such substitution, the short-term and long-term ratings on the Series 2008C-1/2 Bonds are expected to be based upon the credit rating of the Credit Provider. See the caption "RATINGS" herein.

The Series 2008C-1/2 Bonds were issued by the Corporation pursuant to an Indenture of Trust (Series C), dated as of September 1, 2008 (the "Original Base Indenture"), between the Corporation and People's United Bank (as successor by merger to Chittenden Trust Company), as trustee (the "Trustee"), as supplemented and amended by a 2008C-1/2 Supplemental Indenture of Trust, dated as of September 1, 2008 (the "2008C-1/2 Supplement"), between the Corporation and the Trustee. In connection with the above-described replacement of the Original Letter of Credit, the Corporation will enter into a 2008C-1/2 Second Supplemental Indenture of Trust, dated as of March 1, 2012 (the "2008C-1/2 Second Supplemental Indenture" and, together with the 2008C-1/2 Supplement and the Original Base Indenture, the "Indenture"), between the Corporation and the Trustee.

This Remarketing Supplement has been prepared as a supplement to the Official Statement for the Series 2008C-1/2 Bonds dated September 4, 2008 (the "Official Statement"), copies of which are available from the Remarketing Agents. Certain capitalized terms used herein are defined herein, including on the cover page hereof. Capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Official Statement; in addition, when a capitalized term is defined by reference to the Indenture, reference may be made to "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" attached hereto.

THE SERIES 2008C-1/2 BONDS

The following information supplements and updates information contained in the Official Statement under "THE SERIES 2008C BONDS—Trustee," and "—Remarketing Agent."

Trustee

People's United Bank has succeeded to Chittenden Trust Company by merger and currently acts as Trustee, paying agent, and Tender Agent (as defined in the Indenture) under the Indenture for the Series 2008C-1/2 Bonds. The Trustee may resign or be removed; provided, however, the resignation or removal will not be effective until a successor has been appointed and has accepted the appointment. All notices required to be delivered to the Trustee, paying agent or Tender Agent shall be delivered by mail delivery/overnight mail to: People's United Bank; Two

Burlington Square; Burlington, Vermont, 05401; Attention: Institutional Trust Department; (Telephone: (802) 660-1497).

Remarketing Agents

Goldman, Sachs & Co. continues to serve as the remarketing agent for the Series 2008C-1 Bonds (the "2008C-1 Remarketing Agent"). The office of the 2008C-1 Remarketing Agent is 200 West Street, 6th Floor, New York, New York 10282, Attention: Municipal Money Market Sales & Trading.

Citigroup Global Markets Inc. continues to serve as the remarketing agent for the Series 2008C-2 Bonds (the "2008C-2 Remarketing Agent"). The office of the 2008C-2 Remarketing Agent is 390 Greenwich Street, 1st Floor, New York, New York 10013, Attention: Student Loan Group.

LETTER OF CREDIT AND THE CREDIT PROVIDER

The following information replaces information contained in the Official Statement under the captions "SUMMARY STATEMENT—Letter of Credit," "THE CREDIT PROVIDER" and "THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" and contains new information concerning the Credit Provider and the Letter of Credit.

The Credit Provider

State Street Bank and Trust Company (the "Credit Provider") is a wholly-owned subsidiary of State Street Corporation ("SSC"). SSC (NYSE: STT) is a leading specialist in providing institutional investors with investment servicing, investment management and investment research and trading. With $21.53 trillion in assets under custody and $2.01 trillion in assets under management, SSC operates in 26 countries and more than 100 markets worldwide. The assets of the Credit Provider at December 31, 2010 accounted for approximately 98% of the consolidated assets of SSC. At December 31, 2010, SSC had total assets of $160.5 billion, total deposits (including deposits in foreign offices) of $98.35 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately $11.85 billion and total equity capital of $17.79 billion.

The Credit Provider's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2010, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference in this Appendix and shall be deemed to be a part hereof.

In addition, all reports filed by the Credit Provider pursuant to 12 U.S.C. §324 after the date of this Remarketing Supplement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to SSC and the Credit Provider is set forth in SSC's Annual Report or Form 10-K for the year ended December 31, 2010. The annual report can be found on SSC's web site, www.statestreet.com. Such report and all reports filed by SSC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Remarketing Supplement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Letter of Credit is an obligation of the Credit Provider and not of SSC.

Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Remarketing Supplement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Remarketing Supplement.

The Credit Provider hereby undertakes to provide, without charge to each person to whom a copy of this Remarketing Supplement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Remarketing Supplement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, One Lincoln Street, Boston, Massachusetts 02111, telephone number 617-786-3000.

Neither the Credit Provider nor its affiliates make any representation as to the contents of this Remarketing Supplement (except as to this section to the extent it relates to the Credit Provider), the suitability of the Series 2008C-1/2 Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws or regulations.

General

The Original Letter of Credit is being replaced by a direct-pay letter of credit (the "Letter of Credit") to be issued by State Street Bank and Trust Company on March 15, 2012. The initial stated amount of the Letter of Credit is $181,289,863 (the "Available Amount"). The Available Amount of the Letter of Credit will reduce and reinstate in accordance with its terms. The following is a brief summary of certain provisions of the Letter of Credit and the Reimbursement Agreement dated as of March 1, 2012 (the "Reimbursement Agreement"), between the Corporation and the Credit Provider. The provisions of any future substitute or replacement Letter of Credit and related Reimbursement Agreement may be different from those summarized here.

The Indenture requires the Trustee, to the extent permitted by the Letter of Credit, to draw upon the Letter of Credit at such times as are necessary to pay the principal of or interest on the Series 2008C-1/2 Bonds when due, whether on any interest payment date or stated maturity date or upon redemption or acceleration. The Trustee is also required under the provisions of the Indenture to draw on the Letter of Credit under certain circumstances, including mandatory or optional tender of the Series 2008C-1/2 Bonds, if remarketing proceeds are insufficient to pay the Purchase Price (hereinafter defined) of the Series 2008C-1/2 Bonds.

Of the Available Amount, up to $170,000,000 is available for the payment of the unpaid principal of, or the portion of the Purchase Price corresponding to principal of, the Series 2008C-1/2 Bonds and up to $11,289,863 is available for the payment of the unpaid interest accrued on, or the portion of the Purchase Price corresponding to interest accrued on, the Series 2008C-1/2 Bonds (202 days of interest at 12% per annum based on a year of 365 days). "Purchase Price" means, with respect to any Series 2008C-1/2 Bond tendered for purchase pursuant to the Indenture, an amount equal to the principal amount of such Series 2008C-1/2 Bond purchased on any Purchase Date (as defined in the Indenture) plus, with respect to any Series 2008C-1/2 Bond tendered for purchase on a date which is not a scheduled Interest Payment Date (as defined in the Indenture) for such Series 2008C-1/2 Bond, accrued but unpaid interest to the Purchase Date, in each case without premium.

Upon any drawing, the Available Amount will be reduced by the amount of such drawing. The Available Amount will also be reduced by an amount by which the Trustee, in a certificate delivered to the Credit Provider, has permanently reduced the amount of the Letter of Credit due to a redemption or defeasance of less than all of the Series 2008C-1/2 Bonds outstanding, to the extent such reduction is not already accounted for by a reduction in the available amount pursuant to a drawing on the Letter of Credit.

The Available Amount of the Letter of Credit will be reduced by the amount of any Drawing (as defined in the Reimbursement Agreement) thereunder; provided, however, that the amount of any Interest Drawing (as defined in the Reimbursement Agreement) will be automatically reinstated on the earlier to occur of (i) the sixth calendar day from the date the Credit Provider honors such Interest Drawing, unless the Trustee has received notice within five calendar days of the date the Credit Provider honors such Interest Drawing that the Credit Provider has not been reimbursed in full for such Interest Drawing or that any other Event of Default (as defined in the Reimbursement Agreement) has occurred and is continuing and as a consequence thereof (A) the amount of such Interest Drawing will not be so reinstated and (B) the Trustee will either send a notice of mandatory tender for the Series 2008C-1/2 Bonds or accelerate the Series 2008C-1/2 Bonds, as directed by the Credit Provider in such notice and (ii) reimbursement in full for such Interest Drawing. Upon receipt of any such notice described in clause (i) of the preceding sentence, the Trustee will be permitted to make an Acceleration Drawing (as defined in the Reimbursement Agreement) in accordance with the terms of the Letter of Credit.

The Reimbursement Agreement requires the Corporation to reimburse the Credit Provider for the full amount of any drawings for interest or principal on the Series 2008C-1/2 Bonds (other than for a Liquidity Drawing as described below), including upon redemption or acceleration, on the date of payment of each such drawing, together with any applicable draw fees. A Liquidity Drawing is a drawing under the Letter of Credit with respect to the payment, upon a tender, of the unpaid principal amount of, and accrued and unpaid interest on, the Series 2008C-1/2 Bonds which are Outstanding (as defined in the Indenture) and to be purchased as a result of such tender. Each Liquidity Drawing will constitute an advance to the Corporation, subject to certain conditions in the Reimbursement Agreement. The Reimbursement Agreement requires the Corporation to reimburse the Credit Provider for any amount paid by the Credit Provider with respect to the portion of any Liquidity Drawing under the Letter of Credit corresponding to the accrued and unpaid interest on the Series 2008C-1/2 Bonds (the "Interest Portion") on the earliest of (i) the date of the remarketing of Bank Bonds (as defined in the Reimbursement Agreement) purchased with the proceeds of such Liquidity Drawing, (ii) the date Bank Bonds purchased with the proceeds of such Liquidity Drawing become due and payable, whether at stated maturity or upon acceleration, redemption or otherwise, (iii) the date which is 180 days from the date of such Liquidity Drawing, (iv) the date on which the Letter of Credit is replaced by a substitute Letter of Credit, (v) the Termination Date (as defined below), and (vi) the immediately succeeding Interest Payment Date for the Series 2008C-1/2 Bonds purchased with the proceeds of such Liquidity Drawing (such earliest date, being the "Interest Portion Repayment Date"), such reimbursement in an amount equal to the Interest Portion on such Interest Portion Repayment Date. The Corporation will reimburse the Credit Provider in the manner set forth in the Reimbursement Agreement for any amount paid by the Credit Provider with respect to the portion of any Liquidity Drawing under the Letter of Credit corresponding to the principal on the Bonds (the "Principal Portion") on the earliest of (i) the date of the remarketing of Bank Bonds purchased with the proceeds of such Liquidity Drawing, (ii) the date Bank Bonds purchased with the proceeds of such Liquidity Drawing become due and payable, whether at stated maturity or upon acceleration, redemption or otherwise, (iii) the date which is 180 days from the date of such Liquidity Drawing, (iv) the Termination Date and (v) the date on which the Letter of Credit is replaced by a substitute Letter of Credit (such earliest date being the "Liquidity Drawing Repayment Date"), such reimbursement in an amount equal to the Principal Portion on such Liquidity Drawing Repayment Date.

Each Principal Portion and Interest Portion will constitute an advance to the Corporation and shall bear interest, for the period from the date of the Liquidity Drawing until paid at the applicable rate determined in accordance with the Reimbursement Agreement. Interest will accrue on the Corporation's obligation to reimburse the Credit Provider for each Drawing at the applicable rate specified below from the date of such Drawing through and including the date on which the Credit Provider is reimbursed therefor payable as follows: (i) for the first 30 cumulative days that any drawings have been outstanding under the Reimbursement Agreement during the previous 12 calendar months, at a rate (the "Base Rate") per annum equal to the higher of (a) the Federal Funds Rate (as defined in the Reimbursement Agreement) plus 2.00% and (b) the Prime Rate (as defined in the Reimbursement Agreement), (ii) for the 31st through 90th cumulative days that any drawings have been outstanding hereunder during the previous 12 calendar months, at the Base Rate plus 1.00% per annum, and (iii) after any such 90th cumulative day, at the Base Rate plus 2.00% per annum, in each case payable on the first Business Day of each month and upon reimbursement in full. The Corporation will also pay interest at a rate per annum equal to the Base Rate plus 4.00% (the "Default Rate") from time to time in effect on Bank Bonds, Letter of Credit Fees (as defined in the Reimbursement Agreement), any and all obligations of the Corporation to reimburse the Credit Provider for any Drawings and all other obligations of the Corporation to the Credit Provider arising under or in relation to the Reimbursement Agreement or any Related Document (as defined in the Reimbursement Agreement) (collectively, the "Obligations") if not paid when due or if any Event of Default (as defined in the Reimbursement Agreement) has occurred and is continuing, whether before, after or on the Termination Date, such interest to be payable on demand therefor or otherwise as specified in the Reimbursement Agreement.

All of the Corporation's obligations under the Reimbursement Agreement are special, limited obligations of the Corporation payable solely from the Trust Estate (as defined in the Indenture) pledged as security for the Series 2008C-1/2 Bonds under the Indenture as and to the extent provided in the Indenture; provided, however, that the Corporation will be and will remain fully liable on a recourse basis for certain obligations under the Reimbursement Agreement.

The Letter of Credit, by its terms, will automatically terminate on the termination date (the "Termination Date") which is the earliest of the Credit Provider's close of business on: (a) March 15, 2014 (the "Stated Expiration Date"), (b) the date which is five (5) days following receipt by the Credit Provider from the Trustee of a certificate terminating the Letter of Credit when (i) no Series 2008C-1/2 Bonds are outstanding; (ii) all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored or (iii) a replacement letter of credit has been issued; (c) the date on which an Acceleration Drawing (as defined in the

Reimbursement Agreement) is honored by the Credit Provider, (d) the date which is fifteen (15) days following receipt by the Trustee of a written notice from the Credit Provider specifying the occurrence of an Event of Default (as defined in the Reimbursement Agreement) under the Reimbursement Agreement and directing the Trustee to accelerate the Series 2008C-1/2 Bonds and (v) the date which is five (5) days following the conversion of the Series 2008C-1/2 Bonds to any interest rate other than a Weekly Rate or a Monthly Rate.

Events of Default and Remedies Under the Reimbursement Agreement

Certain events shall constitute "Events of Default" under the Reimbursement Agreement. Upon the occurrence and during the continuance of any Event of Default under the Reimbursement Agreement, the Credit Provider, (i) may declare all Obligations outstanding under the Reimbursement Agreement (together with accrued interest thereon) to be, and all Obligations outstanding under the Reimbursement Agreement (together with accrued interest thereon) will thereupon become, immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are waived by Corporation under the Reimbursement Agreement, (ii) may cure any default, event of default or event of non-performance under the Reimbursement Agreement or under any of the Related Documents (in which case the Corporation will reimburse the Credit Provider therefor as provided in the Reimbursement Agreement), (iii) may deliver to the Trustee and Tender Agent written notice that an Event of Default (as defined in the Reimbursement Agreement) has been declared under the Reimbursement Agreement and that the Letter of Credit will terminate fifteen (15) days after receipt of such notice and directing the acceleration of the Series 2008C-1/2 Bonds, (iv) may deliver to the Trustee and Tender Agent written notice that an Event of Default (as defined in the Reimbursement Agreement) has been declared under the Reimbursement Agreement and that the Letter of Credit will terminate fifteen (15) days after receipt of such notice and directing the mandatory tender of all of the Series 2008C-1/2 Bonds, (v) may proceed to protect its rights by suit in equity, action at law or other appropriate proceedings, whether for specific performance of any covenant or agreement of the Corporation contained in the Reimbursement Agreement or in and of the exercise of any power or remedy granted to the Credit Provider under any of the Related Documents or (vi) may exercise any other rights or remedies available under any Related Documents (including, without limitation, directing the Trustee to sell the Financed Student Loans pursuant to the terms of the Indenture), any other agreement or at law or in equity. Furthermore, following any Event of Default (as defined in the Reimbursement Agreement), the Credit Provider may exercise its banker's lien or right of set off. If the Series 2008C-1/2 Bonds are accelerated as described above, the Corporation will immediately reimburse the Credit Provider for all Obligations including, without limitation, reimbursement for any Drawing related thereto.

CERTAIN INVESTMENT CONSIDERATIONS

The following information updates and replaces information contained in the Official Statement under the captions "CERTAIN INVESTMENT CONSIDERATIONS—The Credit Provider," "—Investigations into Preferred Lenders List," and "—General Economic Conditions" respectively. The following information under "—Elimination of FFEL Program" replaces the information contained in the Official Statement under the caption "CERTAIN INVESTMENT CONSIDERATIONS—Changes in the Higher Education Act or Other Relevant Law." The following information under the captions "—Investigation and Litigation in Connection With Auction Rate Securities," "Any Accrued Interest Must Be Paid as Part of Purchase Price," "IRS Audit on Certain Other Bonds of the Corporation," "Special Allowance Payment Calculations," "Possible Use of Third-Party Servicers," and "Changes in Relevant Laws" herein also contains additional investment considerations which should be considered together with the other investment considerations in the Official Statement that have not otherwise been updated and replaced herein.

The Credit Provider

The Letter of Credit provides both credit and liquidity support for the Series 2008C-1/2 Bonds. The Trustee is required to draw on the Letter of Credit to pay the principal of and interest on the Series 2008C-1/2 Bonds when due, including upon acceleration or redemption. In addition, if there are insufficient remarketing proceeds to pay the Purchase Price of properly tendered Series 2008C-1/2 Bonds subject to optional or mandatory tender, the Purchase Price of properly tendered Series 2008C-1/2 Bonds will be paid from funds provided under the Letter of Credit. There can be no assurance that the Credit Provider will have sufficient funds to enable it to honor its commitments under the Letter of Credit. There is no requirement that the Letter of Credit be replaced in the event of any deterioration of the financial condition of the Credit Provider. See the caption "LETTER OF CREDIT AND THE CREDIT PROVIDER" herein.

Elimination of FFEL Program

As a result of the passage of H.R. 4872 (the "Health Care & Education Affordability Reconciliation Act of 2010" or "HCEARA"), since July 1, 2010, Federal Family Education Loan Program ("FFELP" or "FFEL Program") loans under the Higher Education Act of 1965, as amended (the "Higher Education Act"), are no longer being originated and new federal student loans are being originated solely through the Federal Direct Student Loan Program (the "Direct Loan Program"). See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" attached hereto for more information on the Higher Education Act and the various amendments thereto. FFELP loans originated under the Higher Education Act prior to July 1, 2010 which have been made by the Corporation (including the loans described under the caption "CHARACTERISTICS OF EDUCATION LOANS" in the Official Statement) continue to be subject to the provisions of the FFEL Program, including all the Financed Eligible Loans pledged to the Trust Estate under the Indenture (which Financed Eligible Loans were all made prior to July 1, 2010 under the FFEL Program). A description of the FFEL Program is provided in "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" attached hereto which explains certain of the provisions of the FFEL Program applicable to FFELP loans made prior to July 1, 2010. Notwithstanding anything herein to the contrary, after June 30, 2010, no new FFELP loans (including Consolidation Loans) may be made or insured under the FFEL Program and no funds are authorized to be appropriated, or may be expended, under the Higher Education Act to make or insure loans under the FFEL Program (including Consolidation Loans) for which the first disbursement is after June 30, 2010, except as expressly authorized by an Act of Congress enacted after the date of enactment of HCEARA.

Title IV of the Higher Education Act and the regulations promulgated by the Department of Education thereunder have been the subject of frequent amendments and federal budgetary legislation in recent years such as HCEARA. Recently, Public Law 112-74, dated December 23, 2011, also amended the Higher Education Act to allow a lender/holder of FFELP program loans, such as the Corporation, to switch from a three-month commercial paper rate index to a one-month LIBOR rate index with respect to Special Allowance Payments on all FFELP loans in the lender's/holder's portfolio, subject to certain exclusions, disbursed on or after January 1, 2000 if, by April 1, 2012, the lender/holder affirmatively and permanently waives all contractual, statutory or other legal rights to special allowance payments paid pursuant to the three-month commercial paper rate index in effect at the time the FFELP loans were first disbursed. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" attached hereto and the caption "—Special Allowance Payment Calculations" herein for more information on certain amendments to the Higher Education Act.

Certain other amendments to the Higher Education Act also authorize the Secretary to offer borrowers Consolidation Loans under the Direct Loan Program whereby a borrower may consolidate various student loans into a single loan with income sensitive repayment terms. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" attached hereto for more information on Consolidation Loans under the Direct Loan Program. The financing of such Consolidation Loans by the Secretary on a large scale basis may cause an increase in the number of prepayments of federal student loans and reduce the size of the Corporation's student loan portfolios.

Furthermore, as a result of changes to the FFEL Program over the years, the net revenues resulting to holders of federal student loans have in many cases been reduced and may be reduced further in the future. As these reductions occur, cost increases and revenue reductions for guaranty agencies may occur. See "APPENDIX B--SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" attached hereto. The elimination of the FFEL Program through HCEARA has also impacted holders of federal student loans in that there will not be revenue to such holders from newly originated loans. The Corporation cannot predict all the effects of such revenue reductions on the Corporation, the Financed Eligible Loans or the Corporation's loan programs.

General Economic Conditions

The continuing economic slowdown or a further downturn in the economy resulting in substantial unemployment either regionally or nationwide may result in an increase in delays by borrowers in paying Financed Eligible Loans, thus causing increased default claims to be paid by Guaranty Agencies, such as the Corporation, with respect to Financed Eligible Loans made pursuant to the Higher Education Act. It is impossible to predict the status of the economy or unemployment levels or at which point a downturn in the economy would significantly reduce revenues to the Corporation or the ability of the Corporation, in its role as a Guaranty Agency, as well as the ability of other Guaranty Agencies 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 is difficult to project.

Investigation and Litigation in Connection With 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 SEC stemming from such investigations. It is unclear what impact, if any, these actions may have on the Corporation's auction rate securities.

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

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

Any Accrued Interest Must Be Paid as Part of Purchase Price

Interest on the Series 2008C-1/2 Bonds is payable on the following interest payment dates (each an "Interest Payment Date"): (i) each June 15 and December 15, (ii) at Maturity (as defined in the Indenture) and (iii) each Mode Change Date (as defined in the Indenture), in an amount equal to the interest accrued during the Interest Accrual Period (as defined in the Indenture) preceding the applicable interest payment date. If the Series 2008C-1/2 Bonds are purchased on a date other than an Interest Payment Date, then the purchaser would have to pay a purchase price (the "Purchase Price") equal to (a) the unpaid principal amount of the Series 2008C-1/2 Bonds purchased on the Purchase Date (as defined in the Indenture) plus (b) the amount of interest which has accrued with respect to the Series 2008C-1/2 Bonds being purchased commencing on (and including) the last Interest Payment Date for which interest has been paid and ending on the day preceding the Purchase Date, and the purchaser will not receive an interest payment until the next Interest Payment Date as described in the preceding sentence.

IRS Audit on Certain Other Bonds of the Corporation

In 2008, the Internal Revenue Service announced that it was beginning a program of randomly examining tax-exempt student loan bond transactions. Pursuant to this program, the Corporation's Education Loan Revenue Bonds, Senior Series 1998K through 1998N and Subordinate Series 1998O (the "1998 Bonds") were selected for examination. In connection with its examination, the Internal Revenue Service delivered to the Corporation its Form 5701-TEB, Notice of Proposed Issue. In that Notice, the Internal Revenue Service questions the Corporation's accounting treatment for student loans and the Corporation's treatment of the federal consolidation loan rebate fee that is required to be paid under the Higher Education Act. In 2011, the Corporation received notices, dated June 28, 2011, from the Internal Revenue Service to the effect that it had selected additional bond issues of the Corporation for examination as a result of information developed in the course of the audit of the 1998 Bonds. The

Series 2008C-1/2 Bonds, however, are not under audit.

The Corporation's treatment of the federal consolidation loan rebate fee is no longer at issue in the audit. In addition, the Corporation has not used the accounting treatment at issue in the audit since 2008 or with respect to the Series 2008C-1/2 Bonds, although it believes that treatment was consistent with applicable law and regulations. The Corporation is vigorously contesting the Internal Revenue Service assertions; however, no assurance can be given as to the outcome or the effect any resolution of these issues may have, if any, on the financial condition of the Corporation or the timing of any such resolution. Any settlement with the Internal Revenue Service requiring a payment in connection with the audit of the 1998 Bonds or any additional bonds would be funded from sources other than those pledged to secure the Series 2008C-1/2 Bonds. Further, the Corporation believes that any such settlement would not have a material adverse effect on the Corporation's ability to perform its obligations under the Indenture for the Series 2008C-1/2 Bonds.

Special Allowance Payment Calculations

Approximately 97% of the Financed Eligible Loans have a lender's yield based on the three-month commercial paper rate. Public Law 112-74, dated December 23, 2011, amended the Higher Education Act to allow a lender/holder of FFELP program loans, such as the Corporation, to switch from a three-month commercial paper rate index to a one-month LIBOR rate index on all FFELP loans in the lender's/holder's portfolio, subject to certain exclusions, disbursed on or after January 1, 2000 if, by April 1, 2012, the lender/holder affirmatively and permanently waives all contractual, statutory or other legal rights to special allowance payments paid pursuant to the three-month commercial paper rate index in effect at the time the FFELP loans were first disbursed. The Corporation presently intends to make the election (the "Election") subject to receipt of certain consents and approvals. The 2008C-1/2 Second Supplemental Indenture contains certain amendments to the Base Indenture which explicitly allow the Corporation to make such Election with respect to the Financed Eligible Loans securing the Series 2008C-1/2 Bonds. See "AMENDMENTS TO THE INDENTURE" herein.

Possible Use of Third-Party Servicers

The Corporation currently acts as the Servicer for the Financed Eligible Loans. The Corporation reserves the right, however, to establish different servicing arrangements in accordance with the Indenture. Appointment of a successor or additional Servicer is subject to satisfaction of certain requirements of the Indenture, including satisfaction of the Rating Agency Condition and the prior written consent of the Credit Provider. No assurance can be given that the Corporation will continue to act as Servicer or will be able to enter into agreements with another servicer acceptable to the Rating Agencies and the Credit Provider. Although the Corporation has substantial experience in servicing education loans, the timing of payments to be actually received with respect to Financed Eligible Loans will be dependent upon the ability of the Corporation, or any successor Servicer, to adequately service the Financed Eligible Loans. Additionally, the Corporation, as Servicer, relies, although under the supervision of the Corporation, on third parties for the collection of defaulted loans. In addition, investors will be relying on the Corporation's, or any successor Servicer's, compliance with applicable federal and state laws and regulations applicable to servicing.

In the event of default by any successor Servicer resulting solely from certain events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of a successor Servicer and delays in collections with respect to the Financed Eligible Loans may occur. Delays in the receipts of payments with respect to Financed Eligible Loans may delay the timely payment of scheduled principal of and interest on the Series 2008C-1/2 Bonds and of Program Expenses.

Changes in Relevant Laws

A number of bankruptcy reform proposals that would alter the treatment of student loans similar to the Financed Eligible Loans under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the current general non-dischargeability of such student loans in bankruptcy. It is difficult to predict whether such bankruptcy reform legislative proposals will be enacted at the federal level and whether such bankruptcy proposals would adversely affect the Corporation's ability to enforce the collection of the Financed Eligible Loans.

SECURITY FOR THE BONDS

The following information supplements information contained in the Official Statement under the caption "SECURITY FOR THE BONDS" in order to reference the changes made due to the provision of the Letter of Credit. For additional information, see the caption "SECURITY FOR THE BONDS" contained in the Official Statement.

The Series 2008C-1/2 Bonds were issued by the Corporation pursuant to an Indenture of Trust (Series C), dated as of September 1, 2008 (the "Original Base Indenture"), between the Corporation and People's United Bank (as successor in trust to Chittenden Trust Company), as trustee (the "Trustee"), as supplemented and amended by a 2008C-1/2 Supplemental Indenture of Trust, dated as of September 1, 2008 (the "2008C-1/2 Supplement"), between the Corporation and the Trustee. In connection with the replacement of the Original Letter of Credit, the Corporation will enter into a 2008C-1/2 Second Supplemental Indenture, dated as of March 1, 2012 (the "2008C-1/2 Second Supplemental Indenture" and, together with the 2008C-1/2 Supplement and the Original Base Indenture, the "Indenture"), between the Corporation and the Trustee. The Series 2008C-1/2 Bonds are currently the only Bonds (as defined in the Indenture) outstanding under the Indenture and are presently outstanding in the aggregate principal amount of $170,000,000. The Indenture also permits the issuance of additional Bonds in the future subject to the conditions described herein. The Series 2008C-1/2 Bonds constitute Senior Bonds (as defined in the Indenture) under the Indenture. Reference is made to the Official Statement for information with regard to the payment priority of the Series 2008C-1/2 Bonds under the Indenture.

The Trust Estate and the Letter of Credit secure repayment of the principal of and interest on the Series 2008C-1/2 Bonds. Only the Series 2008C-1/2 Bonds are payable from drawings on the Letter of Credit. SEE "LETTER OF CREDIT AND THE CREDIT PROVIDER" herein for more information on the Letter of Credit.

Upon the remarketing of the Series 2008C-1/2 Bonds, it is anticipated that the notional amount of the Financed Eligible Loans plus the cash pledged under the Indenture to secure the Series 2008C-1/2 Bonds will equal approximately 106.63% of the principal amount of the Series 2008C-1/2 Bonds then Outstanding.

THE CORPORATION HAS NO TAXING POWER. THE SERIES 2008C-1/2 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND THE CORPORATION SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2008C-1/2 BONDS EXCEPT FROM THE TRUST ESTATE PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION OF THE STATE OF VERMONT IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2008C-1/2 BONDS. THE SERIES 2008C-1/2 BONDS ARE PAYABLE, BOTH AS TO PRINCIPAL AND INTEREST, SOLELY AS PROVIDED IN THE INDENTURE.

THE CORPORATION

The following information updates and replaces information contained in the Official Statement under the caption "THE CORPORATION."

General

The Corporation, a public nonprofit corporation, was created as an instrumentality of the State of Vermont in 1965 and exists under the State Act for the purpose of ensuring that Vermont students and parents have the necessary information and financial resources to pursue their education goals beyond high school. The Corporation carries out its mandate by guaranteeing, making, acquiring, financing and servicing loans to borrowers qualifying under the State Act and, where applicable, the Higher Education Act and the Public Health Service Act of 1944, 42 U.S.C. §201 et seq. The Corporation also administers financial aid services, a program of grants and scholarships, a Section 529 savings plan (designated as the Vermont Higher Education Investment Plan) and work study, informational and career counseling services to students seeking further education, and related services to parents of such students.

To finance the conduct of certain of its affairs, the Corporation receives appropriations from the Vermont General Assembly and is authorized to incur liabilities, to borrow money, and to issue and have outstanding its notes, bonds or other obligations having such maturities, bearing such rate or rates of interest and secured by such lawful means as may in each case be determined by the Corporation. Obligations issued to finance the Corporation's loan programs, including the Series 2008C-1/2 Bonds, are not effective until the actions of the Corporation's Board of Directors authorizing the issuance of such obligations are approved in writing by the Governor of the State of Vermont. The actions of the Corporation's Board of Directors authorizing the issuance of the Series 2008C-1/2 Bonds were approved by the Governor on June 9, 2008.

An eleven-member Board of Directors (the "Board") governs the Corporation. Board membership is comprised of the following persons: five appointed by the Governor, one State Senator, one State Representative, the State Treasurer, and three members elected by the Board. The present Directors' names and principal occupations or affiliations are as follows:

DIRECTORS	PRINCIPAL OCCUPATIONS OR AFFILIATIONS
Dorothy R. Mitchell Chair	Higher Education and Community Volunteer Worcester, Vermont
Representative Martha P. Heath Vice-Chair	Vermont House of Representatives Westford, Vermont
David Larsen Secretary	Middle School Educator (Retired) Wilmington, Vermont
Michael K. Smith	President, FairPoint Communications of Vermont South Burlington, Vermont
Katharine B. Hutchinson	Director of Guidance, Bellows Free Academy St. Albans, Vermont
Senator Ann E. Cummings	Vermont State Senator Montpelier, Vermont
Elizabeth Pearce *Ex-officio*	Treasurer, State of Vermont Montpelier, Vermont
G. Dennis O'Brien	President Emeritus, University of Rochester Middlebury, Vermont
Pamela A. Chisholm	Associate Dean for Enrollment Services Community College of Vermont Waterbury, Vermont
Virginia Cole-Levesque	Director of Student Services, Vergennes Union High School Vergennes, Vermont
David Coates	Retired Managing Partner of the Burlington, Vermont KPMG office Colchester, Vermont

The Corporation's telephone number is 802-654-3770, and its address is 10 East Allen Street, P.O. Box 2000, Winooski, Vermont 05404. The Corporation's web site address is www.vsac.org; provided, however, web site information is not being incorporated herein by reference.

The following persons are the officers of the Corporation and its Board of Directors:

NAME	POSITION
Dorothy R. Mitchell	Chair
Martha P. Heath	Vice Chair
David Larsen	Secretary
Donald R. Vickers	President – CEO
Michael R. Stuart	Vice President and CFO and Assistant Secretary

Scott A. Giles	Vice President of Operations, Social Marketing & Strategy and Assistant Secretary
Thomas A. Little	Vice President, General Counsel and Assistant Secretary

Mrs. Dorothy R. Mitchell, Chair of the Board of Directors, has served as a Board member since 2001.

Ms. Martha P. Heath, Vice Chair of the Board of Directors, has served as a Board member since 1997.

Mr. David Larsen, Secretary of the Board of Directors, has served as a Board member since 2003.

Management

The following is a brief description of the senior management of the Corporation.

Mr. Donald R. Vickers, President - CEO of the Corporation, has served the Corporation since 1971. Mr. Vickers was appointed President and CEO of the Corporation in 1990. Mr. Vickers previously served as Director of Financial Aid and Placement at Johnson State College, Johnson, Vermont. Mr. Vickers is a member of a number of regional and national higher education organizations, including the Vermont Higher Education Council, the Vermont Commission on Higher Education Funding, the Education Finance Council (EFC) - Board member 2000-2003, the National Council of Higher Education Loan Programs (NCHELP) - Chairman 2003 – 2004, and the National Student Loan Clearing House – Board member 2006 - present. From 1999 to 2002, Mr. Vickers served on the Advisory Committee on Student Financial Assistance, which makes recommendations to Congress on federal student aid programs.

Mr. Michael R. Stuart, Vice President, CFO and Assistant Secretary of the Corporation, joined the Corporation in 1994. Mr. Stuart held positions in Default Collections and Loan Compliance before moving to Finance and Treasury in 1999. Mr. Stuart holds a BA degree in History from St. Lawrence University, 1988, a Master of Science in Administration from St. Michael’s College, 1999, and a Professional Certificate in Financial Accounting from Champlain College, 2006.

Mr. Scott A. Giles, Vice President of Operations, Social Marketing and Strategy and Assistant Secretary of the Corporation, joined the Corporation in 2003. Mr. Giles was previously Deputy Chief of Staff of the Committee on Science of the U.S. House of Representatives.

Mr. Thomas A. Little, Vice President, General Counsel and Assistant Secretary of the Corporation, joined the Corporation in January 2003. Mr. Little served as the Corporation’s outside legal counsel from 1983 to 2003 as a member of the law firm Little, Cicchetti & Conard, P.C., Burlington, Vermont. Mr. Little was a member of the Vermont House of Representatives from 1992 through 2002. He is past Chair of the Lawyer’s Caucus of the National Council of Higher Education Loan Programs. As Vice President, Mr. Little oversees the Corporation’s risk management and development programs.

Origination and Acquisition of Loans

Through loan originating and purchasing, the Corporation endeavors to increase the availability of funds to assist students in obtaining further education. Starting in the late 1980’s, the Corporation’s loan acquisitions occurred almost exclusively through loans originated directly by the Corporation with capital raised in the public credit markets. The Corporation continues to originate Statutory loans using loan capital raised in the public credit markets. While the Corporation has not originated loans on behalf of or purchased loans from other financial institutions since the mid-1980’s, the Corporation retains the authority and ability to enter into loan origination agreements or purchase agreements with financial institutions and, pursuant to such agreements, originate Eligible Loans (other than Eligible Loans made under the FFEL Program on or after July 1, 2010 for so long as such loans are not permitted to be originated by the Corporation thereunder) and purchase Eligible Loans. The Trustee may be a party to loan purchase agreements and loan origination agreements with the Corporation.

Certain Eligible Loans are eligible for the Corporation’s Vermont Value Program. Under the Vermont Value Program, a program that was established by the Corporation on July 1, 1994, students or parents with qualified loans held by the Corporation are eligible for borrower benefits in the form of (i) certain reductions in interest rate or interest rate rebates on any such loan, or (ii) payment by the Corporation of origination, guarantee, default or other fees on behalf of a borrower. The Vermont Value Program is subject to the availability of funds and modification by the Corporation.

Servicing of Eligible Loans

The Corporation provides the personnel necessary to perform all origination and servicing of Eligible Loans (including all Federal Act Loans and Statutory Loans). The Corporation uses third-party collection agencies to assist it in the collection of certain Eligible Loans. In November 1996, the Corporation entered into a license agreement with Idaho Financial Associates, Inc., of Boise, Idaho ("IFA"), for the licensing and use of certain education loan servicing software systems. IFA is a wholly-owned subsidiary of Nelnet, Inc. The Corporation converted its loan servicing operations to the IFA system on July 1, 1997. The Corporation has entered into a separate servicing software maintenance agreement with IFA for the IFA software systems. The Corporation currently originates Eligible Loans (other than Eligible Loans made pursuant to the FFEL Program which are not presently being originated by the Corporation) with software licensed from Nelnet, Inc.

The Corporation as Guarantor

General. Upon original enactment of the State Act, the Corporation was authorized to establish a student loan insurance program that would guarantee loans for qualified borrowers and would meet the federal and state statutory requirements for state loan insurance programs. In 1965, the Corporation established its guarantee program under the Guaranteed Student Loan Program (now referred to as the "Federal Family Education Loan Program" or "FFEL Program") to help students borrow money for their education beyond the high school level.

In order to effectively administer these programs, the Corporation's duties as Guarantor ("Guarantor" is also termed "Guaranty Agency" in certain places in this Remarketing Supplement) include processing loans submitted for guarantee, issuing loan guarantees, providing collections assistance to lenders for delinquent loans, paying lender claims for loans in default, collecting loans on which default claims have been paid and making appropriate reports to the Secretary of Education. The Corporation is also responsible for initiating policy, conducting activities to keep lenders informed with respect to Stafford Loans and PLUS/SLS Programs, encouraging lender participation and performing lender/school compliance activities.

In accordance with the provisions of Section 2864 of Title 16 of the Vermont Statutes Annotated and with the terms of its agreements with lenders (including with itself in its capacity as an originator of Eligible Loans) for the guarantee of loans, the Corporation has established a fund (the "Guarantee Reserve Fund") for the purpose of providing for the payment of any defaulted notes under the FFEL Program. The Guarantee Reserve Fund also serves as the Corporation's Federal Loan Reserve Fund under the Higher Education Act. The Corporation is obligated to make payments with respect to such guaranteed loans solely from the revenues or other funds of the Guarantee Reserve Fund, and neither the State of Vermont nor any political subdivision thereof is obligated to make such payments. Neither the faith and credit nor the taxing power of the State of Vermont or of any of its political subdivisions is pledged to any such payments required to be made. The State Act requires the Corporation to establish and maintain the Guarantee Reserve Fund at a level using historical loan delinquency and default rates and other relevant information. As of January 31, 2012, the Guarantee Reserve Fund was funded based on the requirements of the State Act, and, as of such date, the Corporation's Federal Loan Reserve Fund complied with the requirements of the Higher Education Act.

The Corporation, in its capacity as a Guarantor, currently receives funding from several sources, including reimbursement from the Secretary of Education in the form of default aversion assistance pursuant to Section 428(l)(2) of the Higher Education Act, federal advances and other federal payments, including the account maintenance fees authorized pursuant to Section 458(b) of the Higher Education Act. The Higher Education Act, as amended by the Omnibus Budget Reconciliation Act of 1987, requires that any Guaranty Agency, including the Corporation, in its capacity as Guarantor, return certain advances and not accumulate cash reserves in excess of an amount determined by the Secretary of Education.

Guaranty Volume. As of January 31, 2012, federally-reinsured education loans in the outstanding aggregate principal amount of approximately $1,703,480,200.11 were guaranteed by the Corporation.

Reserve Ratio. As of September 30, 2010, the Corporation's reserve ratio was 0.802%. The Corporation calculates its reserve ratio by dividing (a) cash and investments held in or credited to the Guarantee Reserve Fund by (b) the total original principal amount of all loans guaranteed by the Corporation that have a balance outstanding.

Default Trigger Claims Rate. During the most recent five federal fiscal years, the Corporation's default trigger claims rates did not exceed 5% and, as a result, maximum reinsurance was paid on all of the Corporation's claims. The Corporation's default trigger claims rate as of September 30, 2011 was 0.98%. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Loans by School Type. The following table sets forth, by school type, the percentage of loans (based upon actual loan balances) guaranteed by the Corporation as of January 31, 2012.

School Type	Outstanding Principal	Percentage of Guaranteed Loans Outstanding (as of January 31, 2012)
Four-Year	$1,351,497,591	76%
Two-Year	$ 126,451,682	7%
Proprietary	$ 107,077,977	6%
Other[1]	$ 204,054,674	11%
Total	$1,789,081,924	100%

[1]This category includes primarily Consolidation Loans. A breakdown of school types within this category is not available to the Corporation.

Outstanding Debt of the Corporation

As of January 31, 2012, the Corporation had outstanding the following bonds and notes (excluding the Series 2008C-1/2 Bonds). All such debt obligations were issued and are secured under resolutions that are separate and distinct from the Indenture.

	Amount Outstanding	**Credit Enhancement**
1995 Series A, B, and C	$ 67,200,000	Insured by AMBAC Assurance
1996 Series F, G, and H	$ 72,350,000	Insured by AMBAC Assurance
1998 Series K, L, and M	$ 111,200,000	Insured by AMBAC Assurance
2000 Series R, S, and T	$ 112,150,000	Insured by AMBAC Assurance
2001 Series V, W, X, Y, Z and AA	$ 111,100,000	Insured by AMBAC Assurance
2002 Series BB, CC and DD	$ 103,500,000	Insured by AMBAC Assurance
2003 Series FF, GG, HH, II, JJ, KK and LL	$ 247,600,000	Insured by AMBAC Assurance
Series 2003 General Obligation Bonds	$ 17,555,000	No Credit Support
2004 Series MM, NN, OO and PP	$ 227,350,000	Insured by AMBAC Assurance
2005 Series RR and SS	$ 34,850,000	Insured by AMBAC Assurance
2006 Series UU and VV	$ 103,925,000	Insured by AMBAC Assurance
2007 Series WW, XX and YY	$ 197,800,000	Insured by AMBAC Assurance
Senior Series 2008B-1 (Tax-Exempt Variable Rate Demand Bonds)	$ 95,185,000	Letter of Credit by The Bank of New York Mellon Trust Company, N.A.
2009 Asset-Backed Commercial Paper conduit "Straight A Funding, LLC"	$ 168,779,180	Standby Bond Purchase Agreement by Federal Finance Bank
Senior Series 2010A-1 (Tax-Exempt Fixed Rate Bonds)	$ 19,000,000	No Credit Support
Senior Series 2011A-1 (Tax-Exempt Fixed Rate Bonds)	$ 15,000,000	No Credit Support
	$ 1,704,544,180	

Ongoing IRS Audit

The Corporation is presently vigorously contesting an audit by the Internal Revenue Service with respect to its Education Loan Revenue Bonds, Senior Series 1998K through 1998N and Subordinate Series 1998O and other additional bonds issued by the Corporation under the same resolution. See "CERTAIN INVESTMENT CONSIDERATIONS—IRS Audit on Certain Other Bonds of the Corporation" herein.

Election for Special Allowance Payments

Pursuant to Public Law 112-74, the Corporation presently intends to avail itself of the permanent option to use the 1-month LIBOR index rate rather than the 3-month commercial paper rate index with respect to calculating its special allowance payments. See "CERTAIN INVESTMENT CONSIDERATIONS—Special Allowance Payment Calculations" herein and "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM." The 2008C-1/2 Second Supplemental Indenture contains certain amendments to the Base Indenture which explicitly allow the Corporation to make such Election with respect to the Financed Eligible Loans securing the Series 2008C-1/2 Bonds. See "AMENDMENTS TO THE INDENTURE" herein.

AMENDMENTS TO THE INDENTURE

The Original Base Indenture and 2008C-1/2 Supplement have been amended by the 2008C-1/2 Second Supplemental Indenture. The following is a brief summary of certain amendments to the Indenture.

Amendments to the Original Base Indenture

The 2008C-1/2 Second Supplemental Indenture increased the Senior Parity Percentage from 105% to 107.25% in the Original Base Indenture. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein for a revised summary of the Original Base Indenture.

The 2008C-1/2 Second Supplemental Indenture amended certain requirements with respect to the issuance of additional bonds under the Indenture, requiring that the consent of the Liquidity Provider or the Credit Provider then providing a Liquidity Facility or a Credit Facility, as applicable, be obtained with respect to the Supplemental Indenture providing the terms and forms of any proposed additional bonds. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein for a revised summary of the Original Base Indenture.

The 2008C-1/2 Second Supplemental Indenture amended certain requirements with respect to the sale of the Trust Estate by the Trustee upon an Event of Default, requiring that the Trustee determine whether the sale will result in the recovery of sufficient moneys to pay in full all fees, expenses and other amounts secured by the Indenture prior to consummating any such sale. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein for a revised summary of the Original Base Indenture.

The 2008C-1/2 Second Supplemental Indenture amended the definition of "Eligible Loan" in the Original Base Indenture to, in the event that the Corporation makes the Election under the Higher Education Act of 1965, as amended, include such loans for which an Election has been made by the Corporation under the Higher Education Act of 1965, as amended, even if any such Election results in a lower economic rate of return on such loans and the associated benefits for such loans. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein for a revised summary of the Original Base Indenture.

The 2008C-1/2 Second Supplemental Indenture amended certain requirements that the Corporation must fulfill under the Original Base Indenture prior to making amendments and modifications to Financed Eligible Loans or agreements in connection therewith such that, in the event that the Corporation makes the Election under the Higher Education Act of 1965, as amended, the Corporation will be allowed to amend and modify any Financed Eligible Loan or agreement in connection therewith without having to ensure that such amendment or modification is not materially adverse to the Registered Owners of the Series 2008C-1/2 Bonds. See "APPENDIX A—

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein for a revised summary of the Original Base Indenture.

Amendments to the 2008C-1/2 Supplement

The 2008C-1/2 Second Supplemental Indenture amended the calculation for interest on Bank Bonds requiring that interest on Bank Bonds be calculated on the basis of a 360 day year for the actual number of days elapsed.

The 2008C-1/2 Second Supplemental Indenture increased the Senior Parity Percentage from 105% to 107.25% in the 2008C-1/2 Supplement. See "APPENDIX A—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein for a revised summary of the Indenture.

RATINGS

The following information updates and replaces information contained in the Official Statement under the caption "RATINGS."

On the date of original issuance of the Series 2008C-1/2 Bonds, the Series 2008C-1/2 Bonds were assigned an underlying long-term rating from Moody's Investors Service ("Moody's) based upon the quality of the Series 2008C-1/2 Bonds without considering the strength of the Original Credit Provider and both a long-term and a short-term rating from each of Moody's and Fitch, Inc. ("Fitch"), based upon the rating of the Original Credit Provider providing the Original LOC. On December 18, 2009, Moody's downgraded the underlying long-term rating on the Series 2008C-1/2 Bonds based on changes in Moody's rating methodology for FFELP student loan backed variable rate demand bond transactions. On December 21, 2009, Moody's withdrew its underlying long-term rating on the Series 2008C-1/2 Bonds for business reasons. Upon the remarketing of the Series 2008C-1/2 Bonds and the issuance of the Letter of Credit, the Series 2008C-1/2 Bonds are expected to be assigned long-term ratings and short-term ratings of "Aa2/VMIG 1" by Moody's and "A+/F1+" by Fitch, respectively, based upon (a) the delivery of the Letter of Credit by the Credit Provider on the Remarketing Date for the Series 2008C-1/2 Bonds and (b) the credit ratings of the Credit Provider. **The ratings of the Series 2008C-1/2 Bonds are expected to be assigned by Moody's and Fitch when the Letter of Credit becomes effective (anticipated to be March 15, 2012).** The ratings of the Series 2008C-1/2 Bonds by Moody's and Fitch reflect only the view of such organizations at the time such ratings are given, and the Corporation makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely, if in the judgment of Moody's or Fitch circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2008C-1/2 Bonds. An explanation of the Moody's rating may be obtained from Moody's at ABS/RMBS Monitoring Department; 7 World Trade Center, 25th Floor; 250 Greenwich Street; New York, NY 10007. An explanation of the Fitch rating may be obtained from Fitch at One State Street Plaza, New York, NY 10004, Attention: ABS Surveillance.

SUPPLEMENT TO OFFICIAL STATEMENT

The Official Statement is incorporated herein by reference, except (i) the information contained in this Remarketing Supplement should be read in conjunction with and, where directed herein, substituted for, the information contained in the same captions in the Official Statement and (ii) the amendments to the Indenture should be given effect. Copies of the Official Statement may be obtained from the Remarketing Agents.

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture of Trust (Series C) dated as of September 1, 2008 (the "Master Indenture") by and between the Vermont Student Assistance Corporation (the "Corporation") and People's United Bank, Burlington, Vermont (the "Trustee"), the 2008C-1/2 Supplemental Indenture of Trust (the "2008C-1/2 Supplemental Indenture") dated as of September 1, 2008 by and between the Corporation and the Trustee and the 2008C-1/2 Second Supplemental Indenture of Trust, dated as of March 1, 2012 (the "2008C-1/2 Second Supplement" and, together with the Master Indenture and the 2008C-1/2 Supplemental Indenture, the "Indenture"), by and between the Corporation and the Trustee and is not to be considered as a full statement of the provisions of the Master Indenture, the 2008C-1/2 Supplemental Indenture or the 2008C-1/2 Second Supplement. The summary is qualified by reference to, and is subject to, the complete Master Indenture, the 2008C-1/2 Supplemental Indenture, and the 2008C-1/2 Second Supplement, copies of which, in reasonable quantity, may be obtained during the offering period upon request directed to Goldman, Sachs & Co., as the remarketing agent for the Series 2008C-1 Bonds, and Citigroup Global Markets Inc., as the remarketing agent for the Series 2008C-2 Bonds, at the respective addresses set forth in "THE SERIES 2008C-1/2 BONDS—Remarketing Agents".

Certain Definitions

"*Account*" means any of the accounts created and established within any Fund pursuant to the Indenture.

"*Acquisition Fund*" means the Fund by that name created and further described in the Indenture, including any Accounts and Subaccounts created therein.

"*Acquisition Period*" means, for each Series of Bonds, the period beginning on the Date of Issuance for such Series of Bonds and ending on the date set forth in the related Supplemental Indenture for such Series of Bonds

"*Act*" means 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.

"*Add-On Consolidation Loan*" means an Eligible Loan included in the Trust Estate, the principal balance of which is added to an existing Consolidation Loan during the Add-On Period, as required by the Act.

"*Add-On Period*" means the period of 180 days after the date of origination of any Consolidation Loan financed by the Corporation.

"*Aggregate Market Value*" means, on any calculation date, the sum of the Values of all assets of the Trust Estate, excluding purpose and non-purpose arbitrage liability amounts which, as of any date of calculation, have not been deposited into the Rebate Fund.

"*Alternate Credit Facility*" means any Credit Facility delivered in substitution for a Credit Facility or Liquidity Facility then in effect pursuant to the 2008C-1/2 Supplemental Indenture, or any Credit Facility delivered pursuant to the 2008C-1/2 Supplemental Indenture at any time that no Liquidity Facility or Credit Facility is then in effect.

"*Alternate Liquidity Facility*" means any Liquidity Facility delivered in substitution for a Credit Facility or Liquidity Facility then in effect pursuant to the 2008C-1/2 Supplemental Indenture, or any Liquidity Facility delivered pursuant to the 2008C-1/2 Supplemental Indenture at any time that no Liquidity Facility or Credit Facility is then in effect.

"*Alternate Rate*" means on any Rate Determination Date, for any Mode, a rate per annum equal to the Maximum Rate.

"*Auction Mode*" means the period of time when the Series 2008C-1/2 Bonds bear interest at the Auction Rate.

"*Auction Rate*" means a rate of interest determined as provided in Exhibit A to the 2008C-1/2 Supplemental Indenture and the Supplemental Indenture to be entered into in connection with the Auction Rate Conversion Date.

"*Auction Rate Bonds*" means any of the Series 2008C-1/2 Bonds in any period during which such Series 2008C 1/2 Bonds are in an Auction Mode.

"*Auction Rate Conversion Date*" means the date on which any of the Series 2008C-1/2 Bonds are converted to Auction Rate Bonds, which date will be an Interest Payment Date.

"*Authorized Denominations*" means (a) with respect to the Series 2008C-1/2 Bonds in a Short-Term Mode, $100,000 and any integral multiple of $5,000 in excess thereof, (b) with respect to the Series 2008C-1/2 Bonds in a Long-Term Mode, $5,000 and any integral multiple thereof, and (c) with respect to the Series 2008C-1/2 Bonds in an Auction Mode, $25,000 and any integral multiple thereof, or otherwise as provided in Exhibit A in the 2008C-1/2 Supplemental Indenture and the Supplemental Indenture to be entered into in connection with the Auction Rate Conversion Date.

"*Authorized Officer*" means, when used with reference to the Corporation, its Chair, Vice Chair, President-CEO, any Vice President, the Secretary or any Assistant Secretary and, in the case of any act to be performed or duty to be discharged, any other member, officer, or employee of the Corporation then authorized to perform such act or discharge such duty.

"*Authorized Representative*" means, when used with reference to the Corporation, (a) an Authorized Officer, or (b) an individual designated in writing by an Authorized Officer of the Corporation to act on the Corporation's behalf under the Indenture.

"*Authorizing Act*" means the Vermont Statutes Annotated, Title 16, Chapter 87, as the same may be amended from time to time.

"*Available Commitment*" will have the meaning set forth in the Liquidity Facility or Credit Facility, as applicable.

"*Bank Bonds*" means Bonds that have been purchased by a Liquidity Provider or Credit Provider pursuant to the provisions of a Liquidity Facility or Credit Facility and are held by such Liquidity Provider or Credit Provider, as applicable, or its designee or assignee until such time as such Bonds are remarketed. With respect to the Series 2008C-1/2 Bonds, Bank Bonds means any Series 2008C-1/2 Bonds held by or for the benefit of the Liquidity Provider or Credit Provider, as applicable (or its assignee) following purchase of such Series 2008C-1/2 Bonds with funds drawn on or advanced under the Liquidity Facility or Credit Facility, as applicable, other than Series 2008C-1/2 Bonds which the Liquidity Provider or Credit Provider, as applicable (or its assignee), has elected to continue to hold following receipt of a Purchase Notice.

"*Bank Rate*" will equal, for each day, the rate applicable thereto as provided in the Liquidity Facility or Credit Facility, as applicable.

"*Board*" or "*Board of Directors*" means the Board of Directors of the Corporation.

"*Bond*" or "*Bonds*" means any bonds, notes or other debt obligations issued pursuant to the Indenture and will include Bank Bonds.

"*Bond Counsel*" means counsel of nationally recognized standing in the field of law relating to municipal, state and public agency financing selected by the Corporation.

"*Bond Payment Date*" means, for any Bond, any Interest Payment Date, its Stated Maturity or the date of any debt service payment with respect thereto designated in a Supplemental Indenture, including any such date provided for payment of principal of or redemption of Bank Bonds in any applicable Credit Provider Agreement or Liquidity Facility.

"*Bond Purchase Fund*" means the fund by that name created and established pursuant to the Indenture.

"*Bond Yield*" means, with respect to any Bonds issued as Tax-Exempt Bonds, the yield on such Tax-Exempt Bonds computed in accordance with the Code.

"*Book-Entry System*" means the book-entry system of registering ownership described in the Indenture.

"*Business Day*" means, (a) with respect to the Series 2008C-1/2 Bonds Outstanding in any Mode other than an Auction Mode or the Fixed Mode, any day on which banks located (i) in the city in which the principal corporate trust office of the Trustee is located, (ii) in the city in which the office of the Liquidity Provider or Credit Provider, as applicable, at which demands for payment under the Liquidity Facility or Credit Facility, as applicable, are to be honored are located (initially, New York, New York), (iii) in the city in which the principal offices of the Remarketing Agents are located and (iv) if there is a Liquidity Facility for the Series 2008C-1/2 Bonds, in the city in which the corporate trust office of the Trustee at which the Series 2008C-1/2 Bonds may be tendered for purchase by the holders thereof is located, are not authorized or required to close and on which the New York Stock Exchange is open, (b) with respect to the Series 2008C-1/2 Bonds Outstanding in an Auction Mode, "Business Day" will have the meaning set forth in the Supplemental Indenture to be entered into in connection with the Auction Rate Conversion Date and (c) with respect to the Series 2008C-1/2 Bonds Outstanding in a Fixed Mode, any day on which banks located in the city in which the principal corporate trust office of the Trustee is located are not authorized or required to close.

"*Calculation Agent*" means any Person appointed as calculation agent with respect to Bonds pursuant to the terms of any Supplemental Indenture.

"*Capitalized Interest Requirement*" will have the meaning, with respect to any Series of Bonds, set forth in the Supplemental Indenture pursuant to which such Series of Bonds is issued. With respect to the Series 2008C-1/2 Bonds, it means an amount equal to 1% of the par amount of the Series 2008C-1/2 Bonds Outstanding on or prior to June 15, 2010 and thereafter, an amount equal to $0.00.

"*Carryover Amount*" has the meaning, with respect to any Series of Bonds, set forth in the Supplemental Indenture pursuant to which such Series of Bonds is issued.

"*Certificate of Insurance*" means any certificate of insurance issued by the Secretary pursuant to Section 428C or Section 429 of the Act, Insuring an Eligible Loan.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code will be deemed to include the United States Treasury Regulations, including applicable temporary and proposed regulations, relating to such section which are applicable to the Tax-Exempt Bonds or the use of the proceeds thereof. A reference to any specific section of the Code will be deemed also to be a reference to the comparable provisions of any enactment which supersedes or replaces the Code thereunder from time to time.

"*Computation Date*" means each date described as such in any Tax Document.

"*Consolidation Loan*" means an Eligible Loan made pursuant to Section 428C of the Act to consolidate the borrower's obligations under various federally authorized student loan programs into a single loan, as supplemented by the addition of any related Add-On Consolidation Loan.

"*Contract of Insurance*" means, with respect to an Eligible Loan, an agreement between the Corporation and the Secretary providing for Insurance on such Eligible Loan.

"*Contract of Purchase*" means the Bond Purchase Agreement dated September 10, 2008 by and between the Corporation and the Purchasers as described in the 2008C-1/2 Supplemental Indenture.

"*Corporation*" means the Vermont Student Assistance Corporation, a nonprofit public corporation created and established pursuant to, and existing under, the laws of the State of Vermont, or any body, agency, or instrumentality of the State of Vermont or other entity which will hereafter succeed to the powers, duties and functions of the Corporation.

"*Corporation Derivative Payment*" means a payment required to be made by or on behalf of the Corporation due to a Reciprocal Payor pursuant to a Derivative Product (excluding Termination Payments, but including Priority Termination Payments).

"*Corporation Order*" means a written order signed in the name of the Corporation by an Authorized Representative.

"*Credit Facility*" means a letter of credit or other credit facility issued to or for the benefit of the Trustee for the account of the Corporation by a Credit Provider to secure the payment of principal of and interest on any Series of Bonds, together with the purchase price thereof if applicable, including any related reimbursement agreement as embodied in a Credit Provider Agreement, and any alternate letter of credit or other credit facility as may be permitted in the related Supplemental Indenture, in each case as the same may be amended from time to time in accordance with the terms thereof and of the Indenture. With respect to the Series 2008C-1/2 Bonds, Credit Facility will initially mean the Initial Credit Facility and, from and after March 15, 2012, will mean the First Alternate Credit Facility.

"*Credit Facility Failure*" means (a) a failure of the Credit Provider to pay or honor a properly presented and conforming draw, claim or request for advance under the Credit Facility, (b) the filing or commencement of any bankruptcy, receivership or other insolvency proceedings by or against the Credit Provider (provided, however, that no Credit Facility Failure will occur as a result of an involuntary bankruptcy, receivership, or other insolvency proceeding unless such proceeding has not been dismissed within 90 days after it was commenced), or the Credit Provider will declare in writing a moratorium on the payment of its unsecured debt obligations or will repudiate the Credit Facility in writing or (c) there will have occurred an event resulting in the immediate termination or suspension of the obligation of the Credit Provider to purchase Series 2008C-1/2 Bonds under the terms of a Credit Facility.

"*Credit Facility Fees*" means the amounts payable by the Corporation to a Credit Provider (other than payment of principal and interest on Bank Bonds and other than reimbursement for draws on the Credit Facility and interest thereon) pursuant to the related Credit Facility.

"*Credit Provider*" means the provider of a Credit Facility with respect to a Series of Bonds. With respect to the Series 2008C-1/2 Bonds, the Credit Provider will initially be the Initial Credit Provider and, from and after March 15, 2012, will mean the First Alternate Credit Provider with respect to the First Alternate Credit Facility.

"*Credit Provider Agreement*" means any agreement between the Corporation and a Credit Provider, pursuant to which a Credit Facility is issued by the Credit Provider, as the same may be amended or supplemented. With respect to the Series 2008C-1/2 Bonds, the Credit Provider Agreement will initially be the Initial Credit Provider Agreement and, from and after March 15, 2012, will mean the First Alternate Credit Provider Agreement.

"*Current Mode*" means the Mode then prevailing with respect to the Series 2008C-1/2 Bonds.

"*Daily Mode*" means the period of time when the Series 2008C-1/2 Bonds bear interest at the Daily Rate.

"*Daily Rate*" means the per annum interest rate on the Series 2008C-1/2 Bonds in the Daily Mode determined pursuant to the Indenture.

"*Daily Rate Period*" means the period of time when the Series 2008C-1/2 Bonds in the Daily Mode will bear interest at a Daily Rate, which will be the period commencing on the applicable Mode Change Date or the day immediately following each Rate Determination Date and continuing through the following Rate Determination Date or, if applicable, the day before the Mode Change Date.

"*Date of Issuance*" means September 11, 2008.

"*Debt Service Fund*" means the Fund by that name created pursuant to and further described in the Indenture, including any Accounts and Subaccounts created therein.

"*Debt Service Reserve Fund*" means the Fund by that name created pursuant to and further described in the Indenture, including any Accounts and Subaccounts created therein.

"*Debt Service Reserve Fund Requirement*" means an amount, if any, required to be on deposit in the Debt Service Reserve Fund as specified for any Series of Bonds in the related Supplemental Indenture. With respect to the Series 2008C-1/2 Bonds, the Debt Service Reserve Fund Requirement means initially an amount equal to 1.00% of the par amount of the Series 2008C-1/2-1 Bonds on the Date of Issuance; provided, however, that, thereafter while any Series 2008C-1/2-1 Bonds are Outstanding, the Debt Service Reserve Fund Requirement will be not less than the greater of 1.00% of the par amount of the Outstanding Series 2008C-1/2-1 Bonds or $500,000; provided however, that the percentage and the minimum amount of $500,000 may be reduced so long as such lesser percentage and amount will be approved in a Rating Agency Condition, by the Liquidity Provider, if any, and by the Credit Provider, if any.

"*Derivative Payment Date*" means, with respect to a Derivative Product, any date specified in the Derivative Product on which both or either of the Corporation Derivative Payment and/or a Reciprocal Payment is due and payable under the Derivative Product.

"*Derivative Product*" means a written contract or agreement between the Corporation and a Reciprocal Payor entered into pursuant to the Indenture.

"*Derivative Value*" means the value of the Derivative Product, if any, to the Reciprocal Payor; provided that such value is defined and calculated in substantially the same manner as amounts are defined and calculated pursuant to the applicable provisions of an ISDA Master Agreement.

"*Designated Day*" means a day of the week designated by the applicable Remarketing Agent (a) in connection with a change in Mode as a day on which a particular action is to occur or (b) as the first day of an Interest Period. It is recognized that different days of the week may be "Designated Days" for different actions.

"*Electronic Means*" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"*Eligible Lender*" means the Corporation and all other entities which are "eligible lenders," as defined in the Act (including but not limited to "eligible lender trustees"), which have received an eligible lender number or other designation from the Secretary with respect to Eligible Loans made under the Act.

"*Eligible Loan*" means any loan made to finance post-secondary education that is (a) made under the Act (including Add-On Consolidation Loans) provided that if, after any reauthorization or amendment of the Act (other than the amendment to Section 438(b)(2)(I)(vii) of the Act permitting the Corporation to make a one-time election to use a revised calculation of the Special Allowance Payments on Financed Eligible Loans for which the first disbursement was made on or after January 1, 2000 and before July 1, 2010), loans authorized thereunder, including their benefits, have a lower economic rate of return, such loans authorized after such reauthorization or amendment will not constitute Eligible Loans unless a Rating Agency Condition is obtained with respect thereto or (b) subject to a Rating Agency Condition and the prior written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility, otherwise permitted to be acquired by or originated by the Corporation pursuant to its Program as authorized under the Authorizing Act.

"*Event of Bankruptcy*" means (a) the Corporation will 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 will have made a general assignment for the benefit of creditors, or will have declared a moratorium with respect to its debts, or will have failed generally to pay its debts, as they become due, or will have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding will have been commenced against the Corporation 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) or an order for relief has been granted with respect to such case or proceeding.

"*Event of Default*" has the meaning specified in the Indenture.

"*Excess Earnings*" means, with respect to Financed Eligible Loans held in the Tax-Exempt Account of the Acquisition Fund established in connection with Tax-Exempt Bonds, the "excess earnings," as defined in Treasury Regulations Section 1-148.107, with respect thereto.

"*Excluded Person*" means the Corporation and any affiliate of the Corporation.

"*Expiration Date*" means the stated expiration date of the Liquidity Facility or Credit Facility, as applicable, as it may be extended from time to time as provided in such Liquidity Facility or Credit Facility.

"*Favorable Opinion*" means an opinion of Bond Counsel addressed to the Corporation and the Trustee to the effect that the action proposed to be taken is authorized or permitted by the Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds.

"*Federal Loan Fee*" means any federal origination fee, monthly rebate fee, default fee, or other fee payable to the United States Department of Education relating to the origination or ownership of Financed Eligible Loans.

"*Financed*" or "*Financing*" means or refers to, when used with respect to Eligible Loans, (a) Eligible Loans financed by the Corporation with balances in the Acquisition Fund or otherwise deposited in or accounted for in the Acquisition Fund or otherwise constituting a part of the Trust Estate; and (b) Eligible Loans substituted or exchanged for Financed Eligible Loans, but does not include Eligible Loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

"*First Alternate Credit Facility*" means the direct-pay letter of credit dated March 15, 2012, issued for the benefit of the Trustee for the account of the Corporation by the First Alternate Credit Provider to secure the payments of principal of and interest on the Series 2008C-1/2 Bonds, when due, and the purchase price of the Series 2008C-1/2 Bonds upon tender pursuant to the 2008C-1/2 Supplemental Indenture.

"*First Alternate Credit Provider*" means State Street Bank and Trust Company, its successors and permitted assigns.

"*First Alternate Credit Provider Agreement*" means the Letter of Credit and Reimbursement Agreement, dated as of March 1, 2012, by and between the Corporation and the First Alternate Credit Provider, as supplemented and amended.

"*Fiscal Year*" means the fiscal year of the Corporation as established from time to time; currently, the Fiscal Year of the Corporation commences each July 1 and ends each June 30.

"*Fitch*" means Fitch Ratings, a subsidiary of Fimalac, S.A., and its successors and assigns.

"*Fixed Mode*" means a period of time when the Series 2008C-1/2 Bonds bear interest at the Fixed Rate.

"*Fixed Rate*" means the per annum interest rate on the Series 2008C-1/2 Bonds in the Fixed Mode determined pursuant to the 2008C-1/2 Supplemental Indenture.

"*Fixed Rate Bond*" means a Series 2008C-1/2 Bond in the Fixed Mode.

"*Fixed Rate Period*" means, for the Series 2008C-1/2 Bonds in the Fixed Mode, the period from the Mode Change Date upon which the Series 2008C-1/2 Bonds were converted to the Fixed Mode to but not including the Stated Maturity for the Series 2008C-1/2 Bonds.

"*Funds*" means each of the Funds created pursuant to the Indenture.

"*Guarantee*" or "*Guaranteed*" means, with respect to an Eligible Loan described in clause (a) of the definition thereof, the insurance or guarantee by the Corporation, a Guarantee Agency pursuant to such Guarantee Agency's Guarantee Agreement, of the maximum percentage of the principal of and accrued interest on such Eligible Loan allowed by the terms of the Act with respect to such Eligible Loan at the time it was originated and the coverage of such Eligible Loan by the federal reimbursement contracts, providing, among other things, for reimbursement to the Corporation or such Guarantee Agency for payments made by it on defaulted Eligible Loans insured or guaranteed by the Corporation or such Guarantee Agency of at least the minimum reimbursement allowed by the Act with respect to a particular Eligible Loan.

"*Guaranty Agency*" means the Corporation and any other entity authorized to guarantee student loans under the Act and with which the Corporation maintains a Guaranty Agreement.

"*Guaranty Agreements*" means a guaranty or lender agreement between any Guaranty Agency and the Corporation, and any amendments thereto.

"*Highest Priority Obligations*" means, (a) at any time when Senior Obligations are Outstanding, the Senior Obligations; (b) at any time when no Senior Obligations are Outstanding, the Senior-Subordinate Obligations; (c) at any time when no Senior Obligations or Senior-Subordinate Obligations are Outstanding, the Subordinate Obligations; and (d) at any time when no Senior Obligations, Senior-Subordinate Obligations or Subordinate Obligations are Outstanding, the Junior-Subordinate Obligations (and any priorities as between Junior-Subordinate Obligations as will be established by Supplemental Indentures).

"*Indenture*" means the Master Indenture together with the 2008C-1/2 Supplemental Indenture and the 2008C-1/2 Second Supplement, including all supplements and amendments thereto.

"*Initial Credit Facility*" means the direct-pay letter of credit dated September 11, 2008, issued for the benefit of the Trustee for the account of the Corporation by the Initial Credit Provider to secure the payments of principal of and interest on the Series 2008C-1/2 Bonds, when due, and the purchase price of the Series 2008C-1/2 Bonds upon tender pursuant to the 2008C-1/2 Supplemental Indenture.

"*Initial Credit Provider*' means Lloyds TSB Bank plc, its successors and permitted assigns.

"*Initial Credit Provider Agreement*" means the Letter of Credit and Reimbursement Agreement dated as of September 1, 2008, between the Corporation and the Initial Credit Provider, as supplemented and amended.

"*Insurance*" or "*Insured*" or "*Insuring*" means, with respect to an Eligible Loan, the insuring by the Secretary (as evidenced by a Certificate of Insurance or other document or certification issued under the provisions of the Act) under the Act of the maximum percentage of the principal of and accrued interest on such Eligible Loan allowed by the terms of the Act with respect to such Eligible Loan at the time it was originated.

"*Interest Accrual Period*" means the period of time a Series 2008C-1/2 Bond accrues interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period will commence on (and include) the last Interest Payment Date for which interest has been paid (or, if no interest has been paid, from the Date of Issuance of the Series 2008C-1/2 Bonds) and will end on the day preceding the succeeding Interest Payment Date.

"*Interest Benefit Payment*" means an interest payment on Eligible Loans received pursuant to the Act and an agreement with the federal government, or any similar payments.

"*Interest Payment Date*" means each date on which interest is to be paid on a Series 2008C-1/2 Bond and is (a) with respect to the Series 2008C-1/2 Bonds Outstanding as Bank Bonds, each date set forth in the applicable Liquidity Facility or Credit Facility, and (b) with respect to the Series 2008C-1/2 Bonds other than Bank Bonds, (i) each June 15 and December 15, commencing December 15, 2008, (ii) the Maturity and (iii) each Mode Change Date for the Series 2008C-1/2 Bonds.

"*Interest Period*" means, for the Series 2008C-1/2 Bonds in a particular Mode, the period of time that the Series 2008C-1/2 Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and may be a Daily Rate Period, a Weekly Rate Period, a Monthly Rate Period, a Term Rate Period or a Fixed Rate Period. Initially, the Interest Period for the Series 2008C-1/2 Bonds is the Weekly Rate Period.

"*Investment Agreement*" means any investment agreement described in a Supplemental Indenture or otherwise approved by (i) each Rating Agency as evidenced by a Rating Agency Condition; and (ii) each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility.

"*Investment Securities*" means:

(a) direct obligations of (including obligations issued or held in book entry form on the books of the Department of Treasury of) the United States of America;

(b) direct obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America; (a) Farm Credit System Financial Assistance Corporation; (b) Certificates of beneficial interest of Rural Economic Community Development Administration (formerly, the Farmers Home Administration); (c) General Services Administration; (d) U.S. Maritime Administration (guaranteed Title XI financings); (e) Small Business Administration; (f) U.S. Department of Housing and Urban Development PHA's, (local issuer bonds); and (g) Federal Housing Administration;

(c) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 360 days or less with domestic commercial banks (including those of the Trustee); provided, that at the time of deposit or purchase, such depository institution has commercial paper which is rated "A-1+" by S&P and "F1+" by Fitch and has the required ratings from Moody's corresponding to the duration of such investment set forth below;

One Month	"A2" or "Prime-1"
Three Months	"A1" and "Prime-1"
Six Months	"Aa3" and "Prime-1"
Greater than Six Months	"Aaa" and "Prime-1"

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

(e) Pre-refunded Municipal Obligations, defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the note; and which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P, Moody's and Fitch or any successors thereto;

(f) Municipal obligations rated "AAA" and "Aaa" by the Rating Agencies or general obligations of any state of the United States of America with a rating of at least "A/A-1" by S&P, at least "A/F-1" by Fitch and at least A+ by Moody's; and

(g) any other investment including any Investment Agreement (i) with a Rating Agency Condition from each Rating Agency and (ii) the prior written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility.

Each Investment Security or the provider of such Investment Security (other than those described in clauses (a), (b), (d), (e) and (f) of this definition) will have the following Moody's long-term and or short-term ratings corresponding to the duration of such investment:

"*ISDA Master Agreement*" means the International Swaps and Derivatives Association, Inc. ("ISDA") Interest Rate and Currency Exchange Agreement, copyright 2002, as amended from time to time, and as in effect with respect to any Derivative Product, or any successor thereto.

"*Junior-Subordinate Bonds*" means Bonds, including Bank Bonds, the principal of and interest on which is payable on a subordinated basis to the payment of the principal of and interest on the Senior Bonds, the Senior-Subordinate Bonds and the Subordinate Bonds; provided, however, that any Series of the Junior-Subordinate Bonds need not necessarily be payable on a parity with all other Series of the Junior-Subordinate Bonds.

"*Junior-Subordinate Obligations*" means Junior-Subordinate Bonds, and all amounts owing under any Derivative Product, Credit Facility or Liquidity Facility, the priority of payment of which is equal with that of any Series of Junior-Subordinate Bonds, provided that Termination Payments for such Derivative Products will continue to be paid pursuant to the Indenture.

"*Liquidity/Credit Facility Purchase Account*" means the account by that name created pursuant to the 2008C-1/2 Supplemental Indenture.

"*Liquidity Facility*" means (a) a standby bond purchase agreement or other liquidity facility issued by a Liquidity Provider which provides for the payment of purchase price with respect to one or more Series of Bonds or portion thereof in the event of a failed remarketing of such Bonds; and (b) any similar substitute or additional Liquidity Facility from time to time issued to the Trustee or a successor Trustee by a Liquidity Provider as may be permitted in the related Supplemental Indenture, in each case as the same may be amended from time to time in accordance with the terms thereof and the Indenture.

"*Liquidity Facility Failure*" means (a) a failure of the Liquidity Provider to pay or honor a properly presented and conforming draw, claim or request for advance under the Liquidity Facility, (b) the filing or commencement of any bankruptcy, receivership or other insolvency proceedings by or against the Liquidity Provider (provided, however, that no Liquidity Facility Failure will occur as a result of an involuntary bankruptcy, receivership, or other insolvency proceeding unless such proceeding has not been dismissed within 90 days after it was commenced), or the Liquidity Provider will declare in writing a moratorium on the payment of its unsecured debt obligations or will repudiate the Liquidity Facility in writing or (c) there will have occurred an event resulting in the immediate termination or suspension of the obligation of the Liquidity Provider to purchase Series 2008C-1/2 Bonds under the terms of a Liquidity Facility.

"*Liquidity Facility Fees*" means the amounts payable by the Corporation to a Liquidity Provider (other than payment of principal and interest on Bank Bonds) pursuant to the Liquidity Facility.

"*Liquidity Provider*" means a bank, insurance company, pension fund or other financial institution that is the provider of a Liquidity Facility with respect to a Series of Bonds or portion thereof.

"*Long-Term Mode*" means a Term Mode with a term equal to or greater than nine months or a Fixed Mode.

"*Mandatory Tender Date*" means each of the following dates (except that in the case of a Series 2008C-1/2

Bond in the Daily, Weekly or Monthly Mode, each of such dates will be a Mandatory Tender Date only if a Liquidity Facility or Credit Facility is in effect pursuant to which the Liquidity Provider or Credit Provider, as applicable, is obligated to pay or advance funds to pay the Purchase Price of the Series 2008C-1/2 Bonds tendered on such date):

(a) for Series 2008C-1/2 Bonds in the Term Mode, the first Business Day following the last day of each Term Rate Period,

(b) each Mode Change Date,

(c) any Substitution Date (except a Substitution Date that occurs when the Series 2008C-1/2 Bonds are in a Term Mode or Fixed Mode and no Liquidity Facility or Credit Facility, as applicable, is in effect with respect to such Series 2008C-1/2 Bonds on such Mandatory Tender Date),

(d) the seventh Business Day prior to any Expiration Date or Termination Date (but there will be no separate mandatory tender in respect of an Expiration Date or Termination Date if notice has been given of a mandatory tender that will occur prior to the Expiration Date or Termination Date and the Series 2008C-1/2 Bonds will not subsequently be remarketed under the Liquidity Facility or Credit Facility that is expiring or being terminated by the Corporation),

(e) the Business Day specified by the Trustee which will be the fifth day after the Trustee has received notice from the Liquidity Provider or Credit Provider, as applicable, that an event of default has been declared under the Credit Provider Agreement or Liquidity Facility, as applicable, and that the Credit Facility or Liquidity Facility, as applicable, will terminate ten days after receipt of such notice and directing the mandatory tender of all of the Series 2008C-1/2 Bonds, and

(f) each date established by the Corporation for mandatory tender pursuant to the 2008C-1/2 Supplemental Indenture.

Each Mandatory Tender Date must be a Business Day. If a Mandatory Tender Date described above would not be a Business Day, then the Mandatory Tender Date will be the immediately preceding Business Day.

"*Mandatory Tender Notice*" means a notice delivered by Electronic Means or in writing to the Registered Owners of all Series 2008C-1/2 Bonds subject to mandatory tender pursuant to the 2008C-1/2 Supplemental Indenture that states (a) that all such Series 2008C-1/2 Bonds are to be purchased, (b) the Mandatory Tender Date on which such Series 2008C-1/2 Bonds are to be purchased and (c) applicable instructions with respect to such purchase and the tender of such Series 2008C-1/2 Bonds for payment of the Purchase Price.

"*Master Indenture*" means the Indenture of Trust (Series C), dated as of September 1, 2008, by and between the Corporation and the Trustee.

"*Master Promissory Note*" means a note (a) that evidences one or more loans made to finance post-secondary education financing; and (b) that is in the form mandated by Section 432(m)(1) of the Act, as added by Public Law No: 105-244 § 427, 112 Stat. 1702 (1998), as amended by Public Law No: 106-554 (enacted December 21, 2000) and as codified in 20 U.S.C. § 1082(m)(1).

"*Maturity*" means, when used with respect to any Bond, the date on which the principal thereof becomes due and payable as therein provided or as provided in the Indenture whether at its Stated Maturity, by earlier redemption, by declaration of acceleration, or otherwise. With respect to the Series 2008C-1/2 Bonds, Maturity means the date on which the principal thereof becomes due and payable as therein provided or as provided in the 2008C-1/2 Supplemental Indenture, whether at its Stated Maturity, maturity by earlier redemption, by declaration of acceleration or otherwise.

"*Maximum Rate*" means, (a) so long as a Liquidity Facility or Credit Facility is in effect, with respect to Series 2008C-1/2 Bonds which are not Bank Bonds, the least of (i) 18% per annum, (ii) subject to any limitations contained in the Indenture, the maximum interest rate at the time then specified in the Liquidity Facility or Credit Facility (initially, 12% per annum) or (iii) the maximum lawful nonusurious interest rate allowed under the laws of the State of Vermont or (b) with respect to Bank Bonds, the lesser of either (i) the interest rate per annum set forth in the applicable Liquidity Facility or Credit Facility with respect thereto or (ii) the maximum lawful nonusurious interest rate allowed under the laws of the State of Vermont.

"*Mode*" means, as the context may require, the Daily Mode, the Weekly Mode, the Monthly Mode, the Term Mode, the Auction Mode, the Fixed Mode or another Mode established pursuant to the 2008C-1/2 Supplemental Indenture. Initially, the Series 2008C-1/2 Bonds will be in the Weekly Mode.

"*Mode Change Date*" means, with respect to Series 2008C-1/2 Bonds in a particular Mode, the day on which another Mode for the Series 2008C-1/2 Bonds begins, and includes a date on which Series 2008C-1/2 Bonds in the Term Mode are the subject of a change from one Term Rate Period to another Term Rate Period.

"*Mode Change Notice*" means the notice from the Corporation to the other Notice Parties of the Corporation's intention to change the Mode with respect to the Series 2008C-1/2 Bonds.

"*Monthly Mode*" means the Mode during which the Series 2008C-1/2 Bonds bear interest at the Monthly Rate.

"*Monthly Rate*" means the per annum interest rate on the Series 2008C-1/2 Bonds in the Monthly Mode determined pursuant to the 2008C-1/2 Supplemental Indenture.

"*Monthly Rate Period*" means the period when a Series 2008C-1/2 Bond in the Monthly Mode will bear interest at a Monthly Rate, which will be the period commencing on the applicable Designated Day of each month to, but not including, the applicable Designated Day of the following month, except the first Monthly Rate Period which will be from the immediately preceding Mode Change Date to, but not including, the applicable Designated Day of the following month and the last Monthly Rate Period which will be from, but not including, the applicable Designated Day of the month prior to the proposed Mode Change Date to the day next succeeding the proposed Mode Change Date (or Stated Maturity if earlier). The Designated Day for the Series 2008C-1/2 Bonds during the Monthly Rate Period will be the first Business Day of each month, or such other day as may be established by the Remarketing Agents with the prior written consent of the Corporation and the Liquidity Provider or Credit Provider, as applicable, in connection with the establishment of that rate period.

"*Moody's*" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

"*MPN Loan*" means any single loan made pursuant to a Master Promissory Note.

"*National Repository*" means, at the Corporation's option, either (a) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission (the "SEC") from time to time for purposes of Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time or (b) any other filing system approved by the SEC for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRSMIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositories by some other means), including without limitation the central post office known as Disclosure USA, managed by the Municipal Advisory Council of Texas and located at the website www.DisclosureUSA.org.

"*New Mode*" means a change from the Mode then prevailing with respect to the Series 2008C-1/2 Bonds to another Mode.

"*Nexus Loan*" means an Eligible Loan made for or on behalf of a student who is or was at the time the Eligible Loan was made a resident of the State of Vermont and/or who is or was, at the time the Eligible Loan was made, enrolled at an educational institution located in the State of Vermont.

"*1995D Refunded Bonds Resolution*" means the 1995 Education Loan Revenue Bond Resolution adopted by the Corporation on June 16, 1995, as supplemented and amended by the 1995 First Series Resolution adopted by the Corporation on June 16, 1995.

"*1996I Refunded Bonds Resolution*" means the 1995 Education Loan Revenue Bond Resolution adopted by the Corporation on June 16, 1995, as supplemented and amended by the 1996 Third Series resolution adopted by the Corporation on May 1, 1996.

"*1998N Refunded Bonds Resolution*" means the 1995 Education Loan Revenue Bond Resolution adopted by the Corporation on June 16, 1995, as supplemented and amended by the 1998 Fifth Series Resolution adopted by the Corporation on June 9, 1998.

"*Notice Parties*" means the Corporation, each Rating Agency, the Trustee, and, to the extent there exists a Person in any of the following capacities with respect to the Series 2008C-1/2 Bonds: the Remarketing Agents, the Liquidity Provider, if any, and the Credit Provider, if any.

"*Obligations*" means collectively, Senior Obligations, Senior-Subordinate Obligations, Subordinate Obligations and Junior-Subordinate Obligations.

"*Operating Fund*" means the fund by that name described in the Indenture.

"*Optional Tender Notice*" means a notice delivered by Electronic Means or in writing to the Trustee that states (a) the principal amount of the Series 2008C-1/2 Bonds to be purchased pursuant to the 2008C-1/2 Supplemental Indenture, (b) the Purchase Date on which such Series 2008C-1/2 Bond is to be purchased, and (c) applicable payment instructions with respect to the Series 2008C-1/2 Bond being tendered for purchase.

"*Outstanding*" means, when used in connection with any Bond, a Bond which has been executed and delivered pursuant to the Indenture which at such time remains unpaid as to principal or interest, when used in connection with a Derivative Product, a Derivative Product which has not expired or been terminated, and when used in connection with a Liquidity Facility or Credit Facility, a Liquidity Facility or Credit Facility under which amounts can still be demanded by or are still owing to the applicable Liquidity Provider or Credit Provider, unless in all cases provision has been made for such payment pursuant to the Indenture, excluding Bonds which have been replaced pursuant to the Indenture. Calculation of the aggregate principal amount of any Obligations Outstanding will be made in accordance with the Indenture.

"*Participant*" means a broker-dealer, bank, or other financial institution from time to time for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

"*Person*" means an individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, or government or agency or political subdivision thereof.

"*Portfolio Yield*" means, with respect to Financed Eligible Loans allocable to particular Tax-Exempt Bonds, the composite yield on the date of calculation of the portfolio of such Financed Eligible Loans computed in accordance with the Code, assuming no additional Eligible Loans are financed and allocable to such Tax-Exempt Bonds.

"*Principal Office*" means the office of the party indicated, as set forth in the Indenture.

"*Principal Reduction Payment Date*" means, for any Bond, any date described in a Supplemental Indenture for the payment of Principal Reduction Payments.

"*Principal Reduction Payments*" means principal payments on Bonds, other than mandatory sinking fund payments, made prior to a Stated Maturity, as set forth in a Supplemental Indenture.

"*Priority Termination Payment*" means, subject to the written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility, with respect to a Derivative Product, any termination payment payable by the Corporation under such Derivative Product relating to an early termination of such Derivative Product by the Reciprocal Payor, as the non-defaulting party, following (a) a payment default by the Corporation thereunder, (b) the occurrence of an Event of Default specified in the Indenture, or (c) the Trustee's taking any action under the Indenture to liquidate the entire Trust Estate following an Event of Default and acceleration of the Bonds pursuant thereto, or any other Termination Payments upon receipt of a Rating Agency Condition and the prior written consent of each Credit Provider and Liquidity Provider.

"*Program*" means the Corporation's program for the origination and acquisition of Eligible Loans pursuant to the Indenture, as the same may be modified from time to time.

"*Program Expenses*" means (a) the fees and expenses of the Trustee; (b) the fees and expenses of any auction agent, any market agent, any Calculation Agent and any broker-dealer then acting under a Supplemental Indenture; (c) the fees and expenses of any remarketing agent then acting under a Supplemental Indenture with respect to variable rate Bonds; (d) Liquidity Facility Fees and Credit Facility Fees; (e) the fees of any Servicer or custodian under any Servicing Agreement or custodian agreement; (f) the fees and expenses of the Corporation incurred in connection with the preparation of legal opinions and other authorized reports or statements attributable to the Bonds or the Financed Eligible Loans; (g) fees and expenses associated with the delivery of a substitute Liquidity Facility or Credit Facility under a Supplemental Indenture; (h) fees and expenses associated with (but not payments under) Derivative Products; (i) the costs of remarketing any variable rate Bonds in addition to those referred to in (c) above; and (j) expenses incurred for the Corporation's maintenance and operation of its Program, including, without limitation, the reasonable fees and expenses of attorneys, agents, financial advisors, rebate analysts, consultants, accountants, and other professionals, attributable to such maintenance and operation; marketing expenses for the Program; and a prorated portion of the rent, personnel costs, office supplies and equipment, and travel expenses.

"*Purchase Date*" means (a) for a Series 2008C-1/2 Bond in the Daily Mode, the Weekly Mode, or the Monthly Mode, any Business Day selected by the Registered Owner of said Series 2008C-1/2 Bond pursuant to the provisions of the 2008C-1/2 Supplemental Indenture, and (b) any Mandatory Tender Date.

"*Purchase Notice*" means a notice delivered to the Registered Owner of Bank Bonds by the applicable Remarketing Agent stating that the Remarketing Agent has located a purchaser for some or all of such Bank Bonds and that such purchaser desires to purchase such Bank Bonds.

"*Purchase Price*" means, except as provided in the 2008C-1/2 Supplemental Indenture, an amount equal to (a) the unpaid principal amount of any Series 2008C-1/2 Bonds purchased on any Purchase Date, plus (b) in the case of any purchase of Series 2008C-1/2 Bonds on a date that is not an Interest Payment Date, accrued interest, if any, in each case, without premium.

"*Purchaser*" means (a) with respect to the Series 2008C-1 Bonds, Goldman, Sachs & Co. and (b) with respect to the Series 2008C-2 Bonds, Citigroup Global Markets Inc.

"*Rate Determination Date*" means September 17, 2008, and thereafter, any date the interest rate on the Series 2008C-1/2 Bonds will be determined, which after the initial Interest Period means, (a) in the case of a Daily Mode, no later than 9:30 a.m. New York City time on the Mode Change Date and no later than 9:30 a.m. New York City time on each Business Day thereafter; (b) in the case of a Weekly Mode, no later than the Business Day prior to the Mode Change Date, and thereafter, the Business Day next preceding the applicable Designated Day (the initial Designated Day for the Weekly Rate Period being each Thursday); (c) in the case of a Monthly Mode, no later than the Business Day prior to the Mode Change Date, and thereafter, the Business Day immediately preceding the first day of the applicable Monthly Rate Period; (d) in the case of a Term Mode, a Business Day no earlier than seven (7) Business Days and no later than the Business Day next preceding the first day of an Interest Period, as determined by the applicable Remarketing Agent; and (e) in the case of the Fixed Mode, a date determined by the applicable Remarketing Agent which will be at least one Business Day prior to the Mode Change Date.

"*Rating*" means one of the rating categories of a Rating Agency.

"*Rating Agency*" means any one or more nationally recognized statistical rating organizations or other comparable Persons, designated by the Corporation to assign Ratings to any of the Bonds. With respect to the Series 2008C-1/2 Bonds, Rating Agency will include Moody's and Fitch.

"*Rating Agency Condition*" means a letter from each Rating Agency then designated as a Rating Agency for any of the Bonds at the request of the Corporation, confirming that the action proposed to be taken by the Corporation will not, in and of itself, result in a downgrade of any of the Ratings then applicable to the Bonds, or cause such Rating Agency to suspend or withdraw the Ratings then applicable to the Bonds. However, if none of the Bonds Outstanding under the Indenture have an underlying Rating (i.e. a Rating which is not dependent upon a Credit Facility) then, except as may be provided in a Supplemental Indenture, any requirement under the Indenture to obtain a Rating Agency Condition will not be applicable.

"*Rebate Amount*" means the amount computed as of a Computation Date in accordance with the Code.

"*Rebate Fund*" means the Fund by that name created and further described in the Indenture.

"*Reciprocal Payments*" means any payment to be made to, or for the benefit of, the Corporation under a Derivative Product.

"*Reciprocal Payor*" means any counterparty under a Derivative Product.

"*Record Date*" means the Business Day before an Interest Payment Date with respect to the Series 2008C-1/2 Bonds.

"*Recoveries of Principal*" means all amounts received by the Trustee from or on account of any Financed Eligible Loan as a recovery of the principal amount thereof, including scheduled, delinquent and advance payments; payouts or prepayments; proceeds from insurance or from the sale, assignment, transfer, reallocation, or other disposition of a Financed Eligible Loan; and any payments representing such principal from the guarantee or insurance of any Financed Eligible Loan.

"*Recycling Period*" means the period commencing on the Date of Issuance to December 1, 2010, or such later date as may be permitted by a Rating Agency Condition and the prior written consent of the Credit Provider.

"*Redemption Date*" means, when used with respect to any Bonds to be redeemed, the date fixed for such redemption, other than mandatory sinking fund redemption, by or pursuant to the Indenture (including the applicable Supplemental Indenture).

"*Redemption Price*" means the total of principal, premium (if any) and interest due on any Bond redeemed pursuant to any applicable redemption provision of the Indenture and any Supplemental Indenture.

"*Refunded Bonds*" means the $24,000,000 Senior Series 1995D Bonds issued pursuant to the 1995D Refunded Bonds Resolution, the $25,000,000 Senior Series 1996I Bonds issued pursuant to the 1996I Refunded Bonds Resolution, the $41,250,000 Senior Series 1998N Bonds issued pursuant to the 1998N Refunded Bonds Resolution, the $50,000,000 Senior Series 2000U Bonds issued pursuant to the 2000U Refunded Bonds Resolution, the $58,450,000 Senior Series 2006TT Bonds issued pursuant to the 2006TT/2006UU Refunded Bonds Resolution, and the $1,300,000 Senior Series 2006UU Bonds issued pursuant to the 2006TT/2006UU Refunded Bonds Resolution.

"*Refunded Bonds Resolutions*" means the 1995D Refunded Bonds Resolution, the 1996I Refunded Bonds Resolution, the 1998N Refunded Bonds Resolution, the 2000U Refunded Bonds Resolution, and the 2006TT/2006UU Refunded Bonds Resolution.

"*Registered Owner*" means the Person in whose name a Bond is registered on the Bond registration records maintained by the Trustee and will also mean with respect to a Derivative Product, any Reciprocal Payor, unless the context otherwise requires.

"*Regulations*" means the Regulations promulgated from time to time by the Secretary or any Guaranty Agency guaranteeing Financed Eligible Loans.

"*Remarketing Agent*" means, (a) with respect to the Series 2008C-1 Bonds, Goldman, Sachs & Co. (the "2008C-1 Remarketing Agent"), or any other entity assuming the duties and obligations of the Remarketing Agent as may be appointed by the Corporation and (b) with respect to the Series 2008C-2 Bonds, Citigroup Global Markets Inc. (the "2008C-2 Remarketing Agent"), or any other entity assuming the duties and obligations of the Remarketing Agent as may be appointed by the Corporation.

"*Remarketing Agreement*" means (a) with respect to the Series 2008C-1 Bonds, the Remarketing Agreement, dated as of September 1, 2008 between the Corporation and the 2008C-1 Remarketing Agent and with the prior written consent of the Liquidity Provider or Credit Provider, as applicable, any amendments or supplements thereto, which consent will not be unreasonably withheld; and (b) with respect to the Series 2008C-2 Bonds, the Remarketing Agreement, dated as of September 1, 2008 between the Corporation and the 2008C-2 Remarketing Agent, and with the prior written consent of the Liquidity Provider or Credit Provider, as applicable, any amendments or supplements thereto, which consent will not be unreasonably withheld.

"*Remarketing Proceeds Account*" means the account by that name created pursuant to the 2008C-1/2 Supplemental Indenture.

"*Resolution*" means a resolution duly adopted by the Board.

"*Revenue*" or "*Revenues*" means all Recoveries of Principal, payments, proceeds, charges, and other income received by the Trustee or the Corporation from or on account of any Financed Eligible Loan (including scheduled, delinquent and advance payments of and any insurance proceeds with respect to, interest, including Interest Benefit Payments, on any Financed Eligible Loan and any Special Allowance Payment received by the Corporation with respect to any Financed Eligible Loan) and all interest earned or gain realized from the investment of amounts in any Fund or Account and all payments received by the Corporation pursuant to a Derivative Product.

"*Revenue Fund*" means the Fund by that name created and further described in the Indenture, including any Accounts and Subaccounts created therein.

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

"*Secretary*" means the Secretary of the United States Department of Education or any successor to the pertinent functions thereof under the Act.

"*Securities Depository*" means The Depository Trust Company, New York, New York, and its successors and assigns or any additional or other securities depository designated in a Supplemental Indenture; the then Securities Depository if The Depository Trust Company resigns from its functions as depository of the Bonds; or, if the Corporation discontinues use of the Securities Depository, pursuant to the Indenture, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Corporation with the consent of the Trustee.

"*Seller*" means any seller selling loans to the Corporation pursuant to a Student Loan Purchase Agreement and its successors and assigns.

"*Senior Bonds*" means all Bonds, including Bank Bonds, secured on a senior priority to the Senior-Subordinate Obligations, Subordinate Obligations and the Junior-Subordinate Obligations.

"*Senior Obligations*" means Senior Bonds, and all amounts owing under any Derivative Product, Credit

Facility or Liquidity Facility, the priority of payment of which is equal with that of Senior Bonds, provided that Termination Payments for such Derivative Products will continue to be paid pursuant to the Indenture.

"*Senior Parity Percentage*" means the ratio expressed as a percentage of the Aggregate Market Value to the aggregate principal amount of and accrued interest on all Senior Obligations then Outstanding, plus allocable accrued but unpaid Program Expenses, if any.

"*Senior-Subordinate Bonds*" means all Bonds, including Bank Bonds, secured on a priority subordinate to the Senior Obligations and on a priority senior to the Subordinate Obligations and Junior-Subordinate Obligations.

"*Senior-Subordinate Obligations*" means Senior-Subordinate Bonds, and all amounts owing under any Derivative Product, Credit Facility or Liquidity Facility, the priority or payment of which is equal with that of Senior-Subordinate Bonds, provided that Termination Payments for such Derivative Products will continue to be paid pursuant to the Indenture.

"*Serial Bonds*" means the Series 2008C-1/2 Bonds maturing on the Serial Stated Maturities, as determined pursuant to the 2008C-1/2 Supplemental Indenture.

"*Serial Payments*" means the payments to be made in payment of the principal of the Serial Bonds on the Serial Stated Maturities.

"*Serial Stated Maturities*" means the dates on which the Serial Bonds mature, as determined pursuant to the 2008C-1/2 Supplemental Indenture.

"*Series*" means all Bonds authenticated and delivered pursuant to a Supplemental Indenture and designated therein as a Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds pursuant thereto and to the Indenture.

"*Series 2008C-1 Bonds*" means the $100,000,000 Education Loan Revenue Bonds, Senior Series 2008C-1 (Tax-Exempt Variable Rate Demand Bonds) issued pursuant to the 2008C-1/2 Supplemental Indenture.

"*Series 2008C-2 Bonds*" means the $100,000,000 Education Loan Revenue Bonds, Senior Series 2008C-2 (Tax-Exempt Variable Rate Demand Bonds) issued pursuant to the 2008C-1/2 Supplemental Indenture.

"*Series 2008C-1/2 Bonds*" means the Series 2008C-1 Bonds and the Series 2008C-2 Bonds.

"*Servicer*" means the Corporation or an affiliate of the Corporation and any additional Person with which the Corporation has entered into a Servicing Agreement with respect to Financed Eligible Loans and for which the Corporation has obtained (i) a Rating Agency Condition, and (ii) the prior written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility.

"*Servicing Agreement*" means the servicing agreements with any Servicer relating to Financed Eligible Loans, as amended from time to time.

"*Short-Term Mode*" means the Daily Mode, the Weekly Mode, the Monthly Mode, or a Term Mode with a term less than nine months.

"*SIFMA Municipal Swap Index*" means, with respect to any Series 2008C-1/2 Bonds in the Weekly Mode for which a rate is not set pursuant to the 2008C-1/2 Supplemental Indenture, the rate per annum determined on the basis of the seven-day high grade market index published weekly based upon the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data, Boston, Massachusetts, a Thompson Financial Services Company, or its successor, which meet specific criteria established by the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association and The Public Securities Association).

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

"*Special Record Date*" has the meaning set forth in each Supplemental Indenture.

"*Stated Maturity*" means December 15, 2040.

"*Student Loan Purchase Agreement*" means a loan purchase agreement entered into for the purchase of Eligible Loans into the Trust Estate which is in form and substance acceptable to any Credit Provider, if applicable.

"*Subaccount*" means any of the subaccounts which may be created and established within any Account by the Indenture.

"*Subordinate Bonds*" means any Bonds, including Bank Bonds, secured on a priority subordinate to the Senior Obligations and the Senior-Subordinate Obligations and on a priority senior to the Junior-Subordinate Obligations.

"*Subordinate Obligations*" means Subordinate Bonds, and all amounts owing under any Derivative Product, Credit Facility or Liquidity Facility, the priority of payment of which is equal with that of Subordinate Bonds, provided that Termination Payments for such Derivative Products will continue to be paid pursuant to the Indenture.

"*Substitution Date*" means the date upon which an Alternate Liquidity Facility or Alternate Credit Facility is substituted for the Liquidity Facility or Credit Facility then in effect, which will be at least one day prior to the expiration of any such Liquidity Facility or Credit Facility then in effect, as applicable.

"*Supplemental Indenture*" means an agreement supplemental to the Master Indenture and executed thereto.

"*Tax Documents*" means, collectively, the certificates and agreements of the Corporation and instructions to the Corporation and the Trustee, all dated the applicable Date of Issuance, relating to the use of proceeds of Tax-Exempt Bonds and which set forth the grounds for the Corporation's belief that such Tax-Exempt Bonds are not "arbitrage bonds" within the meaning of the Code, including the exhibits and schedules attached thereto.

"*Taxable Acquisition Account*" means the Account by that name created pursuant to the Indenture.

"*Taxable Bonds*" means any Bonds issued and delivered pursuant to the Indenture, the interest on which does not purport to be excluded from the federal gross income of the Registered Owners thereof.

"*Taxable Capitalized Interest Account*" means the Account by that name created pursuant to the Indenture.

"*Taxable Debt Service Reserve Account*" means the Account by that name created pursuant to the Indenture.

"*Taxable Junior-Subordinate Bonds*" means Junior-Subordinate Bonds which are Taxable Bonds.

"*Taxable Revenue Account*" means the Account by that name created pursuant to the Indenture.

"*Taxable Senior Bonds*" means Senior Bonds which are Taxable Bonds.

"*Taxable Senior-Subordinate Bonds*" means Senior-Subordinate Bonds which are Taxable Bonds.

"*Taxable Subordinate Bonds*" means Subordinate Bonds which are Taxable Bonds.

"*Tax-Exempt Acquisition Account*" means the Account by that name created pursuant to the Indenture.

"*Tax-Exempt Bonds*" means any Bonds which do not constitute Taxable Bonds.

"*Tax-Exempt Capitalized Interest Account*" means the Account by that name created pursuant to the Indenture.

"*Tax-Exempt Debt Service Reserve Account*" means the Account by that name created pursuant to the Indenture.

"*Tax-Exempt Junior-Subordinate Bonds*" means Junior-Subordinate Bonds which are Tax-Exempt Bonds.

"*Tax-Exempt Revenue Account*" means the Account by that name created pursuant to the Indenture.

"*Tax-Exempt Senior Bonds*" means Senior Bonds which are Tax-Exempt Bonds.

"*Tax-Exempt Senior-Subordinate Bonds*" means Senior-Subordinate Bonds which are Tax-Exempt Bonds.

"*Tax-Exempt Subordinate Bonds*" means Subordinate Bonds which are Tax-Exempt Bonds.

"*Tender Agent*" means the bank, trust company, or other financial institution appointed by the Corporation as tender agent for the Trustee under the Indenture and as depositary under any tender agent agreement, or any successor or successors thereto, as the case may be, with respect to such functions collectively or separately; provided, however, that if no Tender Agent has been appointed under the Indenture, provisions relating to the Tender Agent will be read as applying to the Trustee.

"*Tender Notice Deadline*" means:

(a) with respect to a Mandatory Tender Notice;

(i) no less than fifteen (15) days prior to the Mandatory Tender Date that occurs on a Substitution Date or an Expiration Date (but no notice need be given in respect of an Expiration Date if notice has been given of a mandatory tender that will occur prior to the Expiration Date and the Series 2008C-1/2 Bonds will not subsequently be remarketed under the Liquidity Facility or Credit Facility, as applicable, that is expiring);

(ii) no less and not more than five (5) days prior to a Mandatory Tender Date that is described in clause (e) of the definition thereof;

(iii) for all other Mandatory Tender Dates, not less than fifteen (15) days prior to the Mandatory Tender Date;

(b) during the Daily Rate Period, with respect to an Optional Tender Notice, no later than 11:00 a.m., New York City time on a specified Purchase Date; and

(c) during the Weekly Rate Period or Monthly Rate Period, with respect to an Optional Tender Notice, no later than 3:00 p.m., New York City time on any Business Day that is at least seven (7) days prior to the specified Purchase Date.

"*Term Mode*" means the period of time selected in accordance with the 2008C-1/2 Supplemental Indenture when all or any part of the Series 2008C-1/2 Bonds bear interest at the Term Rate.

"*Term Rate*" means the per annum interest rate for the Series 2008C-1/2 Bonds in the Term Mode determined pursuant to the Series 2008C-1/2 Supplemental Indenture.

"*Term Rate Period*" means, with respect to a Series 2008C-1/2 Bond in the Term Mode, the period from (and including) the immediately preceding Mode Change Date to (and including) the last day of the Interest Period established by the Corporation pursuant to the 2008C-1/2 Supplemental Indenture and, thereafter, the period from (and including) the beginning date of each successive Interest Period selected for such Series 2008C-1/2 Bonds by the Corporation pursuant to the Series 2008C-1/2 Indenture while such Series 2008C-1/2 Bonds are in the Term Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period.

"*Termination Date*" means a date, if any, selected by the Corporation to terminate the Liquidity Facility or Credit Facility, as applicable.

"*Termination Payment*" means, with respect to a Derivative Product, any termination payment payable by the Corporation under such Derivative Product relating to an early termination of such Derivative Product by the Reciprocal Payor after the occurrence of a termination event or event of default specified in such Derivative Product, other than Priority Termination Payments.

"*Trust Estate*" means the property described as such in the granting clauses in the Master Indenture.

"*Trustee*" means People's United Bank (as successor by merger to Chittenden Trust Company), Burlington, Vermont, acting in its capacity as Trustee under the Indenture, or any successor Trustee designated pursuant to the Indenture.

"*2000U Refunded Bonds Resolution*" means the 1995 Education Loan Revenue Bond Resolution adopted by the Corporation on June 16, 1995, as supplemented and amended by the 2000 Sixth Series Resolution adopted by the Corporation on April 27, 2000.

"*2006TT/2006UU Refunded Bonds Resolution*" means the 1995 Education Loan Revenue Bond Resolution adopted by the Corporation on June 16, 1995, as supplemented and amended by the 2006 Twelfth Series Resolution adopted by the Corporation on June 8, 2006.

"*2008C-1/2 Second Supplement*" means the 2008C-1/2 Second Supplemental Indenture of Trust, dated as of March 1, 2012, by and between the Corporation and the Trustee.

"*2008C-1/2 Subaccount*" means each subaccount established pursuant to the 2008C-1/2 Supplemental Indenture.

"*2008C-1/2 Supplemental Indenture*" means the 2008C-1/2 Supplemental Indenture dated as of September 1, 2008 by and between the Corporation and the Trustee authorizing the Series 2008C-1/2 Bonds.

"*Underwriter*" means the underwriter or underwriters of any of the Bonds. With respect to the Series 2008C-1/2 Bonds, the Underwriters will be the Purchasers.

"*Unremarketed Bonds Rate*" means the least of (i) 18% per annum, (ii) the maximum interest rate at the time then specified in the Liquidity Facility or Credit Facility (initially, 12% per annum) or (iii) the maximum lawful nonusurious rate allowed under the laws of the State of Vermont.

"*Value*" on any calculation date when required under the Indenture means the value of the Trust Estate calculated by the Corporation as to clause (a) below and by the Trustee as to clauses (b) through (e), inclusive, below, as follows:

(a) with respect to any Eligible Loan, the unpaid principal amount thereof plus any accrued but unpaid interest, plus Interest Benefit Payments and Special Allowance Payments to which the Corporation is entitled;

(b) with respect to any funds of the Corporation held under the Indenture and on deposit in any commercial bank or as to any banker's acceptance or repurchase agreement or investment contract, the amount thereof plus accrued but unpaid interest;

(c) with respect to any Investment Securities of an investment company, the bid price of the shares as reported by the investment company plus accrued but unpaid interest;

(d) as to Investment Agreements, par plus accrued interest; and

(e) as to other investments: (i) the lower of the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Corporation in its absolute discretion) at the time making a market in such investments, or (ii) the bid price published by a nationally recognized pricing service.

"*Variable Mode*" means a Daily Mode, a Weekly Mode or a Monthly Mode.

"*Variable Rate*" means a Daily Rate, a Weekly Rate or a Monthly Rate.

"*Weekly Mode*" means the period of time when the Series 2008C-1/2 Bonds bear interest at the Weekly Rate.

"*Weekly Rate*" means the per annum interest rate on the Series 2008C-1/2 Bonds in the Weekly Mode determined pursuant to the 2008C-1/2 Supplemental Indenture.

"*Weekly Rate Period*" means the period when a Series 2008C-1/2 Bond in the Weekly Mode will bear interest at a Weekly Rate, which will be the period commencing on the applicable Designated Day of each week to, but not including, the applicable Designated Day of the following week, except the first Weekly Rate Period which will be from the immediately preceding Mode Change Date or date of initial issuance of such Series 2008C-1/2 Bond, as applicable, to, but not including, the applicable Designated Day of the following week and the last Weekly Rate Period which will be from, but not including, the applicable Designated Day of the week prior to the proposed Mode Change Date to the day next succeeding the proposed Mode Change Date (or Stated Maturity if earlier). The Designated Day for the Series 2008C-1/2 Bonds during the Weekly Rate Period will be Thursday of each week, commencing with the first Thursday that is at least five (5) days after the applicable Mode Change Date, or such other day as may be established by the Remarketing Agents with the prior written consent of the Corporation and the Liquidity Provider or Credit Provider, as applicable, in connection with the establishment of that rate period.

Issuance of Bonds

The Corporation has the authority, upon complying with the provisions of the Indenture, to authenticate and deliver from time to time Bonds secured by the Trust Estate on a parity with the Senior Bonds, the Senior-Subordinate Bonds, the Subordinate Bonds or the Junior-Subordinate Bonds, if any, secured under the Indenture as will be determined by the Corporation. In addition, the Corporation may enter into any Derivative Products, Credit Facility, Credit Provider Agreement or Liquidity Facility it deems necessary or desirable with respect to any or all of the Bonds, provided that no Derivative Product will be entered into unless the Trustee will have received an executed copy thereof and a Rating Agency Condition from each Rating Agency with respect thereto.

No Bonds will be authenticated and delivered pursuant to the Indenture unless: the Corporation and the Trustee have entered into a Supplemental Indenture (which Supplemental Indenture will not require the approval of the Registered Owners of any of the Outstanding Bonds or Derivative Products but will require the consent of the Liquidity Provider or the Credit Provider then providing a Liquidity Facility or a Credit Facility); the Trustee will have received duly executed copies of the Liquidity Facility or Credit Facility relating to the Series of Bonds, if applicable; the Trustee will have received (other than at the time the first Series of Bonds is issued thereunder) a Rating Agency Condition from each Rating Agency with respect to the issuance of such Series of Bonds; upon the issuance of the proposed Series of Bonds, an amount equal to the Debt Service Reserve Fund Requirement with respect to such Series of Bonds, if any, will be deposited in the Debt Service Reserve Fund; and the Trustee will have received (other than at the time the first Series of Bonds is issued thereunder) the prior written consent of any Credit Provider which is providing a Credit Facility with respect to any Bonds Outstanding. No additional Bonds will be issued which are payable from drawings on any Credit Facility or Liquidity Facility, as applicable, which provides credit and/or liquidity support for another Series of Bonds Outstanding under the Indenture.

Obligations Are Special, Limited Obligations of the Corporation and Not a Debt of the State of Vermont; State Covenant

Obligations Are Special, Limited Obligations of the Corporation and Not a Debt of the State of Vermont. The Series 2008C-1/2 Bonds and the obligations of the Corporation contained in the Indenture will not be deemed to constitute a debt or liability or obligation of the State of Vermont or any political subdivision of the State of Vermont, nor will the Series 2008C-1/2 Bonds and the obligations of the Corporation contained in the Indenture be deemed to constitute a pledge of the faith and credit of the State of Vermont or of any political subdivision of the State of Vermont. The Series 2008C-1/2 Bonds and the obligations of the Corporation contained in the Indenture will not constitute a general obligation of the Corporation, but will be special, limited obligations of the Corporation, secured by and payable solely from the Trust Estate. Each Series 2008C-1/2 Bond or other obligation issued by the Corporation will contain on its face a statement to the effect that the Corporation will not be obligated to pay the same or the interest thereon from any other source and that neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision of the State of Vermont is pledged to the payment of the principal of or the interest on such obligations.

State Covenant. The Authorizing Act provides that the Corporation may execute the following pledge and agreement of the State of Vermont, in any agreement with the owners of the Corporation's notes, bonds, or other obligations, and the Corporation does hereby include such pledge and agreement for the benefit of the owners of the Bonds (including the Series 2008C-1/2 Bonds) and any Credit Provider or Liquidity Provider to the extent permitted by law:

"The State of Vermont does hereby pledge to and agree with the holders of the notes, bonds and other obligations issued under Chapter Eighty-Seven of the Vermont Statutes Annotated, Title 16 that the State of Vermont will not limit or restrict the rights thereunder vested in the Corporation to perform its obligations and to fulfill the terms of any agreement made with the holders of its bonds or notes or other obligations, including the Bonds or the obligations to any Credit Provider or Liquidity Provider. Neither will the State of Vermont in any way impair the rights and remedies of the holders until the notes and bonds and other obligations, including the Bonds or the obligations to any Credit Provider or Liquidity Provider, together with interest on them and interest on any unpaid installments of interest, are fully met, paid and discharged."

Certain Representations and Warranties of the Corporation

Covenant To Perform Obligations Under The Indenture. The Corporation has covenanted that it will faithfully perform at all times and at all places all covenants, undertakings, stipulations, provisions and agreements contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings of the Corporation pertaining thereto. The Corporation covenants that it is duly authorized to issue the Bonds issued under the Indenture and to enter into the Indenture and that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that such Bonds in the hands of the owners thereof are and will be valid and enforceable obligations of the Corporation according to the tenor and import thereof. In consideration of the purchase and acceptance of the Bonds by those who will hold the same from time to time, the provisions of the Indenture will be a part of the contract of the Corporation with the owners of the Bonds and will be deemed to be and will constitute a contract among the Corporation, the Trustee and the Registered Owners from time to time.

Further Instruments and Actions. The Corporation has covenanted that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indentures supplemental to the Master Indenture and such further acts, instruments and transfers as the Trustee may reasonably require for the better pledging all and singular of the Trust Estate pledged under the Indenture to the payment of the principal of, premium, if any, and the interest on the Bonds and other amounts owed to the Registered Owners.

Administration of the Program. The Corporation has covenanted that it will administer, operate and maintain the Program in such manner as to ensure that the Program and the Financed Eligible Loans (to the extent the same are made under the Act) will benefit from the benefits available under the Act and the federal program of reimbursement for student loans pursuant to the Act, or from any other federal statute providing for such federal program.

Financing, Collection and Assignment of Eligible Loans. The Corporation will finance only Eligible Loans with moneys in the Acquisition Fund and will diligently cause to be collected all principal and interest payments (subject to the Indenture) on all the Financed Eligible Loans and other sums to which the Corporation is entitled pursuant to any Student Loan Purchase Agreement, all grants, subsidies, insurance payments, Special Allowance Payments, Interest Benefit Payments, and all defaulted payments which relate to such Financed Eligible Loans. The Corporation will take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to maintain any guarantee or insurance on the Financed Eligible Loans and will also make, or cause to be made, every effort to perfect the Corporation's claims for payment from the Secretary, of all payments related to such Financed Eligible Loans, no later than required by the Act. The Corporation will assign such Financed Eligible Loans for payment of Guarantee or Insurance benefits within the required period under applicable law and regulations. The Corporation will comply with all United States and state statutes, rules and regulations which apply to the Program and to such Financed Eligible Loans.

Enforcement of Financed Eligible Loans. The Corporation will, subject to the Indenture, cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all terms, covenants and conditions of all Financed Eligible Loans and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due the Corporation thereunder. The Corporation will not, except as permitted by the Indenture, permit the release of the obligations of any borrower under any Financed Eligible Loan and will, subject to the Indenture, at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Corporation and the Trustee under the Indenture or with respect to each Financed Eligible Loan and agreement in connection therewith. The Corporation will not, subject to the Indenture, consent or agree to or permit any amendment or modification of any Financed Eligible Loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the Registered Owners under the Indenture; provided, however, the Corporation may make the one-time election to use a revised calculation of the Special Allowance Payments on Financed Eligible Loans for which the first disbursement was made on or after January 1, 2000 and before July 1, 2010 pursuant to Section 438(b)(2)(I)(vii) of the Act. Nothing in the Indenture will be construed to prevent the Corporation from (a) granting a reasonable forbearance to a borrower (unless such forbearance will, in the reasonable judgment of the Corporation, have a material adverse impact on the Corporation's ability to meet its obligations under the Indenture); (b) settling a default or curing a delinquency on any Financed Eligible Loan on such terms as will be permitted by law; (c) so long as such action will not adversely affect the Ratings on any of the Bonds, charging interest at a lower rate than is required by the Act; or (d) so long as such action will not adversely affect the Ratings on any of the Bonds, establishing discounts or granting forgiveness of principal of or interest on Financed Eligible Loans (including, notwithstanding the provisions of the Indenture, paying for such discounts or forgiveness with cash released from the Trust Estate), except in each case above as may be limited by a Supplemental Indenture.

Notwithstanding the foregoing, the Corporation may also forgive the indebtedness on all or a portion of the Financed Eligible Loans to the extent necessary to prevent interest on any Tax-Exempt Bonds from being includable in the gross income of the owners thereof for federal income tax purposes, or take such other action as may be provided in the written opinion of Bond Counsel (including, but not limited to, the payment of "yield reduction payments" under Section 1.148-5(c) of the Treasury Regulations), and may forgive the remaining indebtedness on any Financed Eligible Loan if, in the reasonable judgment of the Corporation evidenced by a certificate delivered to the Trustee, the cost of collection of the remaining indebtedness of such Financed Eligible Loan would exceed such remaining indebtedness.

Servicing. The Corporation has pledged that it 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 Corporation will be qualified for their respective positions. The Corporation will duly and properly service (or cause to be duly and properly serviced) all Financed Eligible Loans and enforce the payment and collection of all payments of principal and interest payments, including all grants, subsidies insurance payments, Special Allowance Payments and Interest Benefit Payments, which relate to any Financed Eligible Loans, or, will cause such servicing to be done by a Servicer evidencing, in the judgment of the Corporation, the capability and experience necessary to adequately service such Financed Eligible Loans. The Corporation has agreed that, and will cause each Servicer other than the Corporation to enter into a Servicing Agreement providing that, the Servicer will administer and collect all Financed Eligible Loans in the manner consistent with the Indenture and perform any duties, obligations and functions imposed upon the Servicer by the Corporation or any other Guaranty Agency.

The Corporation will not remove any Servicer under a Servicing Agreement unless (a)(i) the Corporation will have appointed a successor Servicer, (ii) the successor Servicer will have accepted its duties hereunder in writing, (iii) the Corporation will have obtained a Rating Agency Condition and (iv) the Corporation will have obtained the prior written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility, (b) the Corporation will have assumed and accepted in writing the duties of the resigning Servicer (unless the Corporation has been previously removed as Servicer) or (c) all Bonds are Bank Bonds and the Credit Provider and Liquidity Provider, if any, direct the removal of such Servicer.

Each Servicing Agreement with any Servicer, other than the Corporation, will provide that (1) the Servicer may resign and be discharged from its duties under such Servicing Agreement by giving to the Corporation not less than 90 days written notice; provided, such resignation will only take effect if (a)(i) the Corporation will have appointed a successor Servicer, (ii) the successor Servicer will have accepted its duties hereunder in writing, (iii) the Corporation will have obtained a Rating Agency Condition and (iv) the Corporation will have obtained the prior written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility or (b) the Corporation will have assumed and accepted in writing the duties of the resigning Servicer (unless the Corporation has been previously removed as Servicer) and (2) the Servicer may be removed and be discharged from its duties under such Servicing Agreement upon not more than 30 days written notice and otherwise as provided herein and in any Liquidity Facility or Credit Provider Agreement.

Administration and Collection of Financed Eligible Loans. All Financed Eligible Loans which are part of the Trust Estate will be administered and collected either by the Corporation or by a Servicer selected by the Corporation in a competent, diligent and orderly fashion and in accordance with all requirements of the Act, the Secretary and the Indenture.

Tax Covenants. The Corporation will at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Tax-Exempt Bonds will, for purposes of federal income taxation, be excludable from the gross income of the recipients thereof, including, but not limited to, such actions as are required to be taken pursuant to any Tax Documents and the Indenture. The Corporation will not permit at any time or times any of the proceeds of the Bonds or any other funds of the Corporation to be used directly or indirectly to finance any securities or obligations, the acquisition of which would cause any Tax-Exempt Bond to be or become an "arbitrage bond" as defined in Section 148 of the Code. The Corporation will take such action as may be necessary to assure that the Portfolio Yield as of the date of final payment of related Tax-Exempt Bonds does not exceed the related Bond Yield by an amount greater than may be consistent with any Tax Documents, including the forgiveness and discharge of borrower payment obligations with respect to the outstanding principal amounts of and any interest due upon any or all of such Financed Eligible Loans upon any such payment date. The Program documents will include the requirement that no borrower on a Financed Eligible Loan nor any "related person," as defined in Section 144(a)(3) of the Code, will pursuant to any arrangement, formal or informal, purchase the Corporation's obligations in an amount related to the amount of such borrower's Financed Eligible Loans. The foregoing covenants will remain in full force and effect notwithstanding the defeasance of the Bonds pursuant to the Indenture or any other provision hereof, and notwithstanding any provision hereof, the Corporation will observe its covenants and agreements contained in the Tax Documents, to the extent that, and for so long as, such covenants and agreements are required by law.

Funds

General. The Indenture creates and establishes the following Funds to be held and maintained by the Trustee for the benefit of the Registered Owners:

(a) Acquisition Fund, including a Tax-Exempt Acquisition Account and a Taxable Acquisition Account therein;

(b) Revenue Fund, including a Tax-Exempt Revenue Account, a Taxable Revenue Account, a Tax-Exempt Capitalized Interest Account and a Taxable Capitalized Interest Account therein;

(c) Debt Service Fund, including a Principal Account, and within the Principal Account a Tax-Exempt Principal Subaccount and a Taxable Principal Subaccount, an Interest Account, and within the Interest Account a Tax-Exempt Interest Subaccount and a Taxable Interest Subaccount, and a Retirement Account, and within the Retirement Account a Tax-Exempt Retirement Subaccount and a Taxable Retirement Subaccount; and

(d) Debt Service Reserve Fund, including a Tax-Exempt Debt Service Reserve Account and a Taxable Debt Service Reserve Account therein.

The Indenture creates and establishes the Rebate Fund, to be held and maintained by the Trustee, in which neither the Corporation nor the Registered Owners have any right, title or interest.

The Indenture creates and orders held in the custody of the Trustee as Tender Agent the "Bond Purchase Fund." Pursuant to the 2008C-1/2 Supplemental Indenture, there are additional provisions relating to the Bond Purchase Fund and there has been established a Remarketing Proceeds Account and Liquidity/Credit Facility Purchase Account with respect to the Series 2008C-1/2-1 Bonds within such Bond Purchase Fund.

The Operating Fund does not constitute a Fund within the meaning of the Indenture, and is held by the Corporation as described in the Indenture. The Registered Owners will have no right, title or interest in the Operating Fund.

The Trustee is authorized for the purpose of facilitating the administration of the Trust Estate and for the administration of any Bonds issued under the Indenture to create further Accounts or Subaccounts in any of the various Funds and Accounts established under the Indenture which are deemed necessary or desirable.

Acquisition Fund. There will be deposited into the Tax-Exempt Acquisition Account moneys from proceeds of any Tax-Exempt Bonds to be deposited therein pursuant to a Supplemental Indenture, moneys transferred thereto from the Tax-Exempt Revenue Account, the Tax-Exempt Capitalized Interest Account, and the Tax-Exempt Debt Service Reserve Account pursuant to the Indenture, and during any Recycling Period unless otherwise directed by the Corporation in a Corporation Order, Recoveries of Principal with respect to Financed Eligible Loans financed from the Tax-Exempt Acquisition Account, and there will be deposited in the Taxable Acquisition Account moneys deposited from proceeds of any Taxable Bonds to be deposited therein pursuant to a Supplemental Indenture, moneys transferred thereto from the Taxable Revenue Account, the Taxable Capitalized Interest Account, and the Taxable Debt Service Reserve Account pursuant to the Indenture and during any Recycling Period unless otherwise directed by the Corporation in a Corporation Order, Recoveries of Principal with respect to Financed Eligible Loans financed from the Taxable Acquisition Account. Financed Eligible Loans will be pledged to the Trust Estate and accounted for as a part of the Acquisition Fund.

Moneys on deposit in the Acquisition Fund will be used, upon Corporation Order, solely to pay costs of issuance of the Bonds and during any Acquisition Period and any Recycling Period as set forth in a Supplemental Indenture, to finance Eligible Loans at a price, including transfer fees, purchase premiums, federal default fees, Federal Loan Fees and any other loan origination fees, not in excess of amounts set forth in any Supplemental Indenture or pursuant to a Liquidity Facility or Credit Provider Agreement unless the Corporation will have received (i) a Rating Agency Condition from each Rating Agency and (ii) the prior written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility. Any such Corporation Order will state that such proposed use of moneys in the Acquisition Fund is in compliance with the provisions of the Indenture. If the Corporation determines that all or any portion of such moneys cannot be so used, then an Authorized Representative of the Corporation may by Corporation Order direct the Trustee that such moneys will be transferred to the applicable Subaccount of the Retirement Account of the Debt Service Fund and used to redeem Bonds in accordance with any Supplemental Indenture.

The Corporation covenants that no amount credited to the Tax-Exempt Acquisition Account will be used to finance any Eligible Loans which are not Nexus Loans unless the percentage of the proceeds of the applicable Series of Tax-Exempt Bonds used to finance Nexus Loans equals or exceeds the percentage required by the Tax Documents related to such Series of Tax-Exempt Bonds, without regard to amounts deposited in the Tax-Exempt Debt Service Reserve Account.

Notwithstanding the foregoing, and after certain transfers required by the Indenture, if on any Bond Payment Date there are not sufficient moneys on deposit in the Tax-Exempt Interest Subaccount or the Tax-Exempt Principal Subaccount, as applicable, to make the payments due on any Tax-Exempt Bonds on such Bond Payment Date, then an amount equal to any such deficiency will be transferred directly from the Tax-Exempt Acquisition Account (but only from cash or Investment Securities and not from liquidation of Financed Eligible Loans), first, to the Tax-Exempt Interest Subaccount and, second, to the Tax-Exempt Principal Subaccount, as necessary; and if on any Bond Payment Date there are not sufficient moneys on deposit in the Taxable Interest Subaccount or the Taxable Principal Subaccount, as applicable, to make the payments due on any Taxable Bonds on such Bond Payment Date then an amount equal to any such deficiency will be transferred directly from the Taxable Acquisition Account (but only from cash or Investment Securities and not from liquidation of Financed Eligible Loans), first, to the Taxable Interest Subaccount and, second, to the Taxable Principal Subaccount, as necessary.

Subject to any limitations contained in a Credit Provider Agreement or Liquidity Facility, Financed Eligible Loans will be sold, transferred or otherwise disposed of (including transfers or sales to other trust estates) by the Trustee free from the lien of the Indenture at any time pursuant to a Corporation Order and if the Trustee is provided with the following:

(a) a Corporation Order stating the sale price and directing that Financed Eligible Loans be sold, transferred or otherwise disposed of and delivered:

(i) if the Eligible Loan is originated under the Act and the Act requires any such Eligible Loan to be held only by an Eligible Lender, to an Eligible Lender under the Act whose name will be specified; or

(ii) to the trustee under another indenture securing bonds issued by the Corporation or another higher education authority whose name will be specified in such Corporation Order and;

(b) a certificate, which may be incorporated in the Corporation Order referred to above, signed by an Authorized Representative of the Corporation to the effect that:

(i) (A) the disposition price is equal to or in excess of the greater of the principal amount thereof (plus accrued interest) or purchase price paid by the Corporation for such Financed Eligible Loan (less principal amounts received with respect to such Financed Eligible Loan); or

(B) the disposition price is lower than the principal amount thereof (plus accrued interest), the Corporation will have received a Rating Agency Condition and;

(1) the Corporation reasonably believes that the Revenues expected to be received (after giving effect to such disposition) would be at least equal to the Revenues expected to be received assuming no such sale, transfer or other disposition occurred;

(2) the Corporation will remain able to pay debt service on the Bonds and make payment on any other Obligations on a timely basis (after giving effect to such sale, transfer or other disposition) whereas it would not have been able to do so on a timely basis if it had not sold, transferred or disposed of the Financed Eligible Loans at such discounted amount; or

(3) the Senior Parity Percentage (after giving effect to such sale, transfer or other disposition) will be at least equal to 107.25% unless the Corporation will have received (A) a Rating Agency Condition from each Rating Agency allowing for a lower percentage and (B) the prior written consent of each Credit Provider and Liquidity Provider to a lower percentage; and

(ii) the Corporation has determined that adequate provision has been made assuring that such sale, transfer or other disposition does not impair the Corporation's capacity to comply with its obligation relative to the restriction upon Portfolio Yield as such obligation would be calculated upon the date of such sale, transfer or other disposition in accordance with any Tax Documents.

The provisions of paragraphs (a) and (b) above will also be subject to the limitation that the Corporation will not sell or transfer Financed Eligible Loans at any one time or in a series of transactions in an aggregate principal amount (giving effect to all such sales or transfers commencing on the Date of Issuance) in excess of 10% of the principal amount of Financed Eligible Loans held under this Indenture at the time of any such sale or transfer except as otherwise permitted with a Rating Agency Condition.

Further, Financed Eligible Loans will also be sold, transferred or otherwise disposed of by the Trustee pursuant to a Corporation Order in which the Corporation determines that such disposition of Financed Eligible Loans from the Trust Estate is necessary in order to avoid the occurrence of an Event of Default under the Indenture or to avoid any default in the payment obligations of the Corporation under any Liquidity Facility or Credit Provider Agreement, in such amount and at such times and prices as may be specified in such Corporation Order. The Corporation has covenanted to deliver such a Corporation Order to the Trustee at the written direction of any Credit Provider or Liquidity Provider following an event of default by the Corporation under the applicable Credit Provider Agreement or Liquidity Facility. The Trustee, following receipt of the foregoing and of a certificate of the Corporation indicating that such purchaser or transferee is one of the entities described in clause (a) above, if applicable, will deliver such Financed Eligible Loans free from the lien of the Indenture upon the receipt of the purchase price or consideration specified in the Corporation Order, in compliance with the foregoing. The proceeds to be received upon any disposition may consist of cash, Investment Securities and/or Eligible Loans. The Trustee will deposit the proceeds of any such sale, transfer or other disposition into the Account with respect to which such Financed Eligible Loans were attributable.

Revenue Fund.

(a) *Tax-Exempt Revenue Account*.

(i) The Trustee will deposit into the Tax-Exempt Revenue Account all Revenues derived from Financed Eligible Loans financed by the Corporation from moneys on deposit in the Tax-Exempt Acquisition Account (other than Recoveries of Principal during a Recycling Period unless directed by the Corporation in a Corporation Order), and all other Revenue derived from moneys or assets on deposit in the Tax-Exempt Acquisition Account, the Tax-Exempt Debt Service Reserve Account, the Tax-Exempt Capitalized Interest Account and the Tax-Exempt Revenue Account, all Reciprocal Payments with respect to Tax-Exempt Bonds, and any other amounts deposited thereto upon receipt of a Corporation Order.

(ii) Upon receipt of a Corporation Order directing the same, moneys in the Tax-Exempt Revenue Account will be used, on any date, to make a transfer or transfers to the Operating Fund, subject to the Indenture.

(iii) On the last Business Day of each calendar month, or more frequently or on other dates if required by a Supplemental Indenture or if directed by the Corporation pursuant to a Corporation Order, money in the Tax-Exempt Revenue Account will be used and transferred to other Funds, Accounts, Subaccounts or Persons in the following order of precedence (any money not so transferred or paid to remain in the Tax-Exempt Revenue Account until subsequently applied pursuant to this section):

(A) to the Rebate Fund, upon receipt of a Corporation Order and if necessary to comply with any Tax Document with respect to rebate or Excess Earnings;

(B) to make any payments due and payable by the Corporation to the U.S. Department of Education related to the applicable Financed Eligible Loans;

(C) to the credit of the Tax-Exempt Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of interest on Tax-Exempt Senior Bonds (or, with respect to Tax-Exempt Senior Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Tax-Exempt Bonds and secured on a parity with the Senior Bonds, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(D) to the credit of the Tax-Exempt Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Tax-Exempt Senior Bonds at their Stated Maturity or on a sinking fund payment date, (or, with respect to Tax-Exempt Senior Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon) and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(E) to the credit of the Tax-Exempt Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of interest on Tax-Exempt Senior-Subordinate Bonds (or, with respect to Tax-Exempt Senior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Tax-Exempt Bonds and secured on a parity with the Senior-Subordinate Bonds, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(F) to the credit of the Tax-Exempt Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Tax-Exempt Senior-Subordinate Bonds at their Stated Maturity or on a sinking fund payment date (or, with respect to Tax-Exempt Senior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon), and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(G) to the credit of the Tax-Exempt Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of interest on Tax-Exempt Subordinate Bonds (or, with respect to Tax-Exempt Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Tax-Exempt Bonds and secured on a parity with the Subordinate Bonds, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(H) to the credit of the Tax-Exempt Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Tax-Exempt Subordinate Bonds at their Stated Maturity or on a sinking fund payment date, (or, with respect to Tax-Exempt Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon), and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required by the Indenture;

(I) to the credit of the Tax-Exempt Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture to provide for the payment of interest on Tax-Exempt Junior-Subordinate Bonds (or, with respect to Tax-Exempt Junior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Tax-Exempt Bonds and secured on a parity with the Junior-Subordinate Bonds, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(J) to the credit of the Tax-Exempt Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Tax-Exempt Junior-Subordinate Bonds at their Stated Maturity or on a sinking fund payment date (or, with respect to Tax-Exempt Junior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon), and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(K) to the Tax-Exempt Debt Service Reserve Account the amount, if any, required to restore such account to the Debt Service Reserve Fund Requirement with respect thereto, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(L) to the applicable Subaccount, if any, established pursuant to a Supplemental Indenture of the Tax-Exempt Capitalized Interest Account or, if no such Subaccount will have been established, to the Tax-Exempt Capitalized Interest Account the amount, if any, required to restore such account to the Capitalized Interest Requirement with respect thereto, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(M) during any Recycling Period, to the Tax-Exempt Acquisition Account amounts not to exceed amounts previously transferred from the Tax-Exempt Acquisition Account to the Tax-Exempt and Taxable Interest or Principal Subaccounts pursuant to the Indenture;

(N) to the credit of the Tax-Exempt Retirement Subaccount of the Retirement Account of the Debt Service Fund for distribution of principal with respect to Tax-Exempt Bonds which by their terms are subject to scheduled Principal Reduction

Payments, (or, with respect to Tax-Exempt Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the distribution of such principal) an amount sufficient to make any monthly deposit required for the next Principal Reduction Payment Date as set forth in the Supplemental Indenture pursuant to which such Tax-Exempt Bonds were issued (such amounts to be applied to the payment of Tax-Exempt Bonds of a particular series based upon the priorities established in a Supplemental Indenture pursuant to which such Tax-Exempt Bonds are issued); provided, however, if the Corporation failed to make any previous scheduled Principal Reduction Payments on Tax-Exempt Bonds, the amount transferred pursuant to this clause (N) will include the amount not so paid and will be credited to the Tax-Exempt Retirement Subaccount of the Retirement Account for distribution as principal until all such shortfalls are eliminated, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(O) to the Operating Fund, the amount, if any, required to pay any Program Expense in excess of any limitations set forth in any Supplemental Indenture and the Master Indenture, provided, that after every such payment, the Senior Parity Percentage will be at least equal to 107.25% and the Value of the Trust Estate will be at least $500,000 greater than the principal amount of the Bonds Outstanding plus accrued interest thereon and Program Expenses accrued but unpaid unless the Corporation will have received (1) a Rating Agency Condition from each Rating Agency allowing for a lower percentage or amount and (2) the prior written consent of each Credit Provider and Liquidity Provider to a lower percentage;

(P) to the credit of the Tax-Exempt Interest Subaccount of the Interest Account of the Debt Service Fund, upon receipt by the Trustee of a Corporation Order, for the payment of unpaid Termination Payments and any other unpaid Corporation Derivative Payments in the following order of priority, provided, that after every such payment, the Senior Parity Percentage will be at least equal to 107.25% and the Value of the Trust Estate will be at least $500,000 greater than the principal amount of the Bonds Outstanding plus accrued interest thereon and Program Expenses accrued but unpaid unless the Corporation will have received (1) a Rating Agency Condition from each Rating Agency allowing for a lower percentage or amount and (2) the prior written consent of each Credit Provider and Liquidity Provider to a lower percentage: first, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to Tax-Exempt Bonds and secured on a parity with the Senior Bonds; second, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to Tax-Exempt Bonds and secured on a parity with the Senior-Subordinate Bonds; third, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to Tax-Exempt Bonds and secured on a parity with the Subordinate Bonds; and fourth, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to Tax-Exempt Bonds and secured on a parity with the Junior-Subordinate Bonds, and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(Q) to the credit of the Tax-Exempt Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture for the payment, in the following order of precedence, of the Carryover Amounts (and interest thereon) with respect to the Tax-Exempt Senior Bonds, the Carryover Amounts (and interest thereon) with respect to the Tax-Exempt Senior-Subordinate Bonds, the Carryover Amounts (and interest thereon) with respect to the Tax-Exempt Subordinate Bonds, and the Carryover Amounts (and interest thereon) with respect to the Tax-Exempt Junior-Subordinate Bonds, provided, that after every such payment, the Senior Parity Percentage will be at least equal to 107.25% and the Value of the Trust Estate will be at least $500,000 greater than the principal amount of the Bonds Outstanding plus accrued interest thereon and Program Expenses accrued but unpaid unless the Corporation will have received (1) a Rating Agency Condition from each Rating Agency allowing for a lower percentage or amount and (2) the prior written consent of each Credit Provider and Liquidity Provider to a lower percentage and to the extent there are insufficient moneys available in the Taxable Revenue Account for such purpose, to make the transfers required pursuant to the Indenture in the order of precedence set forth therein;

(R) during any applicable Recycling Period, at the option of the Corporation and upon receipt by the Trustee of a Corporation Order, to the Tax-Exempt Acquisition Account;

(S) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order or as required by a Supplemental Indenture, to the Tax-Exempt Retirement Subaccount of the Retirement Account of the Debt Service Fund for the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Corporation by Corporation Order); and

(T) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order, to the Corporation to the extent permitted by the Indenture.

(b) *Taxable Revenue Account*.

(i) The Trustee will deposit into the Taxable Revenue Account all Revenues derived from Financed Eligible Loans financed by the Corporation from moneys on deposit in the Taxable Acquisition Account, (other than Recoveries of Principal during a Recycling Period unless directed by the Corporation in a Corporation Order) and all other Revenue derived from moneys or assets on deposit in the Taxable Acquisition Account, the Taxable Debt Service Reserve Account, the Taxable Capitalized Interest Account and the Taxable Revenue Account, all Reciprocal Payments with respect to Taxable Bonds, and any other amounts deposited thereto upon receipt of a Corporation Order.

(ii) Upon receipt of a Corporation Order directing the same, moneys in the Taxable Revenue Account will be used, on any date, to make a transfer or transfers to the Operating Fund, subject to the Indenture.

(iii) On the last Business Day of each calendar month, or more frequently or on other dates if required by a Supplemental Indenture or upon the written direction of the Corporation pursuant to a Corporation Order, money in the Taxable Revenue Account will be used and transferred to other Funds, Accounts, Subaccounts, or Persons in the following order of precedence (any money not so transferred or paid to remain in the Taxable Revenue Account until subsequently applied pursuant to this section):

(A) to make any payments due and payable by the Corporation to the U.S. Department of Education related to the applicable Financed Eligible Loans;

(B) to the credit of the Taxable Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of interest on Taxable Senior Bonds (or, with respect to Taxable Senior Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Taxable Bonds and secured on a parity with the Senior Bonds, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(C) to the credit of the Taxable Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Taxable Senior Bonds at their Stated Maturity or on a sinking fund payment date, (or, with respect to Taxable Senior Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon), and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(D) to the credit of the Taxable Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of interest on Taxable Senior-Subordinate Bonds (or, with respect to Taxable Senior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Taxable Bonds and secured on a parity with the Senior-Subordinate Bonds, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(E) to the credit of the Taxable Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Taxable Senior-Subordinate Bonds at their Stated Maturity or on a sinking fund payment date, (or, with respect to Taxable Senior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon), and to the extent there are insufficient moneys in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(F) to the credit of the Taxable Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of interest on Taxable Subordinate Bonds (or, with respect to Taxable Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Taxable Bonds and secured on a parity with the Subordinate Bonds, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(G) to the credit of the Taxable Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Taxable Subordinate Bonds at their Stated Maturity or on a sinking fund payment date (or, with respect to Taxable Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon), and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(H) to the credit of the Taxable Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture to provide for the payment of interest on Taxable Junior-Subordinate Bonds (or, with respect to Taxable Junior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such interest, together with any required interest thereon) and the payment of Corporation Derivative Payments payable with respect to Taxable Bonds and secured on a parity with the Junior-Subordinate Bonds, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(I) to the credit of the Taxable Principal Subaccount of the Principal Account of the Debt Service Fund to the extent and in the manner provided in the Indenture, to provide for the payment of principal of Taxable Junior-Subordinate Bonds at their Stated Maturity or on a sinking fund payment date (or, with respect to Taxable Junior-Subordinate Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the payment of such principal, together with any required interest thereon), and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(J) to the Taxable Debt Service Reserve Account the amount, if any, required to restore such Account to the Debt Service Reserve Fund Requirement with respect thereto, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(K) to the applicable Subaccount, if any, established pursuant to a Supplemental Indenture of the Taxable Capitalized Interest Account or, if no such Subaccount will have been established, to the Taxable Capitalized Interest Account the amount, if any, required to restore such account to the Capitalized Interest Requirement with respect thereto, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(L) during a Recycling Period, to the Taxable Acquisition Account amounts not to exceed amounts previously transferred from the Taxable Acquisition Account to the Taxable or Tax-Exempt Interest or Principal Subaccounts pursuant to the Indenture;

(M) to the credit of the Taxable Retirement Subaccount of the Retirement Account of the Debt Service Fund for distribution of principal with respect to Taxable Bonds which by their terms are subject to scheduled Principal Reduction Payments (or, with respect to Taxable Bonds for which a Credit Facility is in effect, to provide for the reimbursement of the Credit Provider for draws on the Credit Facility for the distribution of such principal), an amount sufficient to make any monthly deposit required for the next Principal Reduction Payment Date as set forth in the Supplemental Indenture pursuant to which such Taxable Bonds were issued (such amounts to be applied to the payment of Taxable Bonds of a particular series based upon the priorities established in a Supplemental Indenture pursuant to which such Taxable Bonds are issued); provided, however, if the Corporation failed to make any previous scheduled Principal Reduction Payments on Taxable Bonds, the amount transferred pursuant to this clause (M) will include the amount not so paid and will be credited to the Taxable Retirement

Subaccount of the Retirement Account for distribution as principal until all such shortfalls are eliminated, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(N) to the Operating Fund, the amount, if any, required to pay any Program Expense in excess of any limitations set forth in any Supplemental Indenture and the Master Indenture, provided, that after every such payment, the Senior Parity Percentage will be at least equal to 107.25% and the Value of the Trust Estate will be at least $500,000 greater than the principal amount of the Bonds Outstanding plus accrued interest thereon and Program Expenses accrued but unpaid unless the Corporation will have received (1) a Rating Agency Condition from each Rating Agency allowing for a lower percentage or amount and (2) the prior written consent of each Credit Provider and Liquidity Provider to a lower percentage;

(O) to the credit of the Taxable Interest Subaccount of the Interest Account of the Debt Service Fund, upon receipt by the Trustee of a Corporation Order, for the payment of unpaid Termination Payments and any other unpaid Corporation Derivative Payments in the following order of priority, provided, that after every such payment, the Senior Parity Percentage will be at least equal to 107.25% and the Value of the Trust Estate will be at least $500,000 greater than the principal amount of the Bonds Outstanding plus accrued interest thereon and Program Expenses accrued but unpaid unless the Corporation will have received (1) a Rating Agency Condition from each Rating Agency allowing for a lower percentage or amount and (2) the prior written consent of each Credit Provider and Liquidity Provider to a lower percentage: first, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to the Taxable Bonds and secured on a parity with the Senior Bonds; second, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to Taxable Bonds and secured on a parity with the Senior-Subordinate Bonds; third, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to Taxable Bonds and secured on a parity with the Subordinate Bonds; and fourth, with respect to a Reciprocal Payor who has provided a Derivative Product payable with respect to Taxable Bonds and secured on a parity with the Junior-Subordinate Bonds, and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture;

(P) to the credit of the Taxable Interest Subaccount of the Interest Account of the Debt Service Fund to the extent and in the manner provided in the Indenture for the payment, in the following order of precedence, of the Carryover Amounts (and interest thereon) with respect to the Taxable Senior Bonds, the Carryover Amounts (and interest thereon) with respect to the Taxable Senior- Subordinate Bonds, the Carryover Amounts (and interest thereon) with respect to the Taxable Subordinate Bonds, and the Carryover Amounts (and interest thereon) with respect to the Taxable Junior-Subordinate Bonds, provided, that after every such payment, the Senior Parity Percentage will be at least equal to 107.25% and the Value of the Trust Estate will be at least $500,000 greater than the principal amount of the Bonds Outstanding plus accrued interest thereon and Program Expenses accrued but unpaid unless the Corporation will have received (1) a Rating Agency Condition from each Rating Agency allowing for a lower percentage or amount and (2) the prior written consent of each Credit Provider and Liquidity Provider to a lower percentage and to the extent there are insufficient moneys available in the Tax-Exempt Revenue Account for such purpose, to make the transfers required pursuant to the Indenture in the order of precedence set forth therein;

(Q) during any applicable Recycling Period, at the option of the Corporation and upon receipt by the Trustee of a Corporation Order, to the Taxable Acquisition Account;

(R) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order or as required by a Supplemental Indenture, to the Taxable Retirement Subaccount of the Retirement Account of the Debt Service Fund for the redemption of, or distribution of principal with respect to, Bonds which by their terms are subject to redemption or principal distribution from Revenues received under the Indenture (such amounts to be applied to the payment of Bonds of a particular series based upon the priorities established in the Supplemental Indentures pursuant to which such Bonds were issued, or if not so provided, at the direction of the Corporation by Corporation Order); and

(S) at the option of the Corporation and upon receipt by the Trustee of a Corporation Order, to the Corporation to the extent permitted by the Indenture.

(c) *Tax-Exempt Capitalized Interest Account*.

The Trustee will deposit to the Tax-Exempt Capitalized Interest Account the amount, if any, specified in each Supplemental Indenture and amounts required to be transferred thereto pursuant to the Indenture. On each Bond Payment Date with respect to Tax-Exempt Bonds and after the transfers required by the Indenture, to the extent there are insufficient moneys in the Tax-Exempt Interest Subaccount to make interest payments due on any Tax-Exempt Bonds on such Bond Payment Date (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest), an amount equal to any such deficiency will be transferred directly from the Tax-Exempt Capitalized Interest Account to the Tax-Exempt Interest Subaccount.

If a Supplemental Indenture specifies an amount to be deposited into the Tax-Exempt Capitalized Interest Account, such Supplemental Indenture may also (i) specify a time period for such amount to be used as described above; (ii) specify other uses for such amount (including, without limitation, making deposits to the Tax-Exempt Acquisition Account or Tax-Exempt Revenue Account); and (iii) establish Subaccounts within the Tax-Exempt Capitalized Interest Account in which such amount will be deposited.

(d) *Taxable Capitalized Interest Account*.

The Trustee will deposit to the Taxable Capitalized Interest Account the amount, if any, specified in each Supplemental Indenture and amounts required to be transferred thereto pursuant to the Indenture. On each Bond Payment Date with respect to Taxable Bonds and after the transfers required by the Indenture, to the extent there are insufficient moneys in the Taxable Interest Subaccount to make the interest payments due on any Taxable Bonds on such Bond Payment Date (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest), an amount equal to any such deficiency will be transferred directly from the Taxable Capitalized Interest Account to the Taxable Interest Subaccount.

If a Supplemental Indenture specifies an amount to be deposited into the Taxable Capitalized Interest Account, such Supplemental Indenture may also (i) specify a time period for such amount to be used as described above; (ii) specify other uses for such amount (including, without limitation, making deposits to the Taxable Acquisition Account or the Taxable Revenue Account); and (iii) establish Subaccounts within the Taxable Capitalized Interest Account in which such amount will be deposited.

Debt Service Fund. The Debt Service Fund will be used only for the payment of principal, premium, if any, and interest on the Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal, premium, if any, and interest), payment of Corporation Derivative Payments, Termination Payments and payment of Carryover Amounts (including any accrued interest thereon).

(a) *Tax-Exempt Interest Subaccount*. The Trustee will credit to the Tax-Exempt Interest Subaccount the amount, if any, specified in a Supplemental Indenture providing for the issuance of a series of Tax-Exempt Bonds. The Trustee will also deposit in the Tax-Exempt Interest Subaccount (i) that portion of the proceeds from the sale of the Corporation's refunding bonds, if any, to be used to pay interest on the Tax-Exempt Bonds; and (ii) all amounts required to be transferred thereto from the Funds and Accounts specified in the Indenture.

With respect to each series of Tax-Exempt Bonds on which interest is paid at least monthly, the Trustee will deposit to the credit of the Tax-Exempt Interest Subaccount on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Tax-Exempt Bonds during the following calendar month. With respect to each series of Tax-Exempt Bonds on which interest is paid at intervals less frequently than monthly, the Trustee will make equal (or, with respect to Tax-Exempt Bonds bearing interest at a variable rate, approximately equal) monthly deposits to the credit of the Tax-Exempt Interest Subaccount on the last Business Day of each calendar month preceding each Interest Payment Date for such series of Tax-Exempt Bonds, to aggregate the full amount of such interest. With respect to Tax-Exempt Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in the Supplemental Indenture authorizing such Tax-Exempt Bonds.

With respect to Derivative Products relating to Tax-Exempt Bonds under which Corporation Derivative Payments are paid at least monthly, the Trustee will deposit to the credit of the Tax-Exempt Interest Subaccount on the last Business Day of each calendar month an amount equal to the Corporation Derivative Payments that will become payable under such Derivative Products during the following calendar month. With respect to each Derivative Product relating to Tax-Exempt Bonds under which Corporation Derivative Payments are paid at intervals less frequently than monthly, the Trustee will make equal monthly deposits to the credit of the Tax-Exempt Interest Subaccount on the last Business Day of each calendar month preceding each date on which such Corporation Derivative Payments are due, to aggregate the full amount of such Corporation Derivative Payments. With respect to any such Derivative Product for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in the Supplemental Indenture authorizing such Derivative Product.

In making the deposits required to be deposited and credited to the Tax-Exempt Interest Subaccount, all other deposits and credits otherwise made or required to be made to the Tax-Exempt Interest Subaccount will, to the extent available for such purpose, be taken into consideration and allowed for. If on any Bond Payment Date or Derivative Payment Date relating to Tax-Exempt Bonds and after transfers required by the Indenture, there are insufficient amounts on deposit in the Tax-Exempt Interest Account to make the payment of interest due on the Tax-Exempt Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or any Corporation Derivative Payment relating to the Tax-Exempt Bonds due on such date, the Trustee will transfer the deficiency from the applicable account of the following Funds, in the following order of priority: the Acquisition Fund, the Capitalized Interest Account and the Debt Service Reserve Fund.

On the last Business Day of each calendar month, if any Carryover Amount (including any accrued interest thereon) will be due and payable with respect to a series of Tax-Exempt Bonds during the next month, as provided in the related Supplemental Indenture, the Trustee will transfer to the Tax-Exempt Interest Subaccount (to the extent amounts are available therefor in the Revenue Fund in accordance with the Indenture and in accordance with the priorities set forth therein) an amount equal to such Carryover Amount (including any accrued interest thereon) so due and payable.

On the last Business Day of each calendar month, if any unpaid Corporation Derivative Payment or unpaid Termination Payment will be due and payable with respect to a Derivative Product relating to a series of Tax-Exempt Bonds during the next month, the Trustee will transfer to the Tax-Exempt Interest

Subaccount (to the extent amounts are available therefor in the Revenue Fund in accordance with the Indenture and in accordance with the priorities set forth therein) an amount equal to such amounts so due and payable.

The moneys in the Tax-Exempt Interest Subaccount required for the payment of interest on the Tax-Exempt Bonds of any series, or any Corporation Derivative Payments, Termination Payments of which the Trustee has received notice, or any Carryover Amount (including any interest thereon) relating to Tax-Exempt Bonds will be applied by the Trustee to the payment of such interest (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or amounts when due without further authorization or direction.

Amounts transferred to the Tax-Exempt Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Tax-Exempt Senior Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Tax-Exempt Senior Bonds. Amounts transferred to the Tax-Exempt Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Tax-Exempt Senior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Tax-Exempt Senior-Subordinate Bonds. Amounts transferred to the Tax-Exempt Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Tax-Exempt Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Tax-Exempt Subordinate Bonds. Amounts transferred to the Tax-Exempt Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Tax-Exempt Junior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Tax-Exempt Junior-Subordinate Bonds. Amounts transferred to the Tax-Exempt Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of Carryover Amounts with respect to Tax-Exempt Bonds (in the order of precedence set forth in the Indenture). Amounts transferred to the Tax-Exempt Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of unpaid Corporate Derivative Payments and unpaid Termination Payments (in the order of precedence set forth in the Indenture).

(b) *Taxable Interest Subaccount*. The Trustee will credit to the Taxable Interest Subaccount the amount, if any, specified in the Supplemental Indenture providing for the issuance of a series of Taxable Bonds. The Trustee will also deposit in the Taxable Interest Subaccount (i) that portion of the proceeds from the sale of the Corporation's refunding bonds, if any, to be used to pay interest on the Taxable Bonds; and (ii) all amounts required to be transferred thereto from the Funds and Accounts specified in the Indenture.

With respect to each series of Taxable Bonds on which interest is paid at least monthly, the Trustee will deposit to the credit of the Taxable Interest Subaccount on the last Business Day of each calendar month an amount equal to the interest that will become payable on such Taxable Bonds during the following calendar month. With respect to each series of Taxable Bonds on which interest is paid at intervals less frequently than monthly, the Trustee will make equal (or, with respect to Taxable Bonds bearing interest at a variable rate, approximately equal) monthly deposits to the credit of the Taxable Interest Subaccount on the last Business Day of each calendar month preceding each Interest Payment Date for such series of Taxable Bonds, to aggregate the full amount of such interest. With respect to Taxable Bonds bearing interest at a variable rate for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in the Supplemental Indenture authorizing such Taxable Bonds.

With respect to Derivative Products relating to Taxable Bonds under which Corporation Derivative Payments are paid at least monthly, the Trustee will deposit to the credit of the Taxable Interest Subaccount on the last Business Day of each calendar month an amount equal to the Corporation Derivative Payments that will become payable under such Derivative Products during the following calendar month. With respect to each Derivative Product relating to Taxable Bonds under which Corporation Derivative Payments are paid at intervals less frequently than monthly, the Trustee will make equal monthly deposits to the credit of the Taxable Interest Subaccount on the last Business Day of each calendar month preceding each date on which such Corporation Derivative Payments are due, to aggregate the full amount of such Corporation Derivative Payments. With respect to any such Derivative Product for which any such amount cannot be determined on the last Business Day of each calendar month, the Trustee will make such deposit based upon assumptions set forth in the Supplemental Indenture authorizing such Derivative Product.

In making the deposits required to be deposited and credited to the Taxable Interest Subaccount, all other deposits and credits otherwise made or required to be made to the Taxable Interest Subaccount will, to the extent available for such purpose, be taken into consideration and allowed for. If on any Bond Payment Date or Derivative Payment Date relating to Taxable Bonds and after the transfers required by the Indenture, there are insufficient amounts on deposit in the Taxable Interest Account to make the payment of interest due on the Taxable Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or a Corporation Derivative Payment relating to Taxable Bonds on such date, the Trustee will transfer the deficiency from the applicable account of the following Funds, in the following order of priority: the Acquisition Fund, the Capitalized Interest Account and the Debt Service Reserve Fund.

On the last Business Day of each calendar month, if any Carryover Amount (including any accrued interest thereon) will be due and payable with respect to a series of Taxable Bonds during the next month, as provided in the related Supplemental Indenture, the Trustee will transfer to the Taxable Interest Subaccount (to the extent amounts are available therefor in the Revenue Fund in accordance with the Indenture and in accordance with the priorities set forth therein) an amount equal to such Carryover Amount (including any accrued interest thereon) so due and payable.

On the last Business Day of each calendar month, if any unpaid Corporation Derivative Payment or unpaid Termination Payment will be due and payable with respect to a Derivative Product relating to a series of Taxable Bonds during the next month, the Trustee will transfer to the Taxable Interest Subaccount (to the extent amounts are available therefor in the Revenue Fund in accordance with the Indenture and in accordance with the priorities set forth therein) an amount equal to such amounts so due and payable.

The moneys in the Taxable Interest Subaccount required for the payment of interest on the Taxable Bonds of any series, or any Corporation Derivative Payments, Termination Payments of which the Trustee has received notice, or any Carryover Amount (including any interest thereon) relating to Taxable Bonds will be applied by the Trustee to the payment of such interest (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or amounts when due without further authorization or direction.

Amounts transferred to the Taxable Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Taxable Senior Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Taxable Senior Bonds. Amounts transferred to the Taxable Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Taxable Senior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Taxable Senior-Subordinate Bonds. Amounts transferred to the Taxable Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Taxable Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Taxable Subordinate Bonds. Amounts transferred to the Taxable Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of interest on Taxable Junior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such interest) or payment of Corporation Derivative Payments secured on a parity with the Taxable Junior-Subordinate Bonds. Amounts transferred to the Taxable Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of Carryover Amounts with respect to Taxable Bonds (in the order of precedence set forth in the Indenture). Amounts transferred to the Taxable Interest Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of unpaid Corporation Derivative Payments and unpaid Termination Payments (in the order of precedence set forth in the Indenture).

(c) *Tax-Exempt Principal Subaccount*. The Trustee will deposit to the credit of the Tax-Exempt Principal Subaccount: (i) that portion of the proceeds from the sale of the Corporation's bonds, if any, to be used to pay principal of the Tax-Exempt Bonds; and (ii) all amounts required to be transferred from the Funds and Accounts specified in the Indenture.

To provide for the payment of each installment of principal of the Tax-Exempt Bonds due at the Stated Maturity thereof or on a sinking fund payment date therefor (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal), the Trustee will make substantially equal monthly deposits to the credit of the Tax-Exempt Principal Subaccount on the last Business Day of each of the 12 calendar months preceding such Stated Maturity or sinking fund payment date, to aggregate the full amount of such installment (except that if there are fewer than 12 calendar months between the delivery of the Tax-Exempt Bonds of a series to the initial purchasers thereof and the first sinking fund payment date with respect to such series of Tax-Exempt Bonds, or from the last sinking fund payment date to the next sinking fund payment date or Stated Maturity with respect to such series of Tax-Exempt Bonds, then the Trustee will make equal monthly deposits to the credit of the Tax-Exempt Principal Subaccount on the last Business Day of each calendar month beginning with the calendar month following the month in which such Tax-Exempt Bonds are delivered to the initial purchasers or from the last sinking fund payment date, as the case may be, to aggregate the full amount of such installment). In making the deposits required to be deposited and credited to the Tax-Exempt Principal Subaccount, all other deposits and credits otherwise made or required to be made to the Tax-Exempt Principal Subaccount will, to the extent available for such purpose, be taken into consideration and allowed for.

If on any Stated Maturity or sinking fund payment date and after the transfers required by the Indenture, there are insufficient amounts on deposit in the Tax-Exempt Principal Subaccount to make payments of principal due on the Tax-Exempt Bonds (including redemptions of Bank Bonds required pursuant to any Liquidity Facility or Credit Provider Agreement) on such date (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal), the Trustee will transfer the deficiency from the applicable account of the following Funds, in the following order of priority (after transfers from any such Funds to the Interest Account required on such date): the Acquisition Fund and the Debt Service Reserve Fund.

The moneys in the Tax-Exempt Principal Subaccount required for the payment of the principal of Tax-Exempt Bonds at the Stated Maturity thereof or on a sinking fund payment date therefore (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal) will be applied by the Trustee to such payment when due without further authorization or direction.

Amounts transferred to the Tax-Exempt Principal Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Tax-Exempt Senior Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal). Amounts transferred to the Tax-Exempt Principal Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Tax-Exempt Senior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal). Amounts transferred to the Tax-Exempt Principal subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Tax-Exempt Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal). Amounts transferred to the Tax-Exempt Principal Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Tax-Exempt Junior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal).

(d) *Taxable Principal Subaccount*. The Trustee will deposit to the credit of the Taxable Principal Subaccount: (i) that portion of the proceeds from the sale of the Corporation's bonds, if any, to be used to pay principal of the Taxable Bonds; and (ii) all amounts required to be transferred from the Funds and Accounts specified in the Indenture.

To provide for the payment of each installment of principal of the Taxable Bonds due at the Stated Maturity thereof or on a sinking fund payment date therefore (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal), the Trustee will make substantially equal monthly deposits to the credit of the Taxable Principal Subaccount on the last Business Day of each of the 12 calendar months preceding such Stated Maturity or sinking fund payment date, to aggregate the full amount of such installment (except that if there are fewer than 12 calendar months between the delivery of the Taxable Bonds of a series to the initial purchasers thereof and the first sinking fund payment date with respect to such series of Taxable Bonds, or from the last sinking fund payment date to the next sinking fund payment date or Stated Maturity with respect to such series of Taxable Bonds, then the Trustee will make equal monthly deposits to the credit of the Taxable Principal Subaccount on the last Business Day of each calendar month beginning with the calendar month following the month in which such Taxable Bonds are delivered to the initial purchasers or from the last sinking fund payment date, as the case may be, to aggregate the full amount of such installment). In making the deposits required to be deposited and credited to the Taxable Principal Subaccount, all other deposits and credits otherwise made or required to be made to the Taxable Principal Subaccount will, to the extent available for such purpose, be taken into consideration and allowed for.

If on any Stated Maturity or sinking fund payment date and after the transfers required by the Indenture, there are insufficient amounts on deposit in the Taxable Principal Subaccount to make payments of principal due on the Taxable Bonds (including redemptions of Bank Bonds required pursuant to any Liquidity Facility or Credit Provider Agreement) on such date (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal), the Trustee will transfer the deficiency from the applicable account of the following Funds, in the following order of priority (after transfers from any such Funds to the Interest Account required on such date): the Acquisition Fund and the Debt Service Reserve Fund.

The moneys in the Taxable Principal Subaccount required for the payment of the principal of Taxable Bonds at the Stated Maturity thereof or on a sinking fund payment date therefor (or to reimburse the Credit Provider for draws on the Credit Facility for payment of such principal) will be applied by the Trustee to such payment when due without further authorization or direction.

Amounts transferred to the Taxable Principal Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Taxable Senior Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal). Amounts transferred to the Taxable Principal Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Taxable Senior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal). Amounts transferred to the Taxable Principal Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Taxable Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for the payment of such principal). Amounts transferred to the Taxable Principal Subaccount pursuant to certain sections of the Indenture will be used solely for the payment of principal at Stated Maturity or on a sinking fund payment date on Taxable Junior-Subordinate Bonds (or to reimburse the Credit Provider for draws on the Credit Facility for payment of such principal).

(e) *Tax-Exempt Retirement Subaccount*. The Trustee will deposit to the credit of the Tax-Exempt Retirement Subaccount any amounts transferred thereto or deposited therein to provide for the redemption of, or the distribution of principal with respect to, the Tax-Exempt Bonds. All redemptions of and distribution of principal with respect to Tax-Exempt Bonds (other than at a Stated Maturity or on a sinking fund payment date), will be made with moneys deposited to the credit of the Tax-Exempt Retirement Subaccount. In the event that Tax-Exempt Bonds are to be prepaid from the Tax-Exempt

Retirement Subaccount on a date other than a regularly scheduled Interest Payment Date, accrued interest on such Tax-Exempt Bonds will be paid from the Tax-Exempt Interest Subaccount. The moneys in the Tax-Exempt Retirement Subaccount required for the redemption of, or the distribution of principal with respect to, Tax-Exempt Bonds will be applied by the Trustee to such payment as set forth in any Supplemental Indenture providing for such redemption or distribution of principal without further authorization or direction.

(f) *Taxable Retirement Subaccount*. The Trustee will deposit to the credit of the Taxable Retirement Subaccount any amounts transferred thereto or deposited therein to provide for the redemption of, or the distribution of principal with respect to, the Taxable Bonds. All redemptions of and distribution of principal with respect to Taxable Bonds (other than at Stated Maturity or on a sinking fund payment date), will be made with moneys deposited to the credit of the Taxable Retirement Subaccount. In the event that Taxable Bonds are to be prepaid from the Taxable Retirement Subaccount on a date other than a regularly scheduled Interest Payment Date, accrued interest on such Taxable Bonds will be paid from the Taxable Interest Subaccount. The moneys in the Taxable Retirement Subaccount required for the redemption of, or the distribution of principal with respect to, Taxable Bonds will be applied by the Trustee to such payment as set forth in any Supplemental Indenture providing for such redemption or distribution of principal without further authorization or direction.

Debt Service Reserve Fund. The Trustee will deposit to the Tax-Exempt Debt Service Reserve Account the amount, if any, specified in each Supplemental Indenture. On each Bond Payment Date and after the transfers required by the Indenture, to the extent there are insufficient moneys in the Tax-Exempt Interest Subaccount, the Tax-Exempt Principal Subaccount, the Tax-Exempt Acquisition Account and the Tax-Exempt Capitalized Interest Account to make the payments due on the Tax-Exempt Bonds on such Bond Payment Date, then the amount of such deficiency will be paid directly from the Tax-Exempt Debt Service Reserve Account, first, to the Tax-Exempt Interest Subaccount, and second, to the Tax-Exempt Principal Subaccount, as necessary.

If the Tax-Exempt Debt Service Reserve Account is used for the purposes described above, the Trustee will restore the Tax-Exempt Debt Service Reserve Account to the Debt Service Reserve Fund Requirement with respect thereto by transfers from the Tax-Exempt Revenue Account pursuant to the Indenture and from the Taxable Revenue Account pursuant to the Indenture. If the full amount required to restore the Tax-Exempt Debt Service Reserve Account to the applicable Debt Service Reserve Fund Requirement is not available in such Accounts on the day of any required transfer pursuant to the Indenture, the Trustee will continue to transfer funds from such Accounts as they become available and in accordance with the Indenture until the deficiency in the Tax-Exempt Debt Service Reserve Account has been eliminated.

On any day that the amount in the Tax-Exempt Debt Service Reserve Account, if any, exceeds the Debt Service Reserve Fund Requirement with respect thereto for any reason (giving effect, in making such determination, to amounts on deposit in the Taxable Debt Service Reserve Account), the Trustee, at the direction of the Corporation, will transfer the excess to the Tax-Exempt Acquisition Account.

The Trustee will deposit to the Taxable Debt Service Reserve Account the amount, if any, specified in each Supplemental Indenture. On each Bond Payment Date and after the transfers required by the Indenture, to the extent there are insufficient moneys in the Taxable Interest Subaccount, the Taxable Principal Subaccount, the Taxable Acquisition Account and the Taxable Capitalized Interest Account to make the payments due on the Taxable Bonds on such Bond Payment Date, then the amount of such deficiency will be paid directly from the Taxable Debt Service Reserve Account, first, to the Taxable Interest Subaccount, and second, to the Taxable Principal Subaccount, as necessary.

If the Taxable Debt Service Reserve Account is used for the purposes described in the paragraph above, the Trustee will restore the Taxable Debt Service Reserve Account to the Debt Service Reserve Fund Requirement with respect thereto by transfers from the Taxable Revenue Account pursuant to the Indenture and from the Tax-Exempt Revenue Account pursuant to the Indenture. If the full amount required to restore the Taxable Debt Service Reserve Account to the applicable Debt Service Reserve Fund Requirement is not available in such Accounts on the day of any required transfer pursuant to the Indenture, the Trustee will continue to transfer funds from such Accounts as they become available and in accordance with the Indenture until the deficiency in the Taxable Debt Service

Reserve Account has been eliminated.

On any day that the amount in the Taxable Debt Service Reserve Account, if any, exceeds the Debt Service Reserve Fund Requirement with respect thereto for any reason (giving effect, in making such determination, to amounts on deposit in the Tax-Exempt Debt Service Reserve Account), the Trustee, at the direction of the Corporation, will transfer the excess to the Taxable Acquisition Account.

Rebate Fund. The Trustee will, upon receipt of a Corporation Order and in accordance with the Indenture, withdraw from the Tax-Exempt Revenue Account and deposit to the Rebate Fund an amount such that the balance held in the Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the Computation Date. Computation of the amounts on deposit in each Fund and of the Rebate Amount will be furnished to the Trustee by or on behalf of the Corporation in accordance with any Tax Document, as the same may be amended or supplemented in accordance with their terms. The Trustee, upon receipt of a Corporation Order in accordance with any Tax Document, will pay to the United States of America from the Rebate Fund the Rebate Amount as of the end of any applicable Computation Date. The Trustee will, upon receipt of a Corporation Order and in accordance with the Indenture, withdraw from the Tax-Exempt Revenue Account and deposit to the Rebate Fund such amount as will be required to be paid to the federal government as Excess Earnings. The Trustee will, upon receipt of a Corporation Order, pay such Excess Earnings to the United States of America. Alternatively, the Corporation may from time to time forgive Financed Eligible Loans to satisfy such requirement, in accordance with any Tax Document. In the event that on any Computation Date the amount on deposit in the Rebate Fund exceeds the Rebate Amount, the Trustee, upon receipt of written instructions from an Authorized Representative specifying the amount of the excess, will withdraw such excess amount and deposit it in the Tax-Exempt Revenue Account.

Notwithstanding anything in the Indenture to the contrary, in the event the Corporation and the Trustee will receive a Favorable Opinion to the effect that it is not necessary under either existing statutes and court decisions or under any then federal legislation to pay any portion of earnings on Funds held under the Indenture or Excess Earnings to the United States of America in order to assure the exclusion from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds, then the provisions described above need not be complied with and will no longer be effective and all or a portion of such amounts on deposit in the Rebate Fund will be transferred to the Tax-Exempt Revenue Account.

Operating Fund. The Trustee will transfer to the Corporation for deposit to the Operating Fund the amount, if any, specified in each Supplemental Indenture. The Trustee will also transfer to the Corporation for deposit to the Operating Fund the amounts transferred from the Revenue Fund pursuant to the Indenture, provided, however, that any transfers pursuant to certain sections of the Indenture with respect to a Liquidity Facility or a Credit Facility will only be with respect to regularly recurring fees. The Operating Fund will be held by the Corporation, and no Registered Owner will have any right, title or interest in the Operating Fund. Amounts deposited in the Operating Fund will be used to pay Program Expenses.

The amount deposited in the Operating Fund and the schedule of deposits will be determined by the Corporation, and the requisition, in the form of a Corporation Order provided by the Corporation to the Trustee, further will include a statement that the amount requisitioned, when combined with the amount requisitioned previously in the Fiscal Year, does not exceed the limitations set forth in the Indenture or any Supplemental Indenture, and will direct to which depository bank such transfer or deposit, or any designated portion thereof, will be transferred or deposited. The Corporation has covenanted that the amount so transferred in any one Fiscal Year will not exceed the amount as may be limited by a Supplemental Indenture or pursuant to a Liquidity Facility or Credit Provider Agreement, unless the Corporation will have received (i) a Rating Agency Condition from each Rating Agency with respect to such greater amounts and (ii) the prior written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility.

Upon the receipt of such requisition, the Trustee will withdraw the amount requisitioned from the Account of the Revenue Fund designated by the Corporation, (or so much thereof as is then on deposit therein) and transfer the same into the Operating Fund. The Corporation may request that the Trustee pay the requisitioned amount in installments as specified by the Corporation. In the event there is not sufficient money on hand in the Revenue Fund to transfer the full amount requisitioned, the Trustee will notify the Corporation, and the Corporation will then determine the amount to be transferred.

Transfers to The Corporation. Transfers from the Revenue Fund to the Corporation may be made in accordance with the Indenture; provided, however, that no transfer of assets to the Corporation (other than pursuant to the Operating Fund as otherwise permitted by the Indenture) will be made if there is not on deposit in the Tax-Exempt Capitalized Interest Account and the Taxable Capitalized Interest Account an amount equal to at least the Capitalized Interest Requirement, if there is not on deposit in the Debt Service Reserve Fund an amount equal to at least the Debt Service Reserve Fund Requirement, and unless all conditions contained in any Supplemental Indenture are complied with and the Trustee has received (a) a certificate of an Authorized Representative of the Corporation to the effect that all rebate liability as calculated pursuant to any Tax Document through the date of such transfer has been paid or deposited in the Rebate Fund; and (b) either (i) a certificate of an Authorized Officer of the Corporation stating that, immediately following such release, the Senior Parity Percentage will equal or exceed 107.25%, or such higher amount as may be required pursuant to a Liquidity Facility or Credit Provider Agreement and the Value of the Trust Estate will be at least $500,000 greater than the principal amount of the Bonds Outstanding plus accrued interest thereon and Program Expenses accrued but unpaid or (ii) a Rating Agency Condition from each Rating Agency and the prior written consent of any Credit Provider and Liquidity Provider; and (c) to the extent required pursuant to a Liquidity Facility or a Credit Provider Agreement, the prior written consent of the Liquidity Provider or Credit Provider, as applicable. Prior to any such release, the Trustee will independently verify from the Liquidity Facility or the Credit Provider Agreement, as applicable, the percentages and consent requirements referred to above in the Liquidity Facility or Credit Provider Agreement, as applicable.

Subject to compliance with the Indenture, the amounts so transferred to the Corporation will be used for any proper purpose of the Corporation and investment earnings thereon will be the property of the Corporation.

Investment of Funds Held by Trustee. The Trustee will invest money held for the credit of any Fund or Account or Subaccount held by the Trustee hereunder as directed in writing (or orally, confirmed in writing) by an Authorized Representative of the Corporation, to the fullest extent practicable and reasonable, in Investment Securities which will mature or be redeemed at the option of the holder prior to the respective dates when the money held for the credit of such Fund, Account or Subaccount will be required for the purposes intended. In the absence of any such direction and to the extent practicable, the Trustee will invest amounts held under the Indenture in those Investment Securities described in clause (d) of the definition of Investment Securities. The Trustee and the Corporation agree that unless an Event of Default will have occurred under the Indenture, the Corporation acting by and through an Authorized Representative will be entitled to, and will, provide written direction or oral direction confirmed in writing to the Trustee with respect to any discretionary acts required or permitted of the Trustee under any Investment Securities, and the Trustee will not take such discretionary acts without such written direction.

The Investment Securities purchased will be held by the Trustee and will be deemed at all times to be part of such Fund or Account or Subaccounts or combination thereof, and the Trustee will inform the Corporation of the details of all such investments. Earnings with respect to, and any net gain on the disposition of, any such investments, except on investments contained in the Rebate Fund and the Operating Fund, will be deposited into the respective Accounts of the Revenue Fund as provided in the Indenture. Earnings on amounts contained in the Rebate Fund will remain in the Rebate Fund. Earnings on amounts contained in the Operating Fund will remain in the Operating Fund. Upon direction in writing (or orally, confirmed in writing) from an Authorized Representative of the Corporation, the Trustee will use its best efforts to sell at the best price obtainable, or present for redemption, any Investment Securities purchased by it as an investment whenever it is necessary to provide money to meet any payment from the applicable Fund. The Trustee will advise the Corporation in writing, on or before the fifteenth day of each calendar month (or such later date as reasonably consented to by the Corporation), of all investments held for the credit of each Fund in its custody under the provisions of the Indenture as of the end of the preceding month and the value thereof, and will list any investments which were sold or liquidated for less than their value at the time thereof.

Subject to any limitations in the Tax Documents, money in any Fund constituting a part of the Trust Estate may be pooled for the purpose of making investments and may be used to pay accrued interest on Investment Securities purchased. Subject to any limitations in the Tax Documents, the Trustee and its affiliates may act as principal or agent in the acquisition or disposition of any Investment Securities.

Notwithstanding the foregoing, the Trustee will not be responsible or liable for any losses on investments made by it under the Indenture or for keeping all Funds held by it fully invested at all times, its only responsibility being to comply with the investment instructions of the Corporation or its designee in compliance with the Trustee's standard of care described in the Indenture.

The Corporation acknowledges that to the extent the regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Corporation the right to receive brokerage confirmations of security transactions, the Corporation waives receipt of such confirmations.

The Corporation will retain the authority to institute, participate in and join in any plan of reorganization, readjustment, merger or consolidation with respect to the issuer of any Investment Securities held under the Indenture, and, in general, to exercise each and every other power or right with respect to such Investment Securities as individuals generally have and enjoy with respect to their own assets and investments, including power to vote upon any matter relating to holders of such Investment Securities.

Notwithstanding the foregoing, amounts in the Bond Purchase Fund will be held uninvested and will not be commingled with other amounts.

Release. The Trustee will, upon Corporation Order and subject to the provisions of the Indenture, take all actions reasonably necessary to effect the release of any Financed Eligible Loans from the lien of the Indenture to the extent the terms thereof permit the sale, disposition or transfer of such Financed Eligible Loans.

Purchase of Bonds. Pursuant to the Indenture, any amounts held under the Indenture which are available to redeem Bonds may instead be used to purchase Bonds outstanding under the Indenture at the same times and subject to the same conditions (except as to price) as apply to the redemption of Bonds, except that such purchases made with amounts held under the Indenture will be made only if the purchase price is equal to or less than the required Redemption Price.

Rights of Credit Providers and Liquidity Providers. Subject to the Indenture, each Credit Provider will be subrogated to all of the rights possessed under the Indenture by the Trustee and the Registered Owners of the Bonds against the Corporation to the extent that funds are drawn pursuant to the applicable Credit Facility and used to pay the principal of or interest on the Bonds. For purposes of the subrogation rights of a Credit Provider, (i) any reference in the Indenture to the Registered Owners of the Bonds, the principal of and interest on which have been paid with moneys collected pursuant to the Credit Facility will be deemed to be a reference to the Credit Provider, and (ii) any principal or purchase price of, or interest on, the Bonds paid with moneys collected pursuant to a Credit Facility will be deemed to be unpaid under the Indenture. The subrogation rights granted to Credit Providers under the Indenture are not intended to be exclusive of any other remedy or remedies available to any Credit Provider, and such subrogation rights will be cumulative and will be in addition to every other remedy given under the Indenture or under the applicable Credit Provider Agreement or any other instrument or agreement with respect to the reimbursement of moneys paid by a Credit Provider pursuant to a Credit Facility, and every other remedy now or hereafter existing at law or in equity or by statute.

Subject to the Indenture, each Liquidity Provider will be subrogated to all of the rights possessed under the Indenture by the Trustee and the Registered Owners of the Bonds against the Corporation to the extent that funds are drawn pursuant to the applicable Liquidity Facility and used to pay the purchase price of Bonds. For purposes of the subrogation rights of a Liquidity Provider under the Indenture, (i) any reference herein to the Registered Owners of the Bonds which are Bank Bonds will be deemed to be a reference to the Liquidity Provider, and (ii) any principal or purchase price of, or interest on, the Bank Bonds will be deemed to be unpaid under the Indenture. The subrogation rights granted to Liquidity Providers under the Indenture are not intended to be exclusive of any other remedy or remedies available to any Liquidity Provider, and such subrogation rights will be cumulative and will be in addition to every other remedy given under the Indenture or under the applicable Liquidity Facility or any other instrument or agreement with respect to amounts paid by a Liquidity Provider pursuant to a Liquidity Facility, and every other remedy now or hereafter existing at law or in equity or by statute.

Except as provided in the Indenture, the applicable Liquidity Provider or Credit Provider will be treated as the Registered Owner of the applicable Bonds for purposes of the provisions of the Indenture governing Events of Default and remedies for such Events of Default, allowing, without limitation, such Liquidity Provider or Credit Provider to direct all proceedings of the Trustee pursuant to the Indenture.

Default of a Credit Provider or Liquidity Provider The right of a Credit Provider or Liquidity Provider, as applicable, to elect remedies, direct proceedings, give consent or exercise any other rights granted to it under the Indenture or under any Supplemental Indenture will be suspended during any period that such Credit Provider or Liquidity Provider, as applicable, will have failed to honor a properly presented and conforming drawing under a Credit Facility or have failed to honor a properly presented and conforming request to purchase Bonds under a Liquidity Facility.

Defaults and Remedies

Events of Default Defined. For the purpose of the Indenture, the following events are defined as, and are declared to be, "Events of Default":

(a) default in the due and punctual payment of the principal of or interest on any of the Senior Bonds (including redemptions of Bank Bonds required pursuant to any Liquidity Facility or Credit Provider Agreement) when due or failure to make any payment due under any other Senior Obligations when due (other than the failure to make Principal Reduction Payments);

(b) if no Senior Obligations are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Senior-Subordinate Bonds (including redemptions of Bank Bonds required pursuant to any Liquidity Facility or Credit Provider Agreement) when due or failure to make any payment due under any other Senior-Subordinate Obligations when due (other than the failure to make Principal Reduction Payments);

(c) if no Senior Obligations or Senior-Subordinate Obligations are Outstanding under the Indenture, default in the due and punctual payment of the principal of or interest on any of the Subordinate Bonds (including redemptions of Bank Bonds required pursuant to any Liquidity Facility or Credit Provider Agreement) when due or failure to make any payment due under any other Subordinate Obligations when due (other than the failure to make Principal Reduction Payments);

(d) if no Senior Obligations, Senior-Subordinate Obligations or Subordinate Obligations are Outstanding under the Indenture, default in the due and punctual payment of the principal of and interest on any of the Junior-Subordinate Bonds (including redemptions of Bank Bonds required pursuant to any Liquidity Facility or Credit Provider Agreement) when due or failure to make any payment due under any other Junior-Subordinate Obligations when due (other than the failure to make Principal Reduction Payments);

(e) default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation to be kept, observed and performed contained in the Indenture or in the Bonds, and, if such default is capable of being cured, the continuation of such default for a period of 90 days after written notice thereof by the Trustee to the Corporation;

(f) the occurrence of an Event of Bankruptcy;

(g) the Trustee will have received written notice from a Credit Provider that there exists an "Event of Default" under a Credit Provider Agreement that has not been remedied or waived, and directing acceleration of the Bonds; and

(h) the Trustee will have received written notice from a Credit Provider that there exists an "Event of Default" under a Credit Facility that has not been remedied or waived, the Credit Facility will not be reinstated by the Credit Provider and directing the acceleration of the Bonds.

Failure to pay Carryover Amounts or interest on Carryover Amounts will not constitute an Event of Default as described in the Indenture. Except as provided in the Indenture, the Trustee will not be required to take notice, or be deemed to have knowledge, of any default or Event of Default.

Any notice provided in the Indenture to be given to the Corporation with respect to any default will be deemed sufficiently given if sent by first-class mail with postage prepaid to the Person to be notified, addressed to such Person at the post office address as shown in the Indenture or such other address as may be given as the principal office of the Corporation in writing to the Trustee by an Authorized Officer of the Corporation. The Trustee may give any such notice in its discretion and will give such notice if requested to do so in writing by the Registered Owners of at least 51% of the collective aggregate principal amount of the Highest Priority Obligations at the time Outstanding.

Remedy on Default; Possession of Trust Estate. Subject to the provisions of the Indenture governing accelerated maturity, upon the happening and continuance of any Event of Default, the Trustee personally or by its attorneys or agents may, with the prior written consent of all Credit Providers, if any, and Liquidity Providers, if any, or will at the direction in writing of all Credit Providers, if any, and Liquidity Providers, if any, provided that all Credit Providers, if any, and Liquidity Providers, if any, will not be in default of their payment obligations under the applicable Credit Facility or Liquidity Facility, enter into and upon and take possession of such portion of the Trust Estate as will be in the custody of others, and all property comprising the Trust Estate, and each and every part thereof, and exclude the Corporation and its agents, servants and employees wholly therefrom, and have, hold, use, operate, manage, and control the same and each and every part thereof, and in the name of the Corporation or otherwise, as they deem best, conduct the business thereof and exercise the privileges pertaining thereto and all the rights and powers of the Corporation and use all of the then existing Trust Estate for that purpose, and collect and receive all charges, income and Revenue of the same and of every part thereof, and after deducting therefrom all expenses incurred under the Indenture and all other proper outlays authorized under the Indenture, and all payments which may be made as just and 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:

(a) if the principal of none of the Obligations has become due: *first*, to the payment of the interest in default on the Senior Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement), all Corporation Derivative Payments (excluding Termination Payments) secured on a parity with the Senior Bonds then due, in order of the maturity of the installments thereof, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest will be in default (or at the rates provided in a Credit Provider Agreement for the payment of interest on draws on the related Credit Facility) and any such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *second*, to the payment of the interest in default on the Senior-Subordinate Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement), all Corporation Derivative Payments (excluding Termination Payments) secured on a parity with the Senior-Subordinate Bonds then due, in order of the maturity of the installments of such interest and any such Corporation Derivative Payments, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Senior-Subordinate Bonds on which such interest will be in default (or at the rates provided in a Credit Provider Agreement for the payment of interest on draws on the related Credit Facility) and any such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *third*, to the payment of the interest in default on the Subordinate Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement), all Corporation Derivative Payments (excluding all Termination Payments) secured on a parity with the Subordinate Bonds then due, in order of the maturity of the installments of such interest and any such Corporation Derivative Payments, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest will be in default (or at the rates provided in a Credit Provider Agreement for the payment of interest on draws on the related Credit Facility) and any such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference, *fourth*, to the payment of the interest in default on the Junior-Subordinate Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement), all Corporation Derivative Payments (excluding Termination Payments) secured on a parity with such Junior-Subordinate Bonds then due, in order of the maturity of the installments of such interest and any such Corporation Derivative Payments, with interest on the overdue installments thereof at the same rates, respectively, as were borne by the Junior-Subordinate Bonds on which such interest will be in default (or at the rates provided in a Credit Provider Agreement for the payment of interest on draws on the related Credit Facility) and any such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference, except as may be provided in a Supplemental Indenture; *fifth*, to pay due and unpaid Liquidity Facility Fees and Credit Facility Fees; *sixth*, to pay interest accrued on the Carryover Amounts of the Senior Bonds, the Carryover Amounts of the Senior Bonds, interest accrued on the Carryover Amounts of the Senior-Subordinate Bonds, the Carryover Amounts of the Senior-Subordinate Bonds, interest accrued on the Carryover Amounts of the Subordinate Bonds, the Carryover Amounts of the Subordinate Bonds, interest accrued on the Carryover Amounts of the Junior-Subordinate Bonds and the Carryover Amounts of the Junior-Subordinate Bonds, in that order of priority; *seventh*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Senior Bonds; *eighth*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Senior-Subordinate Bonds, *ninth*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Subordinate Bonds; and *tenth*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Junior-Subordinate Bonds.

(b) if the principal of any of the Obligations will have become due by declaration of acceleration or otherwise: *first*, to the payment of the interest in default on the Senior Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement), all Corporation Derivative Payments (excluding Termination Payments) secured on a parity with the Senior Bonds then due, in the order of the maturity of the installments thereof, with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior Bonds on which such interest will be in default (or as provided in a Credit Provider Agreement for draws on its Credit Facility for payment of such interest) and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, as the case may be, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *second*, to the payment of the principal of all Senior Bonds then due and any amount owed to a Reciprocal Payor secured on a parity with Senior Obligations under the ISDA Master Agreement, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *third*, to the payment of the interest in default on the Senior-Subordinate Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement) and all Corporation Derivative Payments (excluding Termination Payments) secured on a parity with the Senior-Subordinate Bonds then due, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Senior-Subordinate Bonds on which such interest will be in default (or as provided in a Credit Provider Agreement for draws on its Credit Facility for payment of such interest) and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, as the case may be, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *fourth*, to the payment of the principal of all Senior-Subordinate Bonds then due (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement) and any amount owed to a Reciprocal Payor secured on a parity with Senior-Subordinate Obligations under the ISDA Master Agreement, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *fifth*, to the payment of the interest in default on the Subordinate Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement) and all Corporation Derivative Payments (excluding Termination Payments) secured on a parity with the Subordinate Bonds then due, in the order of the maturity of the installments thereof with interest on overdue installments thereof at the same rates, respectively, as were borne by the Subordinate Bonds on which such interest will be in default (or as provided in a Credit Provider Agreement for draws on its Credit Facility for payment of such interest) and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, as the case may be, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *sixth*, to the payment of the principal of all Subordinate Bonds then due (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its

Credit Provider Agreement), and any amount owed to a Reciprocal Payor secured on a parity with Subordinate Obligations under the ISDA Master Agreement, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *seventh*, to the payment of the interest in default on the Junior-Subordinate Bonds (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement), and all Corporation Derivative Payments (excluding Termination Payments) secured on a parity with such Junior-Subordinate Bonds then due, in the order of the maturity of the installments thereof, with interest on overdue installments thereof at the same rates, respectively, as were borne by the Junior-Subordinate Bonds on which such interest will be in default (or as provided in a Credit Provider Agreement for draws on its Credit Facility for payment of such interest) and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, as the case may be, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference; *eighth*, to the payment of the principal of all Junior-Subordinate Bonds, then due (or to reimburse a Credit Provider for draws on its Credit Facility for payment of such interest as provided in its Credit Provider Agreement) and any amount owed to a Reciprocal Payor secured on a parity with Junior-Subordinate Obligations under the ISDA Master Agreement, such payments to be made ratably based on amounts then due to the parties entitled thereto without discrimination or preference, except as may be provided in a Supplemental Indenture; *ninth*, to pay due and unpaid Liquidity Facility Fees and Credit Facility Fees; *tenth*, to pay interest accrued on the Carryover Amounts of the Senior Bonds, the Carryover Amounts of the Senior Bonds, interest accrued on the Carryover Amounts of the Senior-Subordinate Bonds, the Carryover Amounts of the Senior-Subordinate Bonds, interest accrued on the Carryover Amounts of the Subordinate Bonds, the Carryover Amounts of the Subordinate Bonds, interest accrued on the Carryover Amounts of the Junior-Subordinate Bonds, the Carryover Amounts of the Junior-Subordinate Bonds in that order of priority; *eleventh*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Senior Bonds; *twelfth*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Senior-Subordinate Bonds, *thirteenth*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Subordinate Bonds; and *fourteenth*, to pay unpaid Termination Payments due under a Derivative Product secured on a parity with the Junior-Subordinate Bonds.

Remedies on Default; Sale of Trust Estate. Upon the happening of any Event of Default and if the principal of all of the Outstanding Obligations have been declared due and payable, then and in every such case, and irrespective of whether other remedies authorized have been pursued in whole or in part, the Trustee may sell, with or without entry, to the highest bidder the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, at any such place or places, and at such time or times and upon such notice and terms as may be required by law; provided, however, that no such sale will be made unless (a) the Trustee has received an opinion of Bond Counsel stating that adequate provision has been made to assure that such transfer will not impair the Corporation's capacity to comply with its obligations relative to the restrictions upon Portfolio Yield and to the rebate of certain amounts to the federal government as such obligations would be calculated upon the date of such opinion in accordance with any Tax Document and that such transfer will not affect adversely the exclusion from federal income taxation of interest on the Bonds afforded by Section 103 of the Code and (b) unless all Bonds Outstanding under the Indenture are Bank Bonds or unless no Bonds are Outstanding under the Indenture (other than with respect to subrogation rights of a Credit Provider pursuant to the Indenture), the Trustee will have determined that such sale will result in the recovery of sufficient moneys, together with other amounts held under the Indenture, to pay the Bonds Outstanding in full, including all principal of and accrued interest on the Bonds Outstanding, and to pay in full all fees, expenses and other amounts secured by the Indenture. Upon such sale the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale will be a perpetual bar both at law and in equity against the Corporation and all Persons claiming such properties. No purchaser at any sale will be bound to see to the application of the purchase money or to inquire as to the authorization, necessity, expediency or regularity of any such sale. The Trustee is hereby irrevocably appointed the true and lawful attorney-in-fact of the Corporation, in its name and stead, to make and execute all bills of sale, instruments of assignment and transfer and such other documents of transfer as may be necessary or advisable in connection with a sale of all or part of the Trust Estate, but the Corporation, if so requested by the Trustee, will ratify and confirm any sale or sales by executing and delivering to the Trustee or to such purchaser or purchasers all such instruments as may be necessary, or in the judgment of the Trustee, proper for the purpose which may be designated in such request. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee and the Registered Owners of the Obligations in such 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 granted in the Indenture, 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 will take any such action or actions if requested to do so in writing by the Registered Owners of at least 51% of the collective aggregate principal amount of the Highest Priority Obligations at the time Outstanding.

Appointment of Receiver. In case an Event of Default occurs, and if all of the Outstanding Obligations will have been declared due and payable and in case 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 of the Trust Estate and of the earnings, income or Revenue, rents, issues and profits thereof with such powers as the court making such appointments may confer.

Restoration of Position. In case the Trustee will have proceeded to enforce any rights under the Indenture by sale or otherwise, and such proceedings will have been discontinued, or will have been determined adversely to the Trustee, then and in every such case to the extent not inconsistent with such adverse decree, the Corporation, the Trustee and the Registered Owners will be restored to their former respective positions and the rights under the Indenture in respect to the Trust Estate, and all rights, remedies, and powers of the Trustee and of the Registered Owners will continue as though no such proceeding had been taken.

Accelerated Maturity. If an Event of Default will have occurred and be continuing, the Trustee may declare, but only if, subject to the Indenture, the Credit Provider and Liquidity Provider will have consented thereto in writing, or upon the written direction by the Registered Owners of at least 51% of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding, the Trustee will declare, but only if, subject to the Indenture, the Credit Provider and Liquidity Provider will have consented thereto in writing, the principal of all Obligations then Outstanding, the interest thereon, and any Corporation Derivative Payment relating thereto (if not previously due), immediately due and payable, anything in the Obligations or the Indenture to the contrary notwithstanding, subject, however, to the provisions of the Indenture with respect to waivers of Events of Default. Notwithstanding the foregoing, upon the written direction of a Liquidity Provider or a Credit Provider, as applicable, due to the occurrence of an Event of Default pursuant to clause (g) or clause (h) of the definition thereof or any other Event of Default pursuant to the Indenture which also constitutes a default under the Credit Provider Agreement or Liquidity Facility, as applicable, the Trustee will, by notice in writing delivered to the Corporation not later than the next Business Day succeeding such direction, declare the principal of all Obligations then Outstanding, the interest thereon, and any Corporation Derivative Payment relating thereto (if not previously due), immediately due and payable, anything in the Obligations or the Indenture to the contrary notwithstanding, subject, however, to the provisions of the Indenture governing waivers of Events of Default; provided, however, that any declaration of acceleration upon a default pursuant to clause (e) of the definition of Event of Default will require the consent of 100% of the Registered Owners of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding or, subject to the Indenture, the prior written consent of the Liquidity Provider or Credit Provider.

The Trustee will give notice of a declaration of acceleration by first class mail, postage prepaid, to all Owners of Outstanding Bonds; provided, however, that the giving of such notice will not be considered a precondition to the Trustee declaring the entire principal amount of the Bonds then Outstanding and the interest accrued thereon immediately due and payable. The Bonds (other than Bank Bonds) will cease to accrue interest on the date of declaration of acceleration whether or not they are paid on such date.

Immediately following a declaration of acceleration pursuant to this section, the Trustee will draw upon each applicable Credit Facility in accordance with its terms in an amount which equals the total amount of principal of and interest on the applicable Bonds coming due and payable relating to such Credit Facility; provided that no such draw will be made to pay any Bank Bond or Bonds owned by the Corporation. All amounts derived by the Trustee with respect to any Credit Facility will be deposited in the applicable subaccounts of the Debt Service Fund upon receipt thereof by the Trustee, will be transferred by the Trustee to the applicable subaccounts of the Interest Account to the extent required to pay the interest on Bonds or of the Principal Account or the Retirement Account to the extent required to pay the principal of Bonds, will not be commingled with any other moneys and will be applied as provided in the Indenture.

Remedies Not Exclusive. The remedies in the Indenture conferred upon or reserved to the Trustee or the Registered Owners of Obligations are not intended to be exclusive of any other remedy, but each remedy provided in the Indenture will be cumulative and will be in addition to every other remedy given under the Indenture or now or hereafter existing, and every power and remedy given to the Trustee or to the Registered Owners of Obligations, or any supplement thereto, may be exercised from time to time as often as may be deemed expedient. No delay or omission of the Trustee or of any Registered Owner of Obligations to exercise any power or right arising from any default under the Indenture will impair any such right or power nor will be construed to be a waiver of any such default or to be acquiescence therein.

Direction of Trustee. Upon the happening of any Event of Default, the Registered Owners of at least 51% of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding will have the right by an instrument or instruments in writing delivered to the Trustee to direct and control the Trustee as to the method of taking any and all proceedings for any sale of any or all of the Trust Estate, or for the appointment of a receiver, if permitted by law, and may at any time cause any proceedings authorized by the terms of the Indenture to be so taken or to be discontinued or delayed; provided, however, that such Registered Owners will not be entitled to cause the Trustee to take any proceedings which in the Trustee's opinion would be unjustly prejudicial to non-assenting Registered Owners of the Highest Priority Obligations then Outstanding, but the Trustee will be entitled to assume that the action requested by the Registered Owners of at least 51% of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding will not be prejudicial to any non-assenting Registered Owners of the Highest Priority Obligations then Outstanding unless the Registered Owners of at least 51% of the collective aggregate principal amount of the non-assenting Registered Owners of such Highest Priority Obligations, in writing, show the Trustee how they will be prejudiced. These provisions are expressly subject to the provisions of the Indenture.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences and rescind any declaration of acceleration of Obligations, and will do so upon the written request of the Registered Owners of at least 51% of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding, or, subject to the Indenture, any Liquidity Provider or Credit Provider; provided, however, that there will not be waived (a) any Event of Default in the payment of the principal of or premium on any Outstanding Obligations at the date of maturity or redemption thereof, or any default in the payment when due of the interest on any such Obligations, unless prior to such waiver or rescission, all arrears of interest or all arrears of payments of principal and premium, if any, and all fees and expenses of the Trustee, in connection with such default or otherwise incurred under the Indenture have been paid or provided for; (b) any default in the payment of amounts relating to the Corporation's tax covenants contained in the Indenture or (c) any Event of Default pursuant to clause (g) or clause (h) of the definition thereof or any other Event of Default pursuant to the Indenture which also constitutes a default under a Credit Provider Agreement or Liquidity Facility, as applicable, unless or until the Credit Provider or Liquidity Provider, as applicable, has (i) rescinded or waived such corresponding default under the Credit Provider Agreement or Liquidity Facility, as applicable and (ii) reinstated all amounts subject to reinstatement under each Credit Facility or Liquidity Facility, as applicable. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default will have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Corporation, the Trustee and the Registered Owners of Obligations will be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission will extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon.

The Trustee

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following terms and conditions:

Except during the continuance of an Event of Default:

(a) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee; and

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

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 its exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. Before taking any action under the Indenture or refraining from taking any action under the Indenture, the Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the Corporation or the Registered Owners, as applicable, for the reimbursement of all expenses to which it may be put and to protect it against all liability including costs incurred in defending itself against any and all charges, claims, complaints, allegations, assertions or demands of any nature whatsoever arising from or related to its role as Trustee, except liability which results from the negligence or willful misconduct of the Trustee, including without limitation negligence or willful misconduct with respect to moneys deposited and applied pursuant to the Indenture.

Indemnification of Trustee. Other than with respect to its duties to make payment on the Obligations when due, its duty to pursue the remedy of acceleration as provided in the Indenture, and its duty to draw upon or request payment under a Credit Facility or a Liquidity Facility pursuant to the terms thereby for each of which no additional security, indemnity or consent may be required, the Trustee will be under no obligation or duty to take any action or refrain from taking any action under the Indenture or to perform any act at the request of Registered Owners or to institute or defend any suit in respect thereof unless properly indemnified and provided with security to its satisfaction as provided in the Indenture. The Trustee will not be required to take notice, or be deemed to have knowledge, of any default or Event of Default of the Corporation under the Indenture and may conclusively assume that there has been no such default or Event of Default (other than an Event of Default described in clause (a), (b), (c) or (d) of "Events of Default" defined above) unless and until it will have been specifically notified in writing at the address in the Indenture of such default or Event of Default by (a) the Registered Owners of the required percentages in principal amount of the Obligations then Outstanding specified above; (b) 100% of the Registered Owners of any Series of Bonds then Outstanding; (c) an Authorized Representative of the Corporation, or (d) a Liquidity Provider or Credit Provider. However, the Trustee may begin suit, or appear in and defend suit, execute any of the trusts created in the Indenture, enforce any of its rights or powers thereunder, or do anything else in its judgment proper to be done by it as Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee will be reimbursed or indemnified by the Registered Owners requesting such action, if any, for all fees, costs and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such costs and expenses, liabilities, outlays and attorneys' fees and other reasonable disbursements properly incurred in connection therewith are adjudicated to have resulted from the negligence or willful misconduct of the Trustee. In furtherance and not in limitation of this section, the Trustee will not be liable for, and will be held harmless by the Corporation from, following any Corporation Orders, instructions or other directions upon which the Trustee is authorized to rely pursuant to the Indenture or any other agreement to which it is a party. If the Corporation or the Registered Owners, as appropriate, will fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, (i) except during the continuance of an Event of Default, subject only to the prior lien of the Bonds for the payment of the principal thereof, premium, if any, and interest thereon from the Revenue Fund; and (ii) during the continuance of an Event of Default in accordance with the remedy on default of the possession of the trust estate as described in the Indenture. None of the provisions contained in the Indenture or any other agreement to which it is a party will require the Trustee to act or to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the Registered Owners will not have offered security and indemnity acceptable to it or if it will have reasonable grounds for believing that prompt repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Trustee's Right to Reliance. The Trustee will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, appraisal, opinion, report or document of the Corporation or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and the Trustee will be under no duty to make any investigation as to any statement contained in any such instrument, paper or document, but may accept the same as conclusive evidence of the truth and accuracy of such statement. Before acting or refraining from acting in the administration of the Indenture, the Trustee may consult with experts and with counsel (who may be counsel for the Corporation), 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.

Should the Trustee deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Indenture, the Trustee (unless other evidence be specifically prescribed in the Indenture) may require and, in the absence of bad faith on its part, may rely upon a certificate signed by an Authorized Representative of the Corporation. Whenever in the administration of the Indenture the Trustee is directed to comply with a Corporation Order, the Trustee will be entitled to act in reliance on such Corporation Order; provided, however, that the Trustee will not comply with any Corporation Order which does not comply with the express terms and provisions of the Indenture or which directs the Trustee to take any action that is not expressly permitted by the terms and provisions of the Indenture.

The Trustee will not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Corporation but the Trustee may require of the Corporation full information and advice as to the performance of any covenants, conditions or agreements pertaining to Financed Eligible Loans.

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 or error of judgment made in good faith; provided, however, that the Trustee will be liable for its negligence or willful misconduct. The permissive right of the Trustee to take action under or otherwise do things enumerated in the Indenture will not be construed as a duty.

The Trustee is authorized, under the Indenture, subject to certain provisions thereof, to sell, assign, transfer or convey Financed Eligible Loans in accordance with a Corporation Order. If such Financed Eligible Loan was originated under the Act, such Corporation Order will certify that the Person to whom such Financed Eligible Loan is sold, assigned, transferred, or conveyed is an Eligible Lender unless not required by the Act. The Trustee is further 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 for any action taken or omitted by it in good faith on the direction of the Registered Owners of at least 51% of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding as to the time, method, and place of conducting any proceedings for any remedy available to the Trustee or the exercising of any power conferred by the Indenture.

Compensation of Trustee. Except as otherwise expressly provided in the Indenture, all advances, counsel fees (including without limitation allocated fees of in-house counsel) and other expenses reasonably made or incurred by the Trustee in and about the execution and administration of the trust thereby created and reasonable compensation to the Trustee for its services in the premises will be paid by the Corporation. The compensation of the Trustee will not be limited to or by any provision of law in regard to the compensation of Trustees of an express trust. Except during the continuance of an Event of Default, the fees of the Trustee will be limited to those set forth in the most recent engagement letter executed by the Trustee and an Authorized Officer of the Corporation. If not paid by the Corporation, the Trustee will have a lien against all money held pursuant to the Indenture (other than the moneys and investments held in the Rebate Fund and the Bond Purchase Fund), (a) except during the continuance of an Event of Default, subject only to the prior lien of the Obligations against the money and investments in the Revenue Fund for the payment of the principal thereof, premium, if any, and interest thereon, for such reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and the exercise and performance of the powers and duties of the Trustee thereunder and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee); and (b) during the continuance of an Event of Default in accordance with the remedy on default of the possession of the Trust Estate as described in the Indenture.

Resignation of Trustee. The Trustee and any successor to the Trustee may resign and be discharged from the trust created by the Indenture by giving to the Corporation notice in writing which notice will specify the date on which such resignation is to take effect; provided, however, that such resignation will only take effect on the day specified in such notice if a successor Trustee will have been appointed pursuant to the Indenture (and is qualified to be the Trustee under the requirements of the Indenture) and said successor Trustee will have accepted such appointment. If no successor Trustee has been appointed by the later of the date specified or 30 days after the receipt of the notice by the Corporation, the Trustee may (a) appoint a temporary successor Trustee having the qualifications required by the Indenture; or (b) request a court of competent jurisdiction to (i) require the Corporation to appoint a successor, as provided in the Indenture, within three days of the receipt of citation or notice by the court, or (ii) appoint a Trustee having the qualifications set forth in the Indenture. In no event may the resignation of the Trustee be effective until a qualified successor Trustee will have been selected and appointed and said successor Trustee will have accepted such appointment in writing. In the event a temporary successor Trustee is appointed pursuant to clause (a) above, the Corporation may remove such temporary successor Trustee and appoint a successor thereto pursuant to the Indenture.

Removal of Trustee. The Trustee or any successor Trustee may be removed (a) at any time by the Registered Owners of 51% of the collective aggregate principal amount of the Highest Priority Obligations then Outstanding; (b) by the Corporation for cause or upon the sale or other disposition of the Trustee or its trust functions; or (c) by the Corporation without cause so long as no Event of Default exists or has existed within the last 30 days, upon payment to the Trustee so removed of all money then due to it under the Indenture and appointment of a successor thereto by the Corporation and acceptance thereof by said successor, which appointment will have been consented to by the Credit Providers, if any, and Liquidity Providers, if any. One copy of any such order of removal will be filed with the Corporation and the other with the Trustee so removed.

In the event a Trustee (or successor Trustee) is removed, by any Person or for any reason permitted under the Indenture, such removal will not become effective until (a) in the case of removal by the Registered Owners, such Registered Owners by instrument or concurrent instruments in writing (signed and acknowledged by such Registered Owners or their attorneys-in-fact) filed with the Trustee removed have appointed a successor Trustee or otherwise the Corporation will have appointed a successor which appointment will have been consented to by the Credit Providers, if any, and Liquidity Providers, if any; and (b) the successor Trustee has accepted appointment as such.

Successor Trustee. In case at any time the Trustee or any successor Trustee will resign, be dissolved, or otherwise will be disqualified to act or be incapable of acting, or in case control of the Trustee or of any successor Trustee or of its officers will be taken over by any public officer or officers, a successor Trustee may be appointed by the Corporation by an instrument in writing duly authorized by resolution. In the case of any such appointment by the Corporation of a successor to the Trustee, the Corporation will forthwith cause notice thereof to be mailed to the Registered Owners of the Bonds at the address of each Registered Owner appearing on the bond registration books maintained by the Registrar.

Every successor Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Corporation 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, which has a reported capital and surplus of not less than $50,000,000, be authorized under the law to exercise corporate trust powers, be subject to supervision or examination by a federal or state authority, and be an Eligible Lender so long as such designation is necessary to maintain guarantees and federal benefits under the Act with respect to the Financed Eligible Loans originated under the Act.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Registered Owners. The Corporation and the Trustee, at the request of the Corporation, may, without the consent of or notice to any of the Registered Owners of any Obligations, but subject to the consent of any Credit Provider or Liquidity Provider, enter into any indenture or indentures supplemental to the Indenture for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Indenture;

(b) 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;

(c) to subject to the Indenture additional revenues, properties or collateral;

(d) to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification of the Indenture and any indenture supplemental thereto under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds 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;

(e) 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;

(f) to add such provisions to or to amend such provisions of the Indenture as may be necessary or desirable to assure implementation of the Program in conformance with the Act if, together with such Supplemental Indenture there is filed a Bond Counsel's opinion addressed to the Corporation 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 Obligations;

(g) to make any change as will be necessary in order to obtain and maintain for any of the Bonds an investment grade Rating from a nationally recognized rating service, if along with such Supplemental Indenture there is filed a Bond Counsel's opinion addressed to the Trustee to the effect that such changes will in no way impair the existing security of the Registered Owners of any Outstanding Obligations;

(h) to make any changes necessary to comply with the Act, the Regulations or the Code and the regulations promulgated thereunder;

(i) to provide for the issuance of Bonds pursuant to the provisions of the Indenture, including the creation of appropriate Funds, Accounts and Subaccounts with respect to such Bonds;

(j) to make the terms and provisions of the Indenture, including the lien and pledge granted therein, applicable to a Derivative Product, Credit Provider Agreement or a Liquidity Facility, and to modify certain sections of the Indenture with respect to any particular Derivative Product subject to receipt of a Rating Agency Condition;

(k) to create any additional Funds or Accounts or Subaccounts under the Indenture deemed by the Trustee to be necessary or desirable;

(l) to amend the Indenture to allow for any Bonds to be supported by a Credit Facility or Liquidity Facility, including amendments with respect to repayment to such a provider on a parity with any Bonds or Derivative Product and providing rights to such provider under the Indenture, including with respect to defaults and remedies;

(m) 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 Debt Service Reserve Fund, so long as such action will not adversely affect the Ratings on any of the Bonds;

(n) to modify any of the provisions of the Indenture in any respect whatever; provided, however, that (i) such modification will be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the execution by the Corporation of such Supplemental Indenture will cease to be Outstanding; and (ii) such Supplemental Indenture will be specifically referred to in text of all Bonds of any Series authenticated and delivered after the date of the execution by the Corporation of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; or

(o) to make any other change (other than changes with respect to any matter requiring a Rating Agency Condition unless the Bonds are not rated at the time) which, in the judgment of the Trustee is not materially adverse to the Registered Owners of any Obligations;

provided, however, that nothing above will permit, or be construed as permitting, any modification of the trusts, powers, rights, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee.

Supplemental Indentures Requiring Consent of Registered Owners. Exclusive of Supplemental Indentures covered by the previous section and subject to the terms and provisions described in this section, and not otherwise, the Registered Owners of not less than 51% of the collective aggregate principal amount of the Obligations then Outstanding will have the right, from time to time, to consent to and approve the execution by the Corporation and the Trustee of such other indenture or indentures supplemental to the Indenture as will be deemed necessary and desirable by the Corporation for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in this section will permit, or will be construed as permitting (a) without the consent of the Registered Owners of all then Outstanding Obligations, (i) an extension of the maturity date of the principal of or the interest on any Obligation, (ii) a reduction in the principal amount of any Obligation or the rate of interest thereon, (iii) a privilege or priority of any Obligation or Obligations over any other Obligation or Obligations except as otherwise provided in the Indenture; (iv) a reduction in the aggregate principal amount of the Obligations required for consent to such Supplemental Indenture; or (v) the creation of any lien other than a lien ratably securing all of the Obligations at any time Outstanding under the Indenture except as otherwise provided in the Indenture; or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the prior written approval of the Trustee. No Supplemental Indenture will become effective pursuant to the Indenture without the prior written approval of a Credit Provider or Liquidity Provider, as applicable.

If at any time the Corporation will request the Trustee to enter into any such Supplemental Indenture for any of the purposes described in this section, the Trustee will, upon being satisfactorily secured with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each Registered Owner of an Obligation at the address shown on the registration records or listed in any Derivative Product, Credit Facility or Liquidity Facility. Such notice will briefly set forth the nature of the proposed Supplemental Indenture and will state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Registered Owners. If, within 60 days, or such longer period as will be prescribed by the Corporation, following the mailing of such notice, the Registered Owners of not less than 51% of the collective aggregate principal amount of the Obligations Outstanding at the time of the execution of any such Supplemental Indenture will have consented in writing to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Obligation will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as permitted and provided in this section, the Indenture will be and be deemed to be modified and amended in accordance therewith.

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 Eligible Loans originated under the Act or the granting of an interest therein to any Person other than an Eligible Lender or a Servicer, unless the Act or Regulations are modified so as to permit the same.

No amendment to the Indenture or to the indentures supplemental thereto will be effective unless the Trustee receives an opinion of Bond Counsel to the effect that such amendment was adopted in conformance with the Indenture and will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds. Derivative Products, Credit Facilities, Liquidity Facilities and other contracts may contain additional limitations on the right of the Corporation to amend the Indenture, and the Corporation will comply with the same.

Satisfaction of Indenture

If the Corporation will pay, or cause to be paid, or there will otherwise be paid (a) to the Registered Owners of the Bonds, the principal of and interest on the Bonds, at the times and in the manner stipulated in the Indenture; (b) to each Reciprocal Payor, all Corporation Derivative Payments then due; (c) any amounts owing to each Credit Provider and Liquidity Provider under each Credit Provider Agreement and Liquidity Facility, provided that each Credit Provider Agreement and each Liquidity Facility will also be delivered to the applicable Credit Provider, if any, and Liquidity Provider, if any, for cancellation; and (d) to the United States of America, the amount required to be rebated in satisfaction of its obligations as described in any Tax Document, then the pledge of the Trust Estate, except the Rebate Fund, which is not pledged under the Indenture, and all covenants, agreements, and other obligations of the Corporation to the Registered Owners of Bonds other than as provided in the Corporation's tax covenants as described in the Indenture will thereupon cease, terminate, and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver all money held by it under the Indenture to the party entitled to receive the same under the Indenture. If the Corporation will pay or cause to be paid, or there will otherwise be paid, to the Registered Owners of any Outstanding Bonds the principal of and interest on such Bonds, to any Liquidity Provider all amounts owing under any Liquidity Facility, to any Credit Provider all amounts owing under any Credit Provider Agreement, and to each Reciprocal Payor all Reciprocal Payments then due, at the times and in the manner stipulated in the Indenture, the Liquidity Facility, the Credit Provider Agreement and in the Derivative Product, such Bonds, each Liquidity Provider, each Credit Provider and each Reciprocal Payor will cease to be entitled to any lien, benefit, or security under the Indenture, and all covenants, agreements, and obligations of the Corporation to the Registered Owners thereof, each Liquidity Provider, each Credit Provider and each Reciprocal Payor will thereupon cease, terminate, and become void and be discharged and satisfied. No such discharge with respect to Bonds supported by a Credit Facility will take place unless the Trustee has received a written notice from each Rating Agency that such discharge will not result in a reduction or withdrawal of the current rating assigned to such Bonds.

Bonds or interest installments will be deemed to have been paid within the meaning of the previous paragraph if money for the payment or redemption thereof has been set aside and is being held in trust by the Trustee at the Stated Maturity or earlier redemption date thereof. Any Outstanding Bond will, prior to the Stated Maturity or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the previous paragraph if (i) such Bond is to be redeemed on any date prior to its Stated Maturity; and (ii) the Corporation will have given notice of redemption as provided in the Indenture on said date, there will have been deposited with the Trustee either money (fully insured by the Federal Deposit Insurance Corporation or fully collateralized by Governmental Obligations) in an amount which will be sufficient, or Governmental Obligations (including any Governmental Obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal of and interest to become due on such Bond on and prior to the redemption date or Stated Maturity thereof, as the case may be. Notwithstanding anything in the Indenture to the contrary, however, no such deposit will have the effect specified in this paragraph: (A) if made during the existence of an Event of Default, unless made with respect to all of the Bonds then Outstanding; (B) unless on the date of such deposit there will be provided to the Trustee a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay in full the Outstanding Bonds to be redeemed or to be deemed paid pursuant to this paragraph; and (C) unless there will be delivered to the Trustee an opinion of Bond Counsel to the effect that such deposit will not, in and of itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on any Bond. Neither Governmental Obligations nor money deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any such Governmental Obligations will be withdrawn or used for any purpose other than, and will be held irrevocably in trust in an escrow account for, the payment of the principal of and interest on such Bonds. Any cash received from such principal of and interest on such Governmental Obligations deposited with the Trustee, if not needed for such purpose, will, to the extent practicable, be reinvested in Governmental Obligations maturing at times and in amounts sufficient to pay when due the principal of and interest on such Bonds on and prior to such redemption date or Stated Maturity thereof, as the case may be, and interest earned from such reinvestments will be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien, or pledge. Any payment for Governmental Obligations purchased for the purpose of reinvesting cash as aforesaid will be made only against delivery of such Governmental Obligations. For the purposes of this paragraph, "Governmental Obligations" will mean and include only non-callable direct obligations of the Department of the Treasury of the United States of America or portions thereof (including interest or principal portions thereof), and such Governmental Obligations will be of such amounts, maturities, and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make the payments required in the Indenture, and which obligations have been deposited in an escrow account which is irrevocably pledged as security for the Bonds. Such term will not include mutual funds and unit investment trusts.

Amounts due under any Liquidity Facility are deemed to have been paid and the applicable Liquidity Facility terminated when payment of all payments due and payable to each Liquidity Provider under its respective Liquidity Facility have been made or duly provided for to the satisfaction of each Liquidity Provider and the respective Liquidity Facility has been terminated; and amounts due under any Credit Provider Agreement are deemed to have been paid and the applicable Credit Facility terminated when payment of all payments due and payable to each Credit Provider under its respective Credit Provider Agreement have been made or duly provided for to the satisfaction of each Credit Provider and the respective Credit Facility has been terminated.

Any Corporation Derivative Payments are deemed to have been paid and the applicable Derivative Product terminated when payment of all payments due and payable to each Reciprocal Payor under its respective Derivative Product have been made or duly provided for to the satisfaction of each Reciprocal Payor and the respective Derivative Product has been terminated.

In no event will the Trustee deliver over to the Corporation any Financed Eligible Loans originated under the Act unless the Corporation is an Eligible Lender, if the Act or Regulations then in effect require the owner or holder of such Financed Eligible Loans to be an Eligible Lender.

The provisions described above are applicable to the Bonds, payments required under any Liquidity Facility, Credit Provider Agreement and the Corporation Derivative Payments and any portions of the Bonds.

Cancellation of Paid Bonds. Any Bonds which have been paid or purchased by the Corporation, mutilated Bonds replaced by new Bonds, and any temporary Bond for which definitive Bonds have been delivered will (unless otherwise directed by the Corporation by Corporation Order) forthwith be cancelled by the Trustee and, except for temporary Bonds, returned to the Corporation.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

Beginning on July 1, 2010, FFELP Loans made pursuant to the Higher Education Act were no longer originated, and 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 Corporation (including the loans described in the Official Statement under the caption "CHARACTERISTICS OF EDUCATION 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.

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. A summary of certain recent amendments to the FFEL Program under the Higher Education Act culminating in HCEARA follows:

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

- May 2008: In response to disruptions in the credit markets and the announcement by several lenders that they will no longer originate FFELP Loans, the Ensuring Continued Access to Student Loans Act of 2008 (the "Ensuring Continued Access to Student Loans Act") was enacted and signed into law by former President Bush on May 7, 2008. The Ensuring Continued Access to Student Loans Act amended the Higher Education Act to (a) increase annual loan limits and aggregate loan limits on federal unsubsidized loans for dependent and independent undergraduate students; (b) provide deferrals to parent borrowers to begin repayment of PLUS Loans (hereinafter defined) which were first disbursed on or after August 1, 2008 six months and one day after the student ceases to carry at least one half the normal full time academic workload (this provision was further amended to, among other things, apply to PLUS Loans which were first disbursed on or after July 1, 2008 by the hereinafter discussed Higher Education Opportunity Act which became law on August 14, 2008); (c) provide lenders temporary discretionary authority under extenuating circumstances to exclude mortgage payments that are fewer than 180 days delinquent and/or other debt that is not more than 89 days delinquent from consideration when evaluating parent eligibility for PLUS Loans made to parents of dependent students (this provision was further amended by the Higher Education Opportunity Act to apply to loans first disbursed prior to July 1, 2008 and new temporary authority was given to lenders to deal with extenuating circumstances for loans first disbursed on or after July 1, 2008); and (d) provide temporary authority to the Secretary of the United States Department of Education (the "Secretary") to purchase certain FFELP Loans first disbursed on or after October 1, 2003 and before July 1, 2009 from any eligible lender on such terms as are, subject to certain other conditions, in the best interest of the United States (this provision was further modified by P.L. 110-350 which became law on October 7, 2008 to allow the Secretary to additionally purchase certain FFELP Loans first disbursed on or after July 1, 2009 but before July 1, 2010 and by P.L. 111-39 which became law on July 1, 2009 to allow the Secretary to purchase certain FFELP Loans rehabilitated pursuant to the Higher Education Act). Through certain "Dear Colleague" letters issued to members of the higher education lending community, the Secretary created three programs (defined and described herein under the heading "Secretary's Temporary Authority to Purchase Stafford Loans and PLUS Loans") to utilize its temporary purchasing authority under the Ensuring Continued Access to Student Loans Act and P.L. 110-350: (1) the Put Program, (2) the Purchase of Participation Interests Program and (3) the Asset-Backed Commercial Paper Conduit Program.

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

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

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

Federal Family Education Loans

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

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

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

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

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

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

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

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

PLUS Loan Program

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

As of July 1, 2009, PLUS Loans made to parents of dependent students ("Parent PLUS Loans") became subject to a loan origination rights auction to be held in each state every two years. The winning lenders in each state will be those two lenders whose bids reflect the lowest amount of special allowance payments. If a lender has one of the two winning bids within the state, the lender must enter into an agreement with the Secretary to originate PLUS Loans to eligible borrowers within that state and to accept special allowance payments at the rate bid by the second-lowest bidder in the state's auction. Failure to enter into such an agreement may subject the lender to various sanctions, including, but not limited to, a penalty assessment in the amount of the additional costs incurred by the Secretary in obtaining another eligible lender to originate such eligible PLUS Loans; a prohibition of bidding by such lender in other auctions under this program; and the limitation, suspension or termination of the lender's participation in the FFEL Program. These two lenders will be the only lenders in each respective state allowed to originate Parent PLUS Loans for the cohort of students at institutions of higher education within such state until the students graduate or leave the institutions of higher education. Lenders may, however, bid in multiple states. The Secretary shall choose an eligible lender-of-last-resort for each state to serve the students in the event that there is not a winning bid. The maximum bid given by each lender cannot exceed the average bond equivalent rates for three month commercial paper rates (as quoted by the Federal Reserve in Publication H-15 or its successor) in effect for the quarter less the applicable interest rate for the loan plus 1.79%. The unpaid principal and interest of a defaulted Parent PLUS Loan will be 99% guaranteed by a Guaranty Agency. The Secretary will not collect any loan fees for Parent PLUS Loans originated as a result of the auction. The initial Parent PLUS Loan origination rights auction was initially scheduled to be held on April 15, 2009 within each state, but the Department of Education cancelled the initial auction on April 9, 2009 due to the fact that it could not generate sufficient interest to participate in the auction amongst eligible lenders in each state.

The Consolidation Loan Program

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

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

Federal Direct Student Loan Program

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

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.

Special Direct Consolidation Loans

The Department of Education has announced that it will offer Special Direct Consolidation Loans to eligible borrowers from January 1, 2012 through June 30, 2012. Eligible borrowers must have (i) at least one student loan held by the Department of Education (a Federal Direct Loan or a FFELP Loan owned by the Department of Education and serviced by one of the Department of Education's servicers); and (ii) at least one commercially-held FFELP loan (a FFELP Loan that is owned by a FFEL Program lender and serviced either by that lender or a servicer contracted by that lender). Special Direct Consolidation Loans are intended to help borrowers manage their debt by ensuring all of their federal loans are serviced by the same entity, resulting in one bill and one payment. Borrowers will also receive an interest rate reduction on Special Direct Consolidation Loans as a repayment incentive.

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

Loan Limits

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

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

Repayment

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

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

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

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

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

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

Deferment and Forbearance Periods. No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest accrues and must be paid. Generally, Deferment Periods include periods (a) when the borrower has returned to an eligible educational institution on a half-time basis or is pursuing studies pursuant to an approved graduate fellowship or an approved rehabilitation training program for disabled individuals; (b) not in excess of three years while the borrower is seeking and unable to find full-time employment; (c) while the borrower is serving on active duty during a war or other military operation or national emergency, is performing qualifying National Guard duty during a war or other military operation or national emergency, and for 180 days following the borrower's demobilization date for the above-described services; (d) during the 13 months following service if the borrower is a member of the National Guard, a member of a reserve component of the military, or a retired member of the military who (i) is called or ordered to active duty, and (ii) is or was enrolled within six months prior to the activation at an eligible educational institution; (e) if the borrower is in active military duty, or is in reserve status and called to active duty; and (f) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which Forbearance is mandatory. Mandatory Forbearance periods include, but are not limited to, periods during which the borrower is (i) participating in a medical or dental residency and is not eligible for deferment; (ii) serving in a qualified medical or dental internship program or certain national service programs; or (iii) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, Forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Master Promissory Notes

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

Interest Benefit Payments

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

Special Allowance Payments

The Higher Education Act provides for special allowance payments to be made by the Secretary to eligible lenders. The rates for special allowance payments are based on formulas that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.50%. Amounts derived from recoveries of principal on loans made prior to October 1, 1993 may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than $100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. The special allowance payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

Subject to the foregoing and subject to Public Law 112-74 (described below), 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 October 1, 2007)	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 October 1, 2007)	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 October 1, 2007)	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%

Public Law 112-74 contains an election to allow a lender/holder of FFELP Loans to switch from a Three Month Commercial Paper Rate index to a One-Month LIBOR rate index if, by April 1, 2012, the lender/holder affirmatively and permanently waives all contractual, statutory or other legal rights to special allowance payments paid pursuant to the Three Month Commercial Paper Rate index in effect at the time the FFELP Loans were first disbursed.

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

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

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

Loan Fees

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

Origination Fee. Lenders are authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.00% of the principal amount of the loan for loans disbursed prior to July 1, 2006; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 1.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; and 0.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010. The Secretary is authorized to charge borrowers of Direct Loans 4.00% of the principal amount of the loan for loans disbursed prior to February 8, 2006. A lender may charge a lesser origination fee to Stafford Loan borrowers so long as the lender does so consistently with respect to all borrowers who reside in or attend school in a particular state. For borrowers of Direct Loans other than Federal Direct Consolidation Loans and Federal Direct PLUS Loans, the Secretary may charge such borrowers as follows: 3.00% of the principal amount of the loan for loans disbursed on or after February 8, 2006 and before July 1, 2007; 2.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before August 1, 2008; 2.00% of the principal amount of the loan for loans disbursed on or after August 1, 2008 and before July 1, 2009; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 1.00% of the principal amount of the loan for loans disbursed on or after July 1, 2010. These fees must be deducted proportionately from each installment payment of the loan proceeds prior to payment to the borrower. The lenders must pass the origination fees received under the FFEL Program on to the Secretary.

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

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

Rebate Fee on Consolidation Loans. The holder of any Consolidation Loan for which the first disbursement was made on or after October 1, 1993, is required to pay to the Secretary a monthly fee equal to .0875% (1.05% per annum) of the principal amount plus accrued unpaid interest on the loan. However, for

Consolidation Loans for which applications were received from October 1, 1998 to January 31, 1999, inclusive, the monthly rebate fee is approximately equal to .0517% (.62% per annum) of the principal amount plus accrued interest on the loan.

Insurance and Guarantees

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Guarantor Reserves

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

The Higher Education Act provides for a recall of reserves from each Federal Fund in certain years, but also provides for certain minimum reserve levels which are protected from recall. The Secretary is authorized to enter into voluntary, flexible agreements with Guarantors under which various statutory and regulatory provisions can be waived; provided, however, the Secretary is not authorized to waive, among other items, any deposit of default aversion fees by Guarantors. In addition, under the Higher Education Act, the Secretary is prohibited from requiring the return of all of a Guarantor's reserve funds unless the Secretary determines that the return of these funds is in the best interest of the operation of the FFEL Program, or to ensure the proper maintenance of such Guarantor's funds or assets or the orderly termination of the Guarantor's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a Guarantor to: (a) return to the Secretary all or a portion of its reserve fund which the Secretary determines is not needed to pay for the Guarantor's program expenses and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the Guarantor's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure.

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

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

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

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

Put Program.

2008-2009 Academic Year Put Program. Initially, in a May 21, 2008 "Dear Colleague" letter, the Secretary only committed to exercising the purchasing authority granted under the Ensuring Continued Access to Student Loans Act for eligible loans originated during the 2008 2009 academic year (the "Put Program"). On July 1, 2008, the Department of Education published the terms and conditions of the Put Program for the 2008-2009 academic year in the Federal Register (specifically, 73 FR 37422, as later corrected by 73 FR 41048). The Federal Register required eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program to the Department of Education by July 31, 2008. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2008; additionally, the first disbursement must be scheduled to be made on or after May 1, 2008 but no later than July 1, 2009, and the loan must be fully disbursed no later than September 30, 2009; (b) unless the participating lender has entered into a Master Participation Agreement (described under the Purchase of Participation Interests Program below) with the Department of Education, each participating lender must enter into a Master Loan Sale Agreement with the Department of Education and provide a statement setting forth representations, warranties, and guarantees required by the Department of Education in the Federal Register notice on or prior to March 31, 2009; (c) each participating lender who has entered into a Master Participation Agreement with the Department of Education must also enter into the Master Loan Sale Agreement with the Department of Education on or prior to July 1, 2009 if the lender wishes to redeem any of the participation interests sold to the Department of Education in its eligible loans, (d) each participating lender must exercise, if at all, its option to sell its fully disbursed eligible Stafford Loans and PLUS Loans to the Department of Education on or before August 31, 2009 (per the Department of Education's Loan Purchase Programs Electronic Announcement #71 which extended the deadline to submit the 45-day notice to sell loans from August 14, 2009 to August 31, 2009, allowing for a final purchase date of October 15, 2009); and (e) all loan sales for which the participating lender has properly exercised its option must be completed on or before October 15, 2009 (per the Department of Education's Loan Purchase Programs Electronic Announcement #71 which extended the final loan purchase date from September 30, 2009 to October 15, 2009 in order to accommodate possible increased activity at the end of program year 2009).

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

***Purchase of Participation Interests Program*.**

2008-2009 Academic Year Purchase of Participation Interests Program. In a May 21, 2008 "Dear Colleague" letter, the Secretary, utilizing its temporary authority under the Ensuring Continued Access to Student Loans Act, announced a new financing program to make capital available to FFEL Program lenders, whereby the Secretary committed to purchasing participation interests (the "Purchase of Participation Interests Program") in pools of eligible Stafford Loans and PLUS Loans made by FFEL Program lenders for the 2008-2009 academic year and holding those participation interests until September 30, 2009 (provided, however, that the Department of Education's participation interests may be reduced through loan sales made pursuant to the Put Program until October 15, 2009 per the Department of Education's Loan Purchase Programs Electronic Announcement #71). On July 1, 2008, the Department of Education published the terms and conditions of the Purchase of Participation Interests Program for the 2008-2009 academic year in the Federal Register (specifically, 73 FR 37422, as later corrected by 73 FR 41048). The Federal Register requires eligible FFEL Program lenders to submit a Notice of Intent to participate in the Put Program and the Purchase of Participation Interests Program to the Department of Education by July 31, 2008. Participating lenders must meet the terms and conditions set forth in the Federal Register which include, but are not limited to, the following: (a) the eligible Stafford Loans and PLUS Loans must have, among other things, been made to students and parents of dependent students, respectively, for loan periods that include, or begin on or after, July 1, 2008; additionally, the first disbursement must be scheduled to be made on or after May 1, 2008 but no later than July 1, 2009, and the loan must be fully disbursed no later than September 30, 2009, (b) each participating lender must enter into a Master Participation Agreement with the Department of Education and a third-party custodian acceptable to the Department of Education prior to the earlier of July 1, 2009 or the closing date of the sale of the first participation interest to the Department of Education, (c) each participating lender must exercise, if at all, its option to sell participation interests in their eligible loans to the Department of Education on or before August 1, 2009 (provided, however, certain sales of participation interests may occur as late as September 30, 2009), (d) any participation interests purchased by the Department of Education will be held by the Department of Education until the earlier of (i) the date the participating lender notifies the Department of Education that it will no longer participate in the Purchase of Participation Interests Program (by redeeming its loans from the third-party custodian and, if desired by the participating lender, by selling such redeemed loans to the Department of Education in accordance with the Put Program), (ii) the effective date of any termination event such as, but not limited to, the bankruptcy, insolvency, or other adverse event with respect to the participating lender, and (iii) September 30, 2009 (provided, however, that settlement of final loan sale transactions may occur until October

15, 2009 per the Department of Education’s Loan Purchase Programs Electronic Announcement #71).

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

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

Secretary's Temporary Loan Consolidation Authority

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

Lender-of-Last-Resort Program

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

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

Education Loans Generally Not Subject to Discharge in Bankruptcy

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