In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2008B-1 Bonds is excluded from gross income for federal income tax purposes. However, interest on the Series 2008B-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax. In addition, Bond Counsel is of the opinion that, under existing laws of the State of Vermont, the Series 2008B-1 Bonds and interest thereon are exempt from all taxation, franchise taxes, fees or special assessments of whatever kind imposed by the State of Vermont, except for transfer, inheritance and estate taxes. For a more complete description, see "TAX MATTERS" herein.

NEW ISSUE - Book-Entry Only

Ratings: Moody's: Applied For
Fitch: Applied For
See "Ratings" herein

$120,385,000
Vermont Student Assistance Corporation
(a non-profit public corporation established by the laws of the State of Vermont)

Education Loan Revenue Bonds
Senior Series 2008B-1
(Tax-Exempt Variable Rate Demand Bonds)

Dated: Date of Delivery **Price:** 100% **Due:** December 15, 2039

The Vermont Student Assistance Corporation (the "Corporation") will issue its Education Loan Revenue Bonds, Senior Series 2008B-1 in the aggregate principal amount of $120,385,000 (the "Series 2008B-1 Bonds"), pursuant to the provisions of an Indenture of Trust (Series B), dated as of June 1, 2008 (the "Master Indenture"), and a 2008B-1 Supplemental Indenture of Trust, dated as of June 1, 2008 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each between the Corporation and Chittenden Trust Company, Burlington, Vermont, as Trustee (the "Trustee").

The Series 2008B-1 Bonds are issuable only as fully registered bonds and when issued shall be registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Series 2008B-1 Bonds. Purchasers of the Series 2008B-1 Bonds will not receive certificates representing their beneficial ownership interests in the Series 2008B-1 Bonds. Purchases and sales by the beneficial owners of the Series 2008B-1 Bonds shall be made in book-entry form in the principal amount of $100,000 and any integral multiple of $5,000 in excess thereof. Payments of principal, redemption price and interest with respect to the Series 2008B-1 Bonds are to be made directly to DTC by the Trustee or its successor, so long as DTC or Cede & Co. is the registered owner of such Series 2008B-1 Bonds. Disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC Participants as more fully described herein. See "THE SERIES 2008B-1 BONDS -- Book-Entry-Only System."

From the date of issuance of the Series 2008B-1 Bonds to (but not including) July 3, 2008, the Series 2008B-1 Bonds will initially bear interest at a rate to be determined prior to the issuance of the Series 2008B-1 Bonds. Thereafter, the Series 2008B-1 Bonds will bear interest at a Weekly Rate and the interest on the Series 2008B-1 Bonds will be determined on Wednesday of each week by Citigroup Global Markets Inc., as the Remarketing Agent. The Series 2008B-1 Bonds 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 2008B-1 Bonds is changed to another type of interest rate. **This Official Statement describes terms and provisions applicable to the Series 2008B-1 Bonds only while they are in the Weekly Mode. In the event of a conversion to another Mode, potential purchasers of the Series 2008B-1 Bonds will be provided with separate offering materials containing descriptions of the terms applicable to such Series 2008B-1 Bonds in the Mode to which the Series 2008B-1 Bonds are being converted.** The Series 2008B-1 Bonds are subject to optional and mandatory redemption prior to maturity and to optional and mandatory tender, all as described herein. See "THE SERIES 2008B-1 BONDS" herein.

If other funds are insufficient therefor, subject to the provisions of the Indenture and the Standby Bond Purchase Agreement dated as of June 1, 2008 (the "Liquidity Facility") among the Corporation, the Trustee and The Bank of New York (the "Liquidity Provider"), including provisions allowing for termination or suspension in certain events, the purchase price of properly tendered Series 2008B-1 Bonds will be paid from funds provided under the Liquidity Facility issued by the "Liquidity Provider. See "THE LIQUIDITY FACILITY AND THE LIQUIDITY PROVIDER" herein.

The Series 2008B-1 Bonds are to be issued for the purpose of refunding certain prior bonds of the Corporation issued to finance certain student loans.

THE CORPORATION HAS NO TAXING POWER. THE SERIES 2008B-1 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 2008B-1 BONDS EXCEPT FROM THE REVENUES AND ASSETS PLEDGED 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 2008B-1 BONDS. THE SERIES 2008B-1 BONDS ARE PAYABLE, BOTH AS TO PRINCIPAL AND INTEREST, SOLELY AS PROVIDED IN THE INDENTURE.

The Series 2008B-1 Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by Kutak Rock LLP, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its in-house General Counsel, for the Bank of New York by Fulbright & Jaworski L.L.P., and for the Underwriter by its counsel, Krieg DeVault LLP. Government Finance Associates, Inc. serves as Financial Advisor to the Corporation. The Series 2008B-1 Bonds are expected to be available for delivery in New York, New York, through the facilities of DTC on or about June 26, 2008.

Citi

Dated: June 23, 2008

Citigroup Global Markets Inc. will serve as the initial Remarketing Agent with respect to the Series 2008B-1 Bonds and is also the Underwriter of the Series 2008B-1 Bonds.

The Underwriter has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriter to give any information or to make any representations, other than the information and representations contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of any Series 2008B-1 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. All other information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation subsequent to the date of this Official Statement.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008B-1 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

<u>**TABLE OF CONTENTS**</u>

Page

SUMMARY STATEMENT i
INTRODUCTION 1
THE SERIES 2008B-1 BONDS 2
SECURITY FOR THE BONDS 11
LIQUIDITY FACILITY AND THE LIQUIDITY PROVIDER 12
ADDITIONAL BONDS 18
EXPECTED APPLICATION OF THE SERIES 2008B-1 BOND PROCEEDS 18
CERTAIN INVESTMENT CONSIDERATIONS 19
THE CORPORATION 25
TAX MATTERS 29
ABSENCE OF LITIGATION 30
APPROVAL OF LEGALITY 30
AGREEMENT BY THE STATE 30
LEGAL INVESTMENT 30
UNDERWRITING 30
RATINGS 31
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE 31
FINANCIAL ADVISOR 31
FINANCIAL STATEMENTS 31
FURTHER INFORMATION 32
MISCELLANEOUS 32

APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM
APPENDIX C - PROPOSED FORM OF BOND COUNSEL OPINION
APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT
APPENDIX E - FINANCIAL STATEMENTS

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. The offering of the Series 2008B-1 Bonds to potential investors is made only by means of this Official Statement. No person is authorized to detach or otherwise deliver or use this Summary Statement without the entire Official Statement. Terms used in this summary and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement or, if not assigned elsewhere in this Official Statement, the Indenture.

Issuer

Vermont Student Assistance Corporation (the "Corporation") is a non-profit public corporation organized pursuant to the laws of the State of Vermont. The Corporation acts as a lender, servicer and guarantor under the student loan program authorized by and in compliance with the provisions of the Higher Education Act of 1965, as amended (the "Act" or the "Higher Education Act").

The Corporation also operates various other student assistance programs authorized by Vermont law, including the acquisition and origination of student loans which are not made under the Higher Education Act.

The Offering

The Corporation is offering hereby its Education Loan Revenue Bonds, Senior Series 2008B-1 (the "Series 2008B-1 Bonds") as variable rate demand bonds in the aggregate principal amount of $120,385,000.

Remarketing Agent

Citigroup Global Markets Inc. will serve as the initial Remarketing Agent with respect to the Series 2008B-1 Bonds.

Priority

The Series 2008B-1 Bonds and any bonds issued on a parity therewith and outstanding under the Indenture in the future (collectively, the "Senior Bonds") are secured equally and ratably by the security provided thereunder and are secured on a superior basis to any Senior-Subordinate Bonds, Subordinate Bonds and Junior-Subordinate Bonds outstanding under the Indenture in the future (collectively, the "Subordinate Obligations"). Failure of the Corporation to pay principal or interest on any Subordinate Obligations shall not be an Event of Default under the Indenture if any Senior Bonds are outstanding on which no payment default has occurred and is continuing. Additional Bonds may be issued under the Indenture if each Rating Agency confirms that the issuance of the additional Bonds will not cause such Rating Agency to withdraw, suspend or downgrade the rating on any Bonds (except that no such Rating Confirmation shall be required with respect to the Outstanding Bonds which are secured by a Credit Facility).

Global Bond; Securities Depository

The Series 2008B-1 Bonds shall be issued as one fully registered bond in the aggregate principal amount and with the maturity set forth on the cover page hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, the Securities Depository.

Purpose of Issuance

The Series 2008B-1 Bonds will be issued for the purpose of refunding certain prior bonds of the Corporation issued to finance certain student loans.

Series 2008B-1 Bonds

General. The Series 2008B-1 Bonds will be issued in the aggregate principal amount of $120,385,000 and will mature on December 15,

2039. From the Date of Issuance of the Series 2008B-1 Bonds to (but not including) July 3, 2008, the Series 2008B-1 Bonds shall bear interest at a rate to be determined prior to the issuance of the Series 2008B-1 Bonds. Thereafter, until a change in Mode, the Series 2008B-1 Bonds will bear interest at a Weekly Rate and the interest rate on the Series 2008B-1 Bonds will be determined on Wednesday of each week (or if such Wednesday is not a Business Day, the immediately preceding Business Day) by Citigroup Global Markets Inc., as the Remarketing Agent, to be effective on the following Thursday. The Series 2008B-1 Bonds will continue to bear interest at a Weekly Rate unless, at the direction of the Corporation and subject to the satisfaction of certain conditions precedent in the Master Indenture and the Supplemental Indenture, the interest rate on the Series 2008B-1 Bonds is converted to another type of interest rate. While Series 2008B-1 Bonds bear interest at a Weekly Rate, interest is payable on June 15 and December 15 of each year, commencing December 15, 2008.

If the Remarketing Agent fails for any reason to determine the Weekly Rate for the Series 2008B-1 Bonds, then the Series 2008B-1 Bonds shall bear interest during each subsequent Weekly Rate Period (until the Remarketing Agent again determines the Weekly Rate in accordance with the Indenture) at the Alternate Rate in effect on the first day of such Weekly Rate Period. The Alternate Rate for the Series 2008B-1 Bonds is the lesser of (a) the Maximum Rate, and (b)(1) 150% of the SIFMA Municipal Swap Index, as the same may be adjusted from time to time, or (2) if such index is no longer available, 150% of the comparable index of tax-exempt seven-day tender municipal bonds. In no circumstances, may interest on the Series 2008B-1 Bonds (other than Series 2008B-1 Bonds held by a Liquidity Provider or Credit Provider, as applicable, or the assignees of such Liquidity Provider or Credit Provider) exceed the lesser of (1) 12% per annum, or (b) the maximum lawful nonusurious interest rate allowed under the law of the State of Vermont.

Purchase of Series 2008B-1 Bonds on Demand of Registered Owners During Weekly Mode. While the Series 2008B-1 Bonds bear interest at a Weekly Rate and a Liquidity Facility or Credit Facility is in effect, any Series 2008B-1 Bond is subject to purchase on demand of the Registered Owner thereof on any Business Day, upon delivery to the Trustee of an Optional Tender Notice by the applicable Tender Notice Deadline as described herein. See "THE SERIES 2008B-1 BONDS—Tender Provisions" herein for a description of the Tender Notice Deadline as it applies to Series 2008B-1 Bonds in the Weekly Mode.

Mandatory Tender and Purchase of Series 2008B-1 Bonds. While in the Weekly Mode and a Credit Facility or Liquidity Facility, as applicable, is in effect, the Series 2008B-1 Bonds are subject to mandatory tender to the Trustee for purchase (a) on each Mode Change Date, (b) on any Substitution Date, (c) on the seventh Business Day prior to any Expiration Date or Termination Date (but there shall 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 2008B-1 Bonds will not subsequently be remarketed under the Liquidity Facility or Credit Facility that is expiring or being terminated by the Corporation), (d) no later than the Business Day specified by the Trustee as the twenty-fifth day after the Liquidity Provider or Credit

Provider, as applicable, has given notice of termination to the Trustee and the Corporation requesting a mandatory tender of the Series 2008B-1 Bonds pursuant to the Liquidity Facility or Credit Facility, as applicable, provided such notice has not been rescinded by the Liquidity Provider or Credit Provider, as applicable, prior to the applicable Tender Notice Deadline and (e) each date established by the Corporation for mandatory tender as described herein. See "THE SERIES 2008B-1 BONDS—Tender Provisions" herein for a further discussion of mandatory tender provisions as they apply to Series 2008B-1 Bonds in the Weekly Mode.

Purchase of Series 2008B-1 Bonds. Properly tendered Series 2008B-1 Bonds are required to be purchased by the Trustee at a price equal to the principal amount thereof plus accrued and unpaid interest, if any, (in each case, without premium) but only from the following sources: first, from proceeds of the remarketing of tendered Series 2008B-1 Bonds on deposit in the Remarketing Proceeds Account of the Bond Purchase Fund, and second, from funds on deposit in the Liquidity/Credit Facility Purchase Account of the Bond Purchase Fund. See "THE SERIES 2008B-1 BONDS—Tender Provisions" herein for a further discussion of the Bond Purchase Fund.

Redemption of Series 2008B-1 Bonds. The Series 2008B-1 Bonds are subject to redemption prior to maturity under certain specified circumstances as described herein under the heading "THE SERIES 2008B-1 BONDS—Redemption of the Series 2008B-1 Bonds."

Denomination and Payment. Individual purchases of Series 2008B-1 Bonds may be made in book entry form only and purchasers of the Series 2008B-1 Bonds will not receive physical delivery of bond certificates except as more fully described herein. The Series 2008B-1 Bonds are to be issued in fully registered form and are initially to be registered in the name of Cede & Co., as nominee for The Depository Trust Company, as securities depository for the Series 2008B-1 Bonds ("DTC"). Purchases and sales by Beneficial Owners (defined herein) of the Series 2008B-1 Bonds are to be made in book entry form only and in Authorized Denominations. So long as Cede & Co. is the registered owner of the Series 2008B-1 Bonds, all payments of principal of and interest on the Series 2008B-1 Bonds are to be made by the Trustee to Cede & Co., as nominee for DTC. Such payments are to be remitted by DTC to the Participants (defined herein) for subsequent disbursements to the Beneficial Owners. See "THE SERIES 2008B-1 BONDS—Denomination and Payment" and "—Book-Entry-Only System."

In reading this Official Statement, it should be understood that while the Series 2008B-1 Bonds are in book-entry form, references in this Official Statement to Registered Owners of the Series 2008B-1 Bonds should be read to include the person for whom the Participant acquires an interest in the Series 2008B-1 Bonds, but (a) all rights of ownership must be exercised through DTC and the book entry system as described more fully herein; and (b) notices that are to be given to Registered Owners of the Series 2008B-1 Bonds by the Corporation, the Trustee or the paying agent will be given only to DTC.

Security for the Bonds

The Revenues; all moneys and investments held in the Funds (as defined and described in the Master Indenture but excluding the Rebate Fund, the Operating Fund and the Bond Purchase Fund); the Financed

Eligible Loans; Investment Securities; insofar as the same relate to Financed Eligible Loans, the rights of the Corporation in and to all Servicing Agreements, Student Loan Purchase Agreements and Guaranty Agreements; and the rights of the Corporation in and to any Derivative Product, any Reciprocal Payments or any guarantee with respect to the obligation of a Reciprocal Payor to make Reciprocal Payments, are pledged by the Corporation in the Indenture for the benefit of the bondowners, as their interests may appear, to secure the payment of the Series 2008B-1 Bonds and any additional Bonds, subject only to the provisions of the Indenture permitting the application or exercise thereof for or to the purposes and on the terms and conditions therein set forth. The Corporation expects that all Financed Eligible Loans will be made or acquired pursuant to the Higher Education Act. However, the Indenture permits the Corporation to finance other loans made to finance post-secondary education otherwise permitted to be acquired by or originated by the Corporation pursuant to its Program and the Vermont Statutes Annotated Title 16, Chapter 87, as amended subject to (unless all Outstanding Bonds are secured by Credit Facilities) a Rating Confirmation and the written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility.

Liquidity Facility

The Trustee, for the benefit of the Owners of the Series 2008B-1 Bonds, is permitted by the terms of the Liquidity Facility and subject to limitations contained therein (including the right of the Liquidity Provider to terminate the same under certain circumstances), to draw up to the Available Commitment and to make demand for the purchase of Series 2008B-1 Bonds properly tendered to the Trustee for purchase and not remarketed by the Remarketing Agent. See "THE LIQUIDITY FACILITY AND THE LIQUIDITY PROVIDER" herein.

Guarantee and Reinsurance

Any loans qualifying under the Act which are guaranteed by a permitted guarantor and reinsured by the Secretary of the United States Department of Education ("Federal Act Loans") which are in turn pledged under the Indenture shall be guaranteed to the extent required by federal law by the Corporation acting pursuant to Vermont law as Guarantor, or any other permitted Guarantor under the Indenture, and reinsured pursuant to, and to the extent authorized by, the Act. See APPENDIX B -- "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Initial Collateralization

Upon the issuance of the Series 2008B-1 Bonds and completion of the application of proceeds, it is anticipated that the notional amount of the Financed Eligible Loans plus the cash pledged under the Indenture to secure the Outstanding Bonds will equal approximately 105% of the principal amount of the Series 2008B-1 Bonds.

Changes to the Federal Family Education Loan Program

The programs under the Higher Education Act have been the subject of numerous statutory and regulatory changes over the last several years that have resulted in material modifications to such programs. It is possible that relevant federal laws, including the Higher Education Act, will be further changed in the future in a manner which might adversely affect the characteristics, availability or volume of Eligible Loans which can be acquired by the Corporation. See "CERTAIN INVESTMENT CONSIDERATIONS – Changes in the Higher

Education Act or Other Relevant Law – *Future Changes in Relevant Law*" and APPENDIX B -- "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Certain Investment Considerations Investment in the Series 2008B-1 Bonds entails certain investment risks, which are summarized in this Official Statement under the heading "CERTAIN INVESTMENT CONSIDERATIONS."

THE SERIES 2008B-1 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION. THE CORPORATION SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON SUCH BONDS EXCEPT FROM THE REVENUES AND ASSETS PLEDGED UNDER THE INDENTURE. SUCH BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF VERMONT OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON SUCH BONDS.

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OFFICIAL STATEMENT
of the

VERMONT STUDENT ASSISTANCE CORPORATION

relating to its

$120,385,000

Education Loan Revenue Bonds

Senior Series 2008B-1
(Tax-Exempt Variable Rate Demand Bonds)

This Official Statement, which includes the cover page, the Summary Statement and the Appendices hereto, provides information in connection with the issuance by the Vermont Student Assistance Corporation (the "Corporation") of its $120,385,000 Education Loan Revenue Bonds, Senior Series 2008B-1 (the "Series 2008B-1 Bonds"). The Series 2008B-1 Bonds are being issued pursuant to the provisions of an Indenture of Trust (Series B), dated as of June 1, 2008 (the "Master Indenture"), and a 2008B-1 Supplemental Indenture of Trust, dated as of June 1, 2008 (the "Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each between the Corporation and Chittenden Trust Company, Burlington, Vermont, as Trustee (the "Trustee"). The term "Bonds" as used herein shall refer to the Series 2008B-1 Bonds and any additional bonds issued under the Indenture in the future.

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings provided in APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

INTRODUCTION

The Corporation is a non-profit public corporation created in 1965 and existing under and by virtue of Chapter 87 of Title 16 of the Vermont Statutes Annotated, as amended (the "State Act" or the "Authorizing Act"). The State Act provides that the Corporation is to provide opportunities for persons who are residents of Vermont to pursue post-secondary education by awarding grants and guaranteeing, making, financing and servicing loans to students qualifying under the State Act. The Corporation, acting as a loan originator or secondary market, originates education loans and purchases education loans previously originated by other lenders. Such loans include Federal Act Loans, HEAL Loans and Statutory Loans (all as defined below). The Corporation, serving as a Guarantor guarantees, to the extent required by applicable federal law, Federal Act Loans. In addition, the Corporation administers a program of grants, scholarships, work study and outreach services; career, education and financial aid counseling; related information services; and a Section 529 savings plan.

The Series 2008B-1 Bonds will be issued for the purpose of refunding certain prior bonds issued to finance (i) loans qualifying under the Higher Education Act of 1965, as amended (the "Act" or the "Higher Education Act"), which are guaranteed by a permitted Guarantor such as the Corporation to the extent required by the Act and reinsured by the Secretary of the United States Department of Education pursuant to, and to the extent authorized by, the Act ("Federal Act Loans") (ii) loans permitted under the State Act and insured by the Secretary of the United States Department of Health and Human Services ("HEAL Loan"), and (iii) other loans permitted under the State Act and the Indenture ("Statutory Loans"). As described herein, the initial student loans to be pledged under the Indenture will all be Federal Act Loans, but the Indenture permits the origination or acquisition of other types of student loans under certain circumstances. See "SECURITY FOR THE BONDS" and the definition of "Eligible Loan" in APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

The Series 2008B-1 Bonds will initially bear interest at a Weekly Rate. Interest on the Series 2008B-1 Bonds will be payable as described herein.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION. THE CORPORATION SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS EXCEPT FROM THE REVENUES AND ASSETS PLEDGED UNDER THE INDENTURE. THE BONDS, INCLUDING THE SERIES 2008B-1 BONDS, DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF VERMONT OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS.

In order to ensure the availability of funds for the timely purchase of the Series 2008B-1 Bonds, The Bank of New York (the “Liquidity Provider”), the Corporation and the Trustee expect to enter into a Standby Bond Purchase Agreement (the “Liquidity Facility”), pursuant to which the Liquidity Provider agrees, subject to the provisions of the Liquidity Facility, including provisions allowing for termination in certain events (see “THE LIQUIDITY FACILITY AND THE LIQUIDITY PROVIDER” herein), to purchase properly tendered Series 2008B-1 Bonds for a purchase price not to exceed an amount equal to the Available Commitment. Under the Indenture, the Trustee is required to draw on or make demand for the purchase of properly tendered Series 2008B-1 Bonds under the Liquidity Facility in order to pay the purchase price of Series 2008B-1 Bonds properly tendered to the Trustee for purchase and not remarketed by the Remarketing Agent. The Liquidity Facility is initially scheduled to expire on June 26, 2010, but may be extended pursuant to its terms or may terminate or be replaced prior to such expiration. The Series 2008B-1 Bonds are subject to mandatory tender for purchase prior to the occurrence of certain events that terminate the Liquidity Facility, but other events set forth in the Liquidity Facility will result in an immediate termination of the Liquidity Facility without notice and thereupon the Liquidity Provider will be under no obligation to puchase the Series 2008B-1 Bonds.. See “THE LIQUIDITY FACILITY AND THE LIQUIDITY PROVIDER” herein.

The descriptions of the Act, the State Act, the Indenture and the Series 2008B-1 Bonds contained herein do not purport to be definitive or comprehensive. All descriptions of such documents, statutes and any legislative bills contained herein are qualified in their entirety by reference to such documents, statutes and legislative bills. Copies of the Indenture may be obtained upon written request during the initial offering period of the Series 2008B-1 Bonds from Citigroup Global Markets Inc., 388 Greenwich Street, 19th Floor, New York, New York, 10013 Attention: Student Loan Group, and thereafter from the Vermont Student Assistance Corporation, P.O. Box 2000, 10 East Allen Street, Winooski, Vermont 05404-2601, Attention: President, or to the Corporation’s financial advisor, Government Finance Associates, Inc., 590 Madison Avenue, 21st Floor, New York, New York 10022.

THE SERIES 2008B-1 BONDS

The Series 2008B-1 Bonds will be issued in the aggregate amount of $120,385,000 and will mature on December 15, 2039, subject to prior redemption. The Series 2008B-1 Bonds will bear interest as described below. Capitalized terms not otherwise defined under this caption “THE SERIES 2008B-1 BONDS” have the meanings ascribed to them in APPENDIX A —“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Certain Definitions.”

This Official Statement describes terms and provisions applicable to the Series 2008B-1 Bonds only while they are in the Weekly Mode. In the event the Series 2008B-1 Bonds are converted to another Mode, such Series 2008B-1 Bonds will be subject to mandatory tender. Potential purchasers of those converted Series 2008B-1 Bonds will be provided with separate offering materials containing descriptions of the terms of the Series 2008B-1 Bonds applicable to the Mode to which the Series 2008B-1 Bonds are being converted.

Authorization

On June 6, 2008, the Board of Directors of the Corporation adopted a resolution authorizing the execution and delivery of the Master Indenture, the Supplemental Indenture and the issuance and sale of the Series 2008B-1 Bonds. The Series 2008B-1 Bonds are being issued under the Master Indenture and the Supplemental Indenture and in accordance with the State Act.

Book-Entry-Only System

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2008B-1 Bonds, payment of principal of and interest on the Series 2008B-1 Bonds to Participants, defined below, or to purchasers of the Series 2008B-1 Bonds (the "Beneficial Owners"), confirmation and transfer of beneficial ownership interests in the Series 2008B-1 Bonds, and other securities-related transactions by and between DTC, Participants and Beneficial Owners, is based solely on information furnished by DTC and has not been independently verified by the Corporation, the Purchaser or their respective counsel or Bond Counsel. The inclusion of this information is not, and should not be construed as, a representation by the Corporation or the Purchaser or their respective counsel or Bond Counsel as to its accuracy or completeness or otherwise.

DTC will act as securities depository for the Series 2008B-1 Bonds. The Series 2008B-1 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for the Series 2008B-1 Bonds in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2008B-1 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008B-1 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2008B-1 Bond is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008B-1 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2008B-1 Bonds, except in the event that use of the book-entry system for the Series 2008B-1 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008B-1 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008B-1 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008B-1 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008B-1 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time-to-time.

Redemption notices shall be sent to DTC. If less than all of the Series 2008B-1 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2008B-1 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2008B-1 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2008B-1 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Corporation or the Trustee, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2008B-1 Bonds purchased or tendered, through its Participant, to the Remarketing Agent and shall effect delivery of such Series 2008B-1 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2008B-1 Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Series 2008B-1 Bonds in connection with an optional tender or mandatory purchase will be deemed satisfied when the ownership rights in the Series 2008B-1 Bonds are transferred by the Direct Participant on DTC's records and followed by a book-entry credit of tendered Series 2008B-1 Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2008B-1 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

Denomination and Payment

The Series 2008B-1 Bonds are initially being issued in denominations of $100,000 and any integral multiple of $5,000 in excess thereof. The Authorized Denominations are subject to change if the Interest Mode is converted to other than the Weekly Mode. Both the principal of and the interest on the Series 2008B-1 Bonds will be payable in any currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Except as provided in the Master Indenture and the Supplemental Indenture, payment of the principal of all Series 2008B-1 Bonds is to be made upon the presentation and surrender of such as the same becomes due and payable.

Other than as provided in the Master Indenture and the Supplemental Indenture with respect to the Series 2008B-1 Bonds held in the Book-Entry System, interest shall be paid with respect to Series 2008B-1 Bonds (i) by federal funds wire transfer by the Trustee to any account within the continental United States upon written

instruction from the Registered Owner of at least $1,000,000 in principal amount of the Series 2008B-1 Bonds, (ii) by check or draft mailed on the Interest Payment Date by the paying agent to each Registered Owner at his address as it last appears on the registration records kept by the Trustee at the close of business on the regular Record Date for such Interest Payment Date or (iii) by such other customary banking arrangement acceptable to the Trustee at the request of and at the risk and expense of the Registered Owner.

Interest on any Series 2008B-1 Bond that is payable on any Interest Payment Date and that is punctually paid or duly provided for is payable to the person in whose name such Series 2008B-1 Bond is registered at the close of business on the Record Date (as hereinafter defined) for such interest.

Record Date for Interest Payment

The Record Date for the interest payable on any Interest Payment Date on Series 2008B-1 Bonds bearing interest at a Weekly Rate means the Business Day immediately preceding the Interest Payment Date. The Trustee will establish a Special Record Date whenever money becomes available for payment of defaulted interest. Notice of the Special Record Date will be given to the Registered Owners of the Series 2008B-1 Bonds not less than 10 days prior thereto by first-class mail to each such Registered Owner as shown on the Trustee's registration records on the date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest, which payment date will be not more than 15 nor less than 10 days after the Special Record Date.

Transfer, Exchange and Registration

In the event the Book-Entry System is discontinued, the Series 2008B-1 Bonds may be transferred and exchanged on the books of the Corporation, which shall be kept for such purpose at the Principal Office of the Trustee, by the Registered Owner only upon presentation and surrender thereof to the Trustee. Series 2008B-1 Bonds are transferable upon the surrender thereof, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, to the Trustee. While the Series 2008B-1 Bonds are in a Weekly Mode, new Series 2008B-1 Bonds registered and delivered in an exchange or transfer will be in denominations of $100,000 and any integral multiple of $5,000 in excess thereof for a like aggregate principal amount as the Series 2008B-1 Bonds surrendered for exchange or transfer. The Corporation is required to execute and the Trustee is required to authenticate and deliver such new fully registered Series 2008B-1 Bonds. See "—Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Series 2008B-1 Bonds.

Trustee

Chittenden Trust Company will serve as Trustee, paying agent and Tender Agent for the Series 2008B-1 Bonds. Chittenden Trust Company 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 or paying agent shall be delivered by mail delivery/overnight mail to: Chittenden Trust Company, Corporate Trust Department, Two Burlington Square, Burlington, Vermont 05401.

Remarketing Agent

Citigroup Global Markets Inc. ("Citigroup") has been appointed to serve as the initial remarking agent (the "Remarketing Agent") for the Series 2008B-1 Bonds. Citigroup may resign or be removed as Remarketing Agent and a successor may be appointed in accordance with the Master Indenture and Supplemental Indenture. The office of the Remarketing Agent is 388 Greenwich Street, 19th Floor, New York, New York 10013.

Interest

Calculation of Interest. While the Series 2008B-1 Bonds bear interest at a Weekly Rate, interest will be calculated on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed at the applicable Weekly Rate. Initially, the Series 2008B-1 Bonds will bear interest at a Weekly Rate; provided, that from

the Date of Issuance of the Series 2008B-1 Bonds to, but not including July 3, 2008, the Series 2008B-1 Bonds will bear interest at a rate to be determined prior to the issuance of the Series 2008B-1 Bonds. The interest rate for the Series 2008B-1 Bonds in the Weekly Mode is the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the Series 2008B-1 Bonds at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period. Initially, the Rate Determination Date for the Series 2008B-1 Bonds in the Weekly Mode is each Wednesday, or the immediately preceding Business Day if Wednesday is not a Business Day, to go into effect the following Thursday.

The Remarketing Agent is required to establish each Weekly Rate by 4:30 p.m., New York City time, on the applicable Rate Determination Date, and to make the new Weekly Rate available by telephone or Electronic Means to the Corporation, the Trustee and to any Registered Owner requesting such rate after 5:00 p.m., New York City time. If the Remarketing Agent fails for any reason to determine the Weekly Rate for the Series 2008B-1 Bonds, then the Series 2008B-1 Bonds shall bear interest during each subsequent Weekly Rate Period at the Alternate Rate in effect on the first day of such Weekly Rate Period.

The Alternate Rate for the Series 2008B-1 Bonds is the lesser of (a) the Maximum Rate, and (b)(1) 150% of the SIFMA Municipal Swap Index, as the same may be adjusted from time to time, or (2) if such index is no longer available, 150% of the comparable index of tax exempt seven day tender municipal bonds.

In no circumstances may interest on the Series 2008B-1 Bonds (other than Series 2008B-1 Bonds held by a Liquidity Provider or Credit Provider, as applicable, or the assignees of such Liquidity Provider or Credit Provider) exceed the lesser of (a) 12% per annum, or (b) the maximum lawful nonusurious interest rate allowed under the law of the state of Vermont.

Interest Payment Dates. Interest on the Series 2008B-1 Bonds in the Weekly Mode will be paid on (a) each June 15 and December 15, (b) the Maturity, and (c) each Mode Change Date, in an amount equal to the interest accrued during the Interest Accrual Period preceding the applicable Interest Payment Date. If an Interest Payment Date is not a Business Day, interest will be paid on the next Business Day.

Each Interest Accrual Period commences on (and includes) 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 2008B-1 Bonds) and ends on the day preceding the succeeding Interest Payment Date.

Interest Rate Modes; Conversion

The Supplemental Indenture permits the Corporation, by complying with certain conditions, to convert the interest rate on the Series 2008B-1 Bonds from a Weekly Rate to another interest rate, including to a different form of adjustable rate or a rate that is fixed to the maturity of the Series 2008B-1 Bonds. All Series 2008B-1 Bonds, however, must be in the same Mode. A conversion to a Mode other than the Short-Term Mode requires a Rating Confirmation from each Rating Agency. Upon conversion of the Series 2008B-1 Bonds to any Mode, Registered Owners will be required to tender their Series 2008B-1 Bonds for purchase at the principal amount thereof plus unpaid accrued interest to the tender date, as described under the caption "Tender Provisions—*Mandatory Tenders*" below. Registered Owners will receive notice of such conversion at least 15 days prior to the Mode Change Date. Registered Owners will not have the option to retain Series 2008B-1 Bonds that are required to be tendered due to such a Mode Change.

Tender Provisions

Optional Tender. So long as a Credit Facility or Liquidity Facility, as applicable, is in effect to pay the Purchase Price of tendered Series 2008B-1 Bonds and the Series 2008B-1 Bonds bear interest at a Weekly Rate, the Registered Owners of the Series 2008B-1 Bonds may tender their Series 2008B-1 Bonds for purchase on any Business Day at the Purchase Price upon delivery to the Trustee of a notice by Electronic Means or in writing that states the principal amount of the Series 2008B-1 Bonds to be purchased and the applicable payment instructions

with respect to the Series 2008B-1 Bonds being tendered for purchase (the "Optional Tender Notice") by the Tender Notice Deadline, which, during the Weekly Rate Period, with respect to an Optional Tender Notice, is 3:00 p.m, New York City time on any Business Day that is at least 7 days prior to the specified Purchase Date.

The Trustee will pay the Purchase Price of Series 2008B-1 Bonds which are tendered to the Trustee as described herein, but solely from and to the extent of the funds described below under the caption "Remarketing and Purchase."

Interest on any Series 2008B-1 Bond that the Registered Owner thereof has elected to tender for purchase and that is not tendered on the Purchase Date, but for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, will cease to accrue on the Purchase Date. The Registered Owner of such untendered Series 2008B-1 Bond will not be entitled to any payment other than the Purchase Price for such Series 2008B-1 Bond, and such untendered Series 2008B-1 Bond will no longer be outstanding or entitled to the benefits of the Master Indenture, except for payment of the Purchase Price from money held by the Trustee for such payment.

Mandatory Tender. The Series 2008B-1 Bonds are required to be tendered to the Trustee for purchase at the Purchase Price, without the right of retention, on each of the following dates, while the Series 2008B-1 Bonds are in the Weekly Mode and a Liquidity Facility or Credit Facility, as applicable, is in effect to pay the Purchase Price of such Series 2008B-1 Bonds (each a "Mandatory Tender Date"):

(i) each Mode Change Date;

(ii) any Substitution Date;

(iii) 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 such Expiration Date or Termination Date and the Series 2008B-1 Bonds will not subsequently be remarketed under the Liquidity Facility or Credit Facility that is expiring or being terminated by the Corporation);

(iv) the Business Day specified by the Trustee as the twenty-fifth day after the Liquidity Provider or Credit Provider, as applicable, has given a notice of termination to the Trustee and the Corporation requesting a mandatory tender of the Series 2008B-1 Bonds pursuant to the Liquidity Facility or Credit Facility, as applicable, provided such notice has not been rescinded by the Liquidity Provider or Credit Provider, as applicable, prior to the applicable Tender Notice Deadline; and

(v) each date established by the Corporation for mandatory tender as permitted by the Supplemental Indenture; provided that the Liquidity Provider or Credit Provider, as applicable, has given its prior written consent to the extent required under the Credit Facility or Liquidity Facility.

The Trustee is required to mail notice of mandatory tender to the affected Registered Owners of the Series 2008B-1 Bonds, with a copy to each National Repository, by the applicable Tender Notice Deadline. If the Trustee gives such notice, the failure of a Registered Owner to receive such notice for any reason shall not affect, or relieve any Registered Owner of, such Registered Owner's obligation to mandatorily tender such Series 2008B-1 Bonds.

The Trustee will pay the Purchase Price of Series 2008B-1 Bonds which are tendered to the Trustee as described herein, but solely from and to the extent of the funds described below under the caption "Remarketing and Purchase."

Any Series 2008B-1 Bond subject to mandatory tender and not tendered pursuant to the applicable procedures specified in the Supplemental Indenture shall, nevertheless, be deemed to be mandatorily tendered on the applicable Mandatory Tender Date at the Purchase Price, shall cease to bear interest, and shall not be deemed Outstanding for any purpose other than to receive the Purchase Price for such Series 2008B-1 Bonds from the Trustee.

Any mandatory tender on a Substitution Date will, if the Series 2008B-1 Bonds are not remarketed, be paid by a draw on the Liquidity Facility or Credit Facility, as applicable, in effect prior to the substitution.

Remarketing and Purchase. In the event a Registered Owner exercises its option to tender Series 2008B-1 Bonds, or if any Series 2008B-1 Bond becomes subject to mandatory tender, the Remarketing Agent is required to use its best efforts to sell such Series 2008B-1 Bonds at par plus accrued unpaid interest, if any, on the forthcoming optional or mandatory tender date, provided the Liquidity Facility or Credit Facility, as applicable, is in effect to pay the Purchase Price and subject to certain conditions specified in the Remarketing Agreement with the Corporation. The Remarketing Agent will cause the Purchase Price of tendered Series 2008B-1 Bonds that have been successfully remarketed to be paid to the Trustee for deposit to the Remarketing Proceeds Account of the Bond Purchase Fund. On each Purchase Date, if the Trustee has not received notice that the Remarketing Agent has remarketed all of the Series 2008B-1 Bonds subject to purchase, the Trustee will, to the extent permitted by the Credit Facility or Liquidity Facility, as applicable, draw on the Credit Facility or Liquidity Facility, as applicable, or make demand for the purchase of tendered Series 2008B-1 Bonds that have not been successfully remarketed. Upon receipt from the Liquidity Provider or Credit Provider, as applicable, of immediately available funds to pay the Purchase Price of Series 2008B-1 Bonds, the Trustee will deposit such money in the Liquidity/Credit Facility Purchase Account of the Bond Purchase Fund for application to the Purchase Price of the Series 2008B-1 Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account are not sufficient.

The Purchase Price of Series 2008B-1 Bonds tendered for purchase is required to be paid by the Trustee solely from and to the extent of the following sources in the order of priority indicated: (a) first, from immediately available funds on deposit in the Remarketing Proceeds Account of the Bond Purchase Fund; and (b) second, from immediately available funds on deposit in the Liquidity/Credit Facility Purchase Account of the Bond Purchase Fund. In the event sufficient funds are not available to pay the Purchase Price of all tendered Series 2008B-1 Bonds required to be purchased on any Purchase Date for a reason other than a default by the Remarketing Agent, (1) no purchase shall be consummated on such Purchase Date; (2) all tendered Series 2008B-1 Bonds shall be returned to the Registered Owners thereof; (3) all remarketing proceeds shall be returned to the Remarketing Agent for return to the Persons providing such moneys; (4) all moneys received pursuant to the Liquidity Facility or Credit Facility shall be returned on the same Business Day to the Liquidity Provider or Credit Provider, as applicable; and (5) all Series 2008B-1 Bonds shall bear interest at the Unremarketed Bonds Rate during the period of time from and including the applicable Purchase Date to (but not including) the date that all such tendered Series 2008B-1 Bonds are successfully remarketed (the "Delayed Remarketing Period"). The Corporation may direct the conversion of the tendered Series 2008B-1 Bonds to a different Mode during the Delayed Remarketing Period in accordance with the Supplemental Indenture; provided that the Corporation shall not be required to comply with the notice requirements described in the Supplemental Indenture. Subject to the terms of the Remarketing Agreement, the Remarketing Agent shall continue to use its best efforts to remarket all of the Series 2008B-1 Bonds during the Delayed Remarketing Period. During the Delayed Remarketing Period, interest on such tendered Series 2008B-1 Bonds shall be paid to the Registered Owners thereof (i) on the first Business Day of each calendar month occurring during the Delayed Remarketing Period and (ii) on the last day of the Delayed Remarketing Period.

In the event sufficient funds are not available for the purchase of all tendered Series 2008B-1 Bonds required to be purchased on any Purchase Date due to a default by the Remarketing Agent, the Trustee shall apply the money available to pay, on a pro rata basis, the Purchase Price of portions of the tendered Series 2008B-1 Bonds, and shall take all actions available to it to obtain sufficient funds from the Remarketing Agent; the Liquidity Provider, if any; and the Credit Provider, if any, to purchase all such Series 2008B-1 Bonds on or before Noon, New York City time, on the Business Day next succeeding such Purchase Date. Thereafter, the Trustee shall continue to take all such action available to it to obtain (i) remarketing proceeds from the Remarketing Agent, (ii) proceeds of the Liquidity Facility from the Liquidity Provider, if any and (iii) proceeds of the Credit Facility from the Credit Provider, if any. Until such purchase of the entire principal amount of tendered Series 2008B-1 Bonds is consummated and the full Purchase Price paid (which shall include interest on the unpaid principal portion to the date of payment), the Trustee shall, at the expense of the Corporation hold the tendered but unpurchased Series 2008B-1 Bonds for the account of the tendering Registered Owners.

Summary of Certain Provisions of the Series 2008B-1 Bonds

The table below summarizes the following information with respect to Series 2008B-1 Bonds bearing interest at a Weekly Rate:

(a) the dates on which interest will be paid (the "Interest Payment Dates");

(b) the date each interest rate will be determined (the "Rate Determination Date");

(c) the date each interest rate will become effective (the "Effective Date of Rate"), and the period of time each interest rate will be in effect (the "Rate Period");

(d) the dates on which Registered Owners may, at their option, tender their Series 2008B-1 Bonds for purchase to the Trustee and the notice requirements therefor (the "Optional Tender Notice; Optional Tender Dates");

(e) the requirements for physical delivery of tendered Series 2008B-1 Bonds and payment provision therefor ("Physical Delivery of and Payment for Series 2008B-1 Bonds Subject to Optional and Mandatory Tender"), which are not applicable while the Series 2008B-1 Bonds are in book-entry only form;

(f) the notice requirements in order to change from one interest rate Mode to a different interest rate Mode ("Written Notice of Mode Change Date"); and

(g) the notice requirements for any mandatory tender of the Series 2008B-1 Bonds ("Notice of Mandatory Tender").

All times shown are New York City times. A "Business Day," with respect to Series 2008B-1 Bonds outstanding in any Mode other than an Auction Mode or the Fixed Mode, is defined in the Supplemental Indenture to be any day on which banks located (a) in the city in which the principal corporate trust office of the Trustee is located, (b) 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 is located (initially, New York, New York), (c) in the city in which the principal office of the Remarketing Agent is located, are generally open for business and on which the New York Stock Exchange is open and (d) in the city in which the corporate trust office of the Trustee at which the Series 2008B-1 Bonds may be tendered for purchase by the holders thereof is located.

	Weekly Rate
Interest Payment Dates	Each June 15 and December 15 and each Mode Change Date.
Rate Determination Date	By 4:30 p.m. Wednesday, or if Wednesday is not a Business Day, the immediately preceding Business Day.
Effective Date of Rate; Rate Period	Each Thursday; Weekly Rate effective to (but not including) Thursday of next week.
Optional Tender Notice; Optional Tender Dates	Notice delivered by Electronic Means or in writing to the Trustee by Registered Owner that states the principal amount of the Series 2008B-1 Bonds to be purchased, the Purchase Date on which such Series 2008B-1 Bonds are to be purchased, and the applicable payment instructions with respect to the Series 2008B-1 Bonds being tendered for purchase; such notice must be delivered to the Trustee at or prior to 3:00 p.m on any Business Day that is at least 7 days prior to the specified Purchase Date; the Purchase Date must also be on a Business Day.
Physical Delivery of and Payment for	Physical Delivery by 1:00 p.m. on the Purchase Date to the office

Series 2008B-1 Bonds Subject to Optional and Mandatory Tender	of the Trustee; payment of Purchase Price shall be made to the Registered Owners by the Trustee by 3:00 p.m. on the Purchase Date.
Written Notice of Mode Change Date	Notice shall be given by the Trustee to the Registered Owners at least 15 days prior to Mode Change Date.
Notice of Mandatory Tender	Notice shall, subject to certain exceptions, be given by the Trustee to the Registered Owners, with a copy to each National Repository, at least 15 days prior to the Mandatory Tender Date.

Redemption of the Series 2008B-1 Bonds

Optional Redemption. While in a Weekly Mode, any Series 2008B-1 Bond may be redeemed in whole or in part on any day at the option of the Corporation, at a Redemption Price equal to the outstanding principal and accrued and unpaid interest thereon, if any, to the date of redemption.

Extraordinary Mandatory Redemption. Subject to the provisions of the Supplemental Indenture, the Series 2008B-1 Bonds are subject to extraordinary mandatory redemption by the Corporation, in whole or in part, on any date at a redemption price equal to the principal amount thereof (without premium) plus interest accrued, if any, to the date of redemption thereof, from money identified to the trustee by the Corporation, (i) if the Corporation shall suffer unreasonable burdens or excessive liabilities in connection with the operation of its program due to legislative changes or otherwise, (ii) if the redemption of the Series 2008B-1 Bonds shall be required or necessary under applicable law or regulations of the United States Secretary of Education to enable the Corporation to continue to receive various federal benefits, (iii) in order to avoid a downgrade by any rating agency of any of the Series 2008B-1 Bonds or (iv) to avoid an event of default under the Master Indenture, all as evidenced by a Corporation order given to the Trustee at least forty-five days before the redemption date specified therein.

Mandatory Redemptions of Bank Bonds. All Series 2008B-1 Bonds outstanding as Bank Bonds are subject to mandatory redemption at par plus accrued unpaid interest thereon on the dates and in the manner provided in the applicable Liquidity Facility or Credit Facility. Each such mandatory redemption shall constitute a mandatory sinking fund payment for purposes of the Master Indenture and the Supplemental Indenture.

All obligations of the Corporation with respect to each Bank Bond owned by the Liquidity Provider or the Credit Provider, as applicable (or each of the Liquidity Provider's or Credit Provider's assignees), shall be due and payable in full on the earliest of (i) the date such Series 2008B-1 Bonds are remarketed and sold or deemed sold by the Liquidity Provider or the Credit Provider, as applicable (or each of the Liquidity Provider's or Credit Provider's assignees), pursuant to a remarketing, (ii) the date the Series 2008B-1 Bonds are converted to a Mode other than the Weekly Mode, (iii) the date of the effectiveness of an Alternate Credit Facility or an Alternate Liquidity Facility, as applicable or (iv) such earlier date as may be provided in the applicable Credit Facility or Liquidity Facility.

Mandatory Redemption After Recycling Period. Subject to the provisions of the Supplemental Indenture, the Series 2008B-1 Bonds are subject to mandatory redemption in whole or in part, on any date after the end of the Recycling Period, at the written direction of the Corporation, at a redemption price equal to 100% of the principal amount of the Series 2008B-1 Bonds to be redeemed, together with accrued interest thereon to the redemption date, from moneys on deposit in the Tax-Exempt Revenue Account of the Revenue Fund and available therefor in accordance with the Master Indenture. See APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Funds—Revenue Fund."

Priority of Redemption of Bank Bonds. In the event that there are Bank Bonds, such Bank Bonds shall be redeemed prior to any Series 2008B-1 Bond outstanding under the Master Indenture that is not a Bank Bond.

Selection of Series 2008B-1 Bonds to be Redeemed. The Series 2008B-1 Bonds or portions of the Series 2008B-1 Bonds to be redeemed shall be selected by the Corporation. If less than all of the Series 2008B-1 Bonds are to be redeemed, the Series 2008B-1 Bonds shall be selected lot by the Trustee or in such other manner as the Trustee in its discretion may deem appropriate, if the Trustee has not otherwise been directed by the Corporation.

Notice of Redemption. The Trustee will mail a notice of redemption, postage prepaid, to the Registered Owners, with a copy to each National Repository, not more than 30 days nor less than 15 days prior to the redemption date with respect to any Series 2008B-1 Bonds or portions of Series 2008B-1 Bonds in the Weekly Mode which are to be redeemed at their last addresses appearing upon the registration records, but failure so to mail any such notice to a given Registered Owner shall not affect the validity of the proceedings for the redemption of Series 2008B-1 Bonds to other Registered Owners.

SECURITY FOR THE BONDS

The Revenues; all amounts and investments held in the Funds but excluding the Rebate Fund, the Operating Fund and the Bond Purchase Fund); the Financed Eligible Loans; Investment Securities; insofar as the same relate to Financed Eligible Loans, the rights of the Corporation in and to all Servicing Agreements, Student Loan Purchase Agreements and Guaranty Agreements; and the rights of the Corporation in and to any Derivative Product any Reciprocal Payments or any guarantee with respect to the obligation of a Reciprocal Payor to make Reciprocal Payments, are pledged by the Corporation in the Indenture for the benefit of the bondowners and Liquidity Provider, if any, as their interests may appear, to secure the payment of the Bonds and all amounts owing to the Liquidity Provider, if any, subject only to the provisions of the Indenture permitting the application or exercise thereof for or to the purposes and on the terms and conditions therein set forth. The Corporation expects that all Financed Eligible Loans will be made or acquired pursuant to the Higher Education Act. However, the Indenture permits the Corporation to finance other loans made to finance post-secondary education which are otherwise permitted to be acquired by or originated by the Corporation pursuant to its Program, as authorized under the Authorizing Act, subject to (unless all Outstanding Bonds are secured by Credit Facilities) a Rating Confirmation and the written consent of each Credit Provider and Liquidity Provider to the extent required in the applicable Credit Provider Agreement or Liquidity Facility.

The security for the Bonds under the Indenture is pledged equally and ratably first, to the payment of the principal of and interest on all Senior Bonds (including the Series 2008B-1 Bonds), second, to the payment of the principal of and interest on the Senior-Subordinate Bonds, third, to the payment of the principal of and interest on the Subordinate Bonds and fourth, to the payment of the principal of and interest on the Junior-Subordinate Bonds. In addition, the Indenture permits the authorization of additional Senior Bonds, Senior-Subordinate Bonds, Subordinate Bonds and Junior-Subordinate Bonds. Failure to pay principal of or interest on the Senior-Subordinate Bonds, Subordinate Bonds and Junior-Subordinate Bonds will not constitute an Event of Default so long as Senior Bonds are Outstanding, and no Event of Default shall have occurred with respect thereto. Upon the issuance of the Series 2008B-1 Bonds, the Series 2008B-1 Bonds will be the only Bonds Outstanding under the Indenture.

Upon the issuance of the Series 2008B-1 Bonds and completion of the application of proceeds, it is anticipated that the notional amount of the Financed Eligible Loans plus the cash pledged under the Indenture to secure the Outstanding Bonds will equal approximately 105% of the principal amount of the Series 2008B-1 Bonds then Outstanding.

A portion of the proceeds of the Series 2008B-1 Bonds will be used to fund the Debt Service Reserve Fund Requirement with respect to the Series 2008B-1 Bonds. In addition, a deposit will be made to the Tax-Exempt Capitalized Interest Account under the Indenture. See "EXPECTED APPLICATION OF THE SERIES 2008B-1 BOND PROCEEDS."

Amounts in the Debt Service Reserve Fund are available to make payments on the Series 2008B-1 Bonds and any additional Bonds that may be issued in the future, in the event that moneys in the Interest Account (after transfers from the Tax-Exempt Capitalized Interest Account and Taxable Capitalized Interest Account) or the Principal Account are insufficient to make such payments when due. Under the Indenture, the Trustee is required, on the last Business Day of each calendar month, to transfer from the Revenue Fund to the Debt Service Reserve Fund, the amount, if any, necessary to cause the Debt Service Reserve Fund to be funded at the Debt Service Reserve Fund Requirement, subsequent to paying the amounts due on all Bonds and certain other applications, including reimbursement of the Credit Provider of any Credit Facility. See APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE".

THE SERIES 2008B-1 BONDS SHALL BE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION. THE CORPORATION SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2008B-1 BONDS EXCEPT FROM THE REVENUES AND ASSETS PLEDGED UNDER THE INDENTURE. THE BONDS, INCLUDING THE SERIES 2008B-1 BONDS, DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF VERMONT OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2008B-1 BONDS.

LIQUIDITY FACILITY AND THE LIQUIDITY PROVIDER

Liquidity Provider

The Bank of New York (the "Bank") is one of the two principal banking subsidiaries of The Bank of New York Mellon Corporation (NYSE: BK), a bank holding company (the "Holding Company"). The Holding Company is the surviving entity from the merger of The Bank of New York Company, Inc. and Mellon Financial Corporation, which was effective on July 1, 2007. The Holding Company has annual revenues of approximately $13 billion and pro-forma market capitalization of approximately $50 billion. The Holding Company is headquartered in New York City and has 40,000 employees around the world.

The Bank was founded in 1784 by Alexander Hamilton and is the nation's oldest bank. The Bank is a state chartered New York banking corporation and a member of the Federal Reserve System. Its business is subject to examination and regulation by federal and state banking authorities.

The Bank has long-term senior debt ratings of "Aaa"/ "AA-" and short-term ratings of "P-1"/ "A-1+" from Moody's and S&P, respectively. The Bank's principal office is located at One Wall Street, New York, New York 10286. A copy of the most recent SEC filings for the Holding Company, as well as historical filings for The Bank of New York Company, Inc. and Mellon Financial Corporation, including their Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, may be obtained from the Bank's Public Relations Department, One Wall Street, 31st Floor, New York, New York 10286 or by calling (212) 635-1569.

Liquidity Facility

The following summarizes certain provisions of the Liquidity Facility, to which document, in its entirety, reference is made for the complete provisions thereof. The provisions of any Alternate Liquidity Facility may be different from those summarized below. Capitalized terms used in this summary and not otherwise defined in this summary or elsewhere in this Official Statement shall have the meanings assigned to such terms at the end of this summary or in APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," as applicable.

Subject to the terms and conditions of the Liquidity Facility, the Liquidity Provider agrees to purchase, at the Purchase Price, with immediately available funds, Series 2008B-1 Bonds that bear interest at one of the Variable Rates and that are not Liquidity Provider Bonds or Series 2008B-1 Bonds owned by or held on behalf of, for the benefit of or for the account of, the Corporation or any Affiliate of the Corporation (herein referred to as "Eligible Bonds"), which are tendered pursuant to (i) an Optional Tender or (ii) a Mandatory Purchase and which, in either case, the Remarketing Agent has been unable to remarket or for which remarketing proceeds have not been received by the Remarketing Agent or the Trustee by the specified time set forth in the Indenture, in an amount up to, but in no event exceeding, the amount of the Available Commitment. The Liquidity Provider will pay said Purchase Price with its own funds and not with any funds of the Corporation.

The aggregate principal amount of all Series 2008B-1 Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of Series 2008B-1 Bonds by the Liquidity Provider on such date). The maximum amount of the portion of the Purchase Price constituting the principal of such Series 2008B-1 Bonds representing the principal amount of Eligible Bonds purchased on such Purchase Date that the Liquidity Provider agrees to provide under the Liquidity Facility shall be the Available Principal Commitment, as such amount may be increased or reduced pursuant thereto. The aggregate

amount of the Purchase Price comprising interest on Series 2008B-1 Bonds (the "Interest Component") purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date and (ii) the actual aggregate amount of interest accrued on each such Series 2008-1 Bond to such Purchase Date.

Any Series 2008B-1 Bonds purchased by the Liquidity Provider pursuant to the Liquidity Facility shall thereupon constitute Liquidity Provider Bonds and have all of the characteristics of Liquidity Provider Bonds as set forth in the Liquidity Facility and in the Indenture.

Upon (i) any redemption, repayment or other payment of all or any portion of the principal amount of the Series 2008B-1 Bonds or (ii) the close of business on the Conversion Date, the aggregate Available Principal Commitment shall automatically be reduced by the principal amount of the Series 2008B-1 Bonds so redeemed, repaid or otherwise paid or so converted, as the case may be. The Corporation shall cause written notice of such redemption, repayment or other payment or conversion to be promptly delivered to the Liquidity Provider, the Remarketing Agent, and the Trustee. The Available Commitment shall automatically terminate at 5:00 p.m. New York time on the date on which an Alternate Liquidity Facility becomes effective.

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment (initially, $128,102,833) in each case as of such day.

"Available Interest Commitment" is an amount that equals 195 days' interest on the Available Principal Commitment based upon an assumed rate of interest of twelve percent (12%) per annum and a three hundred sixty-five (365) day year and actual days elapsed. The initial Available Interest Commitment equals $7,717,833.

"Available Principal Commitment" is initially, $120,385,000, the aggregate principal amount of the Series 2008B-1 Bonds Outstanding, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Liquidity Facility, (b) downward by the principal amount of any Series 2008B-1 Bonds for the purchase of which funds are made available by the Liquidity Provider to purchase Series 2008B-1 Bonds pursuant to the Liquidity Facility; (c) downward by the principal amount of any Series 2008B-1 Bonds of which the interest rate borne by such Series 2008B-1 Bonds has been converted to a Mode other than a Variable Mode; and (d) upward by the principal amount of any Series 2008B-1 Bonds theretofore purchased by the Liquidity Provider pursuant to the Liquidity Facility which are remarketed (or deemed to be remarketed pursuant to the Liquidity Facility) by the Remarketing Agent and for which the Liquidity Provider has received immediately available funds equal to the principal amount thereof and accrued interest thereon; provided, however, that the sum of (i) the Available Principal Commitment plus (ii) the aggregate principal amount of Liquidity Provider Bonds shall never exceed $120,385,000. Any adjustments to the Available Principal Commitment pursuant to clauses (a), (b), (c) or (d) of this section shall occur simultaneously with the occurrence of the events described in such clauses.

The "*Commitment Period"* is the period from the Effective Date to and including the earliest of (a) the Expiration Date, (b) the date on which no Series 2008B-1 Bonds are Outstanding, (c) the close of business one Business Day following the Conversion Date on which the interest rate borne by all of the Series 2008B-1 Bonds has been converted to a Mode other than a Variable Mode, (d) the close of business on the thirtieth (30th) day following the date on which a Notice of Termination Date is received by the Corporation and the Trustee (provided such Notice of Termination Date has not been rescinded), or if such thirtieth (30th) day is not a Business Day, the next succeeding Business Day, and (e) the date on which the Available Commitment has been reduced to zero or terminated in its entirety.

Events of Default

The occurrence of any of the events described in paragraphs (a) through (h) below constitutes an Event of Default under the Liquidity Facility. Upon the occurrence of an Event of Default, the Liquidity Provider may exercise the remedies described in "Remedies" below:

(a) *Payment on the Series 2008B-1 Bonds.* (i) Any scheduled principal of, or interest on, any Series 2008B-1 Bond or Senior Bond, including any Liquidity Provider Bond (except for nonpayment on

accelerated Liquidity Provider Bonds), shall not be paid when due, or (ii) any other amount owed to the Liquidity Provider pursuant to the Liquidity Facility, shall not be paid when due.

(b) *Fee Payments.* The Corporation shall fail to pay any Commitment Fee within fifteen (15) days after the same shall become due.

(c) *Representations.* Any representation or warranty made by or on behalf of the Corporation in the Liquidity Facility or in any Related Document or in any certificate or statement delivered under the Liquidity Facility or under any Related Document shall be incorrect or untrue in any material respect when made or deemed to have been made.

(d) *Certain Covenants.* The Corporation shall act so as to materially breach (i) the covenant to perform and comply with each and every covenant and agreement required to be performed or observed by it in each Related Document to which the Corporation is a party; and the covenant not to amend, supplement or otherwise modify, or request or agree to any consent or waiver under, any of the Related Documents that would have the effect of limiting the rights or altering the obligations of the Liquidity Provider under the Liquidity Facility without the prior written consent of the Liquidity Provider, such that, after expiration of any applicable grace period, such material breach becomes an event of default; or (ii) shall default in the performance of the following covenants: (A) to comply with all laws, ordinances, orders, rules and regulations that may be applicable to it if the failure to comply could have a material adverse effect on the security for any of the Series 2008B-1 Bonds; (B) to not include in an offering document for the Series 2008B-1 Bonds any information concerning the Liquidity Provider that is not supplied in writing, or otherwise consented to, by the Liquidity Provider expressly for inclusion therein; (C) to use its best efforts to obtain an Alternate Liquidity Facility to replace the Liquidity Facility in the event (1) the Liquidity Provider shall decide not to extend the Expiration Date, (2) the Corporation voluntarily terminates the Liquidity Facility, (3) the Liquidity Provider shall furnish a Notice of Termination Date to the Trustee or (4) a Default Tender shall have been effected with any funds made available under the Liquidity Facility; (D) to not permit the appointment of a successor Remarketing Agent or Trustee unless the Corporation has obtained the prior written consent of the Liquidity Provider; (E) to not create or incur or suffer to be incurred or to exist any Lien on the Revenues or any other funds, accounts or other property held under the Indenture except for the Lien created by the Indenture; or (F) to take all action necessary to maintain a rating on the Series 2008B-1 Bonds equal to "Aaa" (or its equivalent) by Moody's and "AAA" (or its equivalent) by Fitch.

(e) *Other Covenants.* The Corporation shall default in the due performance or observance of any other term, covenant or agreement contained in the Liquidity Facility (other than those referred to in paragraphs (a), (b), (c), and (d) immediately above) and such default shall remain unremedied for a period of thirty (30) days after the Liquidity Provider shall have given written notice thereof to the Corporation.

(f) *Insolvency.* (i) The Corporation shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Corporation shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Corporation any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the Corporation, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the Corporation shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the Corporation shall generally not, or shall be unable to, or so admit in writing its inability to, pay its Debts.

(g) *Other Documents.* Any Event of Default under the Indenture or any "event of default" which is not cured within any applicable cure period under any of the Related Documents shall occur which, if not cured, would give rise to remedies available thereunder.

(h) *Invalidity.* The Liquidity Facility, any Related Documents or any material provision thereof relating to the payment of principal of, or interest on, any of the Series 2008B-1 Bonds (including Liquidity Provider Bonds) shall at any time cease to be valid and binding on the Corporation, or the Corporation, court, or governmental authority having jurisdiction over the transaction finds or rules that the defined pledged security for the Series 2008B-1 Bonds, as stated in the Related Documents, is no longer valid or enforceable.

(i) *Repudiation of Indebtedness.* The Corporation repudiates the validity of the Series 2008B-1 Bonds (including Liquidity Provider Bonds) or any Senior Bonds or its reimbursement obligations to the Liquidity Provider under the Liquidity Facility.

(j) *Debt Adjustment.* A debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction is declared by, or imposed on, the Corporation's parity bonds pursuant to a court, or governmental authority having jurisdiction over the Corporation.

(k) *Ratings Downgrade.* The credit ratings assigned to the Series 2008B-1 Bonds shall be reduced below Investment Grade, or such ratings shall be suspended or withdrawn.

(l) *Corporation Default on Other Debt.* The Corporation shall default in any payment of principal of or premium, if any, or interest on any general obligation of the Corporation for borrowed money in excess of $10,000,000 and such default shall continue beyond the expiration of the applicable grace period, if any.

(m) *Judgment.* A final, non-appealable judgment or order requiring payment in excess of $5,000 from Revenues and such judgment or order shall continue unsatisfied or unstayed for a period of at least 60 days from the date on which such judgment was rendered.

(n) *Bonds Found Taxable.* A final non-appealable order of a court or agency of competent jurisdiction shall have declared the interest on the Series 2008B-1 Bonds to be includable in the gross income of the owners thereof for federal income tax purposes.

Remedies

Upon the occurrence of an Event of Default, the Liquidity Provider may take one or more of the following actions:

(i) *Immediate Termination of Obligation to Purchase Series 2008B-1 Bonds*. In the case of any Event of Default specified in paragraphs (a)(i), (h), (i), (k) or (m) of previous section "Events of Default" above, the Available Commitment and the obligation of the Liquidity Provider to purchase Series 2008B-1 Bonds shall immediately terminate without notice or demand to any Person, and thereafter the Liquidity Provider shall be under no obligation to purchase Series 2008B-1 Bonds. Promptly upon such Event of Default, the Liquidity Provider shall give written notice of the same to the Corporation, the Trustee and the Remarketing Agent; provided, that the Liquidity Provider shall incur no liability or responsibility whatsoever by reason of the Liquidity Provider's failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the obligation of the Liquidity Provider to purchase Series 2008B-1 Bonds pursuant to the Liquidity Facility. The Corporation shall cause the Trustee to notify all Bondowners of the termination of the Available Commitment and the termination of the obligation of the Liquidity Provider to purchase the Series 2008B-1 Bonds.

(ii) *Issuance of Notice of Termination Date*. In the case of an Event of Default specified in paragraphs (a)(ii), (b), (c), (d), (e), (f), (g), (j), (l) or (n) of previous section "Events of Default" above, the Liquidity Provider may give written notice of such Event of Default and termination of the Liquidity Facility (a "*Notice of Termination Date"*) to the Trustee, the Corporation and the Remarketing Agent requesting a Default Tender. The obligation of the Liquidity Provider to purchase Series 2008B-1 Bonds shall terminate on the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Trustee and on such date the Available Commitment shall terminate and the Liquidity Provider shall be under no obligation hereunder to purchase Series 2008B-1 Bonds. In the case of an Event of Default specified in paragraph (d)(F) of previous section "Events of Default" above, the Liquidity Provider agrees to rescind the Notice of Termination Date, if, within 20 days of the delivery of the Notice of Termination Date, the ratings on the Series 2008B-1 Bonds are restored to "Aaa" (Moody's) and "AAA" (Fitch).

(iii) *Other Remedies*. Upon the occurrence of any Event of Default, the Liquidity Provider may declare due and payable all amounts payable, and the Liquidity Provider shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, the Liquidity Provider agrees to purchase Series 2008B-1 Bonds on the terms and conditions of the Liquidity Facility notwithstanding the occurrence of an Event of Default which does not result in the termination or suspension of its obligation to purchase Series 2008B-1 Bonds under paragraphs (i) or (ii) immediately above, and provided further, however, that the Liquidity Provider's only right to declare due and payable amounts payable under the Liquidity Facility and not otherwise due and payable under the Liquidity Facility shall be as set forth in this paragraph (iii).

(iv) *Remedies Not Exclusive*. The remedies provided in this "Remedies" section shall only be exclusive with respect to such Events of Default to the extent they are obtained by the Liquidity Provider. If for any reason whatsoever the Liquidity Provider is not able to obtain all such remedies, then the Liquidity Provider, under the Liquidity Facility, reserves the right and shall have the right to pursue any other available remedies as provided in paragraph (iii) immediately above.

As used in this summary of the Liquidity Facility, the following terms shall have the following meanings:

"*Alternate Base Rate*" means for any day, a fluctuating interest rate per annum equal to the higher of (a) the Prime Rate or (b) the Federal Funds Effective Rate plus 0.5% per annum, in each case as in effect for such day, such rate to change as and when such Prime Rate or Federal Funds Effective Rate changes.

"*Bank Rate*" means, for each day of determination with respect to any Liquidity Provider Bond, except as otherwise provided under the Liquidity Facility, the rate per annum equal to the greater of (i) the Alternate Base Rate from time to time in effect plus 2.00% or (ii) 7.00%, calculated on the basis of a 365- or 366-day year for the actual number of days elapsed and payable semi-annually in arrears; provided that from and after the occurrence of an Event of Default, the Bank Rate shall equal the greater of the Default Rate or 7.00%.

"*Commitment Fee*" has the meaning specified under the Liquidity Facility.

"*Conversion Date*" means the date on which the Corporation elects to convert the Series 2008B-1 Bonds to a Mode other than a Variable Mode.

"*Debt*" of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money or reimbursement obligations that are not contingent, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, (f) all obligations, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person including, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods,

securities or services, to take-or-pay, or to maintain financial statement condition or otherwise), or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part) and (g) all payment obligations of such Person, in addition to any obligations set forth in clauses (a) through (f) above, arising under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate futures contract, interest rate option contract or other similar arrangement and under any foreign exchange contract, currency swap agreement, foreign exchange futures contract, foreign exchange option contract, synthetic cap or other similar agreement.

"*Default*" means any occurrence, circumstance or event, or any combination thereof, which, with the lapse of time and/or giving of notice, would constitute an Event of Default.

"*Default Rate*" means the Alternate Base Rate plus three percent (3.00%), calculated on the basis of a 365- or 366-day year for the actual number of days elapsed and payable on demand.

"*Default Tender*" means a mandatory tender of the Series 2008B-1 Bonds as a result of the Liquidity Provider's delivery of a Notice of Termination Date to the Trustee.

"*Eligible Bonds*" has the meaning set forth in the Liquidity Facility.

"*Expiration Date*" means the later of (a) 5:00 p.m. New York time on June 26, 2010, and (b) 5:00 p.m. New York time on the last day of any extension of such date or, if such last day is not a Business Day, the Business Day next preceding such day.

"*Federal Funds Effective Rate*" means, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Liquidity Provider from three federal funds brokers of recognized standing selected by it. Each determination of the Federal Funds Rate by the Liquidity Provider shall be deemed conclusive and binding on the Corporation absent manifest error.

"*Interest Payment Date*" with respect to interest on the Series 2008B-1 Bonds that are not Liquidity Provider Bonds has the meaning given such term in the Indenture, and with respect to interest payable on Liquidity Provider Bonds, on each June 15 and December 15 and at maturity; provided that from and after the occurrence of an Event of Default, in respect of the Liquidity Facility, payable on demand.

"*Lien*" on any asset means any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset.

"*Liquidity Provider Bonds*" means each Series 2008B-1 Bond purchased with funds provided under the Liquidity Facility by the Liquidity Provider for the account of the Corporation, until such Series 2008B-1 Bonds are remarketed or deemed to be remarketed.

"*Mandatory Purchase*" means the mandatory tender of all or a portion of the Series 2008B-1 Bonds, pursuant to the Supplemental Indenture at a price equal to the principal amount thereof plus, if the date of Mandatory Purchase is other than an Interest Payment Date for the Series 2008B-1 Bonds, accrued interest.

"*Mode*" has the meaning set forth in the Supplemental Indenture.

"*Optional Tender*" means a tender of the Series 2008B-1 Bonds for purchase pursuant to the Supplemental Indenture.

"*Outstanding*" has the meaning set forth in the Master Indenture.

"*Person*" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"*Prime Rate*" means the rate of interest per annum publicly announced in New York City by the Liquidity Provider from time to time as its prime commercial lending rate, such rate to be adjusted automatically (without notice) on the effective date of any change in such publicly announced rate. Such rate is not necessarily the lowest or the best rate charged by the Liquidity Provider to its customers.

"*Purchase Date*" means any Business Day during the Commitment Period with respect to which the Liquidity Provider has received a notice to purchase Eligible Bonds pursuant to the Liquidity Facility.

"*Purchase Price*" means, with respect to any Eligible Bond the unpaid principal amount thereof plus accrued interest thereon from and including the Interest Payment Date next preceding the Purchase Date thereof to but excluding the Purchase Date thereof, in each case without premium; provided that accrued interest will not be included in the Purchase Price if the applicable Purchase Date is an Interest Payment Date; provided further the aggregate amount of Purchase Price constituting the Interest Component shall not exceed the amount specified in the Liquidity Facility.

"*Related Documents*" means the Liquidity Facility, the Series 2008B-1 Bonds, the Liquidity Provider Bond Custody Agreement, the Indenture and the Remarketing Agreement.

"*Variable Mode*" has the meaning set forth in the Supplemental Indenture.

"*Variable Rate*" has the meaning set forth in the Supplemental Indenture.

ADDITIONAL BONDS

Additional Bonds may be issued under the Indenture on a parity with, or subordinated to, the Series 2008B-1 Bonds, if certain conditions are met under the Indenture including receipt by the Trustee of a Rating Confirmation from each Rating Agency requested by the Corporation to rate any Series of Bonds then Outstanding that has issued a current rating thereon, confirming that it will not downgrade, suspend or withdraw such rating on account of the issuance of the additional Bonds. However, no such Rating Confirmation shall be required with respect to Outstanding Bonds which are secured by a Credit Facility.

EXPECTED APPLICATION OF THE SERIES 2008B-1 BOND PROCEEDS

The Corporation, on the closing date, expects to apply the proceeds of the Series 2008B-1 Bonds for the purpose of refunding $120,385,000 of the Corporation's Senior Series 2005QQ Bonds issued pursuant to the 1995 Education Loan Revenue Bond Resolution adopted by the Corporation on June 16, 1995, as supplemented by the 2005 Eleventh Series Resolution adopted by the Corporation on May 27, 2005 (the "Refunded Bonds Resolution") and redeeming the Senior Series 2005QQ Bonds on the closing date. Upon the redemption of such Bonds, the Corporation will transfer from the trust estate pledged under the Refunded Bonds Resolution an equal amount of assets ($120,385,000) plus from other funds of the Corporation an additional amount of assets of the Corporation in the amount of approximately $6,019,250. From such amounts, $1,784,257 will be deposited to the 2008B-1 Subaccount of the Tax-Exempt Capitalized Interest Account of the Revenue Fund and $1,233,861 will be deposited to the 2008B-1 Subaccount of the Tax-Exempt Debt Service Reserve Account of the Debt Service Reserve Fund. The balance contributed will consist of Eligible Loans in the notional amount of $123,386,132 (including accrued interest) which will be credited to the 2008B-1 Subaccount of the Tax-Exempt Acquisition Account of the Acquisition Fund. Such contributions are exclusive of any costs of issuance relating to the Series 2008B-1 Bonds which will be paid by the Corporation and are expected to be approximately $750,000 (including underwriting compensation and up-front liquidity fees).

Upon the issuance of the Series 2008B-1 Bonds and completion of the application of proceeds, it is anticipated that the notional amount of the Financed Eligible Loans as described above plus the cash pledged under the Indenture to secure the Outstanding Bonds will equal approximately 105% of the principal amount of the Series 2008B-1 Bonds.

CERTAIN INVESTMENT CONSIDERATIONS

The Corporation believes, based on its analyses of cash flow projections which have been based on various assumptions and scenarios, that (a) Revenues to be received pursuant to the Indenture should be sufficient to pay principal of and interest on the Bonds when due and to pay when due all fees and expenses related to the Bonds until the final maturity of such Bonds, as more fully described below; (b) the liquidity of the pledged assets held under the Indenture should be sufficient under the circumstances as projected to pay principal of and interest on the Bonds when due and also pay when due all expenses related to such Bonds; and (c) the balances in various Funds should be adequate under the circumstances as projected to pay principal of and interest on the Bonds when due and also pay when due all expenses related to such Bonds. The factors discussed below, however, could affect the sufficiency of Revenues to meet debt service payments on the Bonds.

The Liquidity Provider

If there are insufficient remarketing proceeds to pay the purchase price of properly tendered Series 2008B-1 Bonds subject to optional or mandatory tender, and subject to the provisions of the Indenture and the Liquidity Facility, the purchase price of properly tendered Series 2008B-1 Bonds will be paid from funds provided under the Liquidity Facility issued by the Liquidity Provider. There can be no assurance that the Liquidity Provider will have sufficient revenues to enable it to honor its commitments under the Liquidity Facility. There is no requirement that the Liquidity Facility be replaced in the event of any deterioration of the financial condition of the Liquidity Provider. In addition, under certain circumstances, the Liquidity Facility may be terminated without the bondowner having a right to tender. In such event, the Series 2008B-1 Bonds will no longer be subject to purchase on demand of the bondowners thereof. See the caption "THE LIQUIDITY FACILITY AND THE LIQUIDITY PROVIDER" herein.

Interest Rate Determination and Limitations

If the Remarketing Agent fails or is unable to for any reason determine the Weekly Rate for the Series 2008B-1 Bonds, then the Series 2008B-1 Bonds shall bear interest during each subsequent Weekly Rate Period at the Alternate Rate in effect on the first day of such Weekly Rate Period. The Alternate Rate for the Series 2008B-1 Bonds is a rate per annum equal to the lesser of (a) the Maximum Rate, and (b)(1) 150% of the SIFMA Municipal Swap Index, as the same may be adjusted from time-to-time, or (2) if such index is no longer available, 150% of the comparable index of tax-exempt seven-day tender municipal bonds. In no circumstances, may interest on the Series 2008B-1 Bonds exceed the lesser of (a)(i) with respect to Series 2008B-1 Bonds which are not Bank Bonds, 12% per annum, or (ii) with respect to Bank Bonds, the interest rate per annum set forth in the Credit Facility or Liquidity Facility, as applicable), or (b) the maximum lawful nonusurious interest rate allowed under the law of the State of Vermont.

Factors Affecting Sufficiency and Timing of Receipt of Revenues

The Corporation expects that the Revenues to be received by it pursuant to the Indenture will be sufficient to allow the Corporation to make all payments of principal of and interest on the Bonds when due and also to pay the annual cost of all Trustee fees, servicing costs and other administrative costs and expenses related thereto and to the Financed Eligible Loans until the final maturity or earlier redemption of such Bonds. This expectation is based upon an analysis of cash flow assumptions, which the Corporation believes are reasonable, regarding the timing of the financing of such Eligible Loans to be held pursuant to the Indenture, the future composition of and yield on the Financed Eligible Loan portfolio, rates of default and delinquency on Financed Eligible Loans, the rate of return on moneys to be invested in various Funds under the Indenture, and the occurrence of future events and conditions. There can be no assurance, however, that the Eligible Loans will be acquired or originated as anticipated, that interest and principal payments from the Financed Eligible Loans will be received as anticipated, that the

reinvestment rates assumed on the amounts in various Funds will be realized, or that special allowance payments and other payments will be received in the amounts and at the times anticipated. Furthermore, future events over which the Corporation has no control may adversely affect the Corporation's actual receipt of Revenues, including Recoveries of Principal, pursuant to the Indenture. This, in turn, may affect the Corporation's ability to make payments of principal of and interest on the Series 2008B-1 Bonds when due.

Receipt of principal of and interest on Financed Eligible Loans may be accelerated due to various factors, including, without limitation: (a) default claims or claims due to the disability, death or bankruptcy of the borrowers greater than those assumed; (b) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Financed Eligible Loans held under the Indenture and the Eligible Loans expected to be financed with proceeds of the Series 2008B-1 Bonds; (c) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon such analysis; (d) economic conditions that induce borrowers to refinance or repay their loans prior to maturity; and (e) changes in applicable law that may affect the timing of the receipt of funds by the Corporation. Lenders, including the Federal Direct Loan Program, may make consolidation loans to borrowers for the purpose of retiring certain borrowers' existing loans under various federal higher education loan programs. To the extent that Financed Eligible Loans are repaid with consolidation loans, the Corporation will realize payment of such Financed Eligible Loans earlier than projected.

Delay in the receipt of principal of and interest on Financed Eligible Loans may adversely affect payment of the principal of and interest on the Bonds when due. Principal of and interest on Financed Eligible Loans may be delayed due to numerous factors, including, without limitation: (a) borrowers entering deferment periods due to a return to school or other eligible purposes; (b) forbearance being granted to borrowers; (c) Financed Eligible Loans becoming delinquent for periods longer than assumed; (d) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Corporation's student loan portfolio expected to be held pursuant to the Indenture; and (e) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the student loan portfolio expected to be held pursuant to the Indenture.

The Corporation believes that, in a fluctuating interest rate environment, a factor affecting the prepayment rate on a large pool of loans similar to the Financed Eligible Loans is the difference between the interest rates on the loans (giving consideration to the cost of any refinancing) and prevailing interest rates generally. In general, if interest rates fall below the interest rates on the Financed Eligible Loans, the rate of prepayment would be expected to increase. Conversely, if interest rates rise above the interest rates on the Financed Eligible Loans, the rate of prepayment would be expected to decrease. Other factors affecting prepayment of Financed Eligible Loans include changes in the borrower's job, transfers, unemployment, loan forbearances and deferments, and refinancing opportunities which may provide more favorable repayment terms such as those offered under various consolidation loan programs, including the Federal Direct Loan Program.

If actual receipt of Revenues under the Indenture or actual expenditures by the Corporation under its loan origination and acquisition programs vary greatly from those projected, the Corporation may be unable to pay the principal of and interest on the Bonds and amounts owing on other obligations when due. In the event that Revenues, including Recoveries of Principal, received under the Indenture are insufficient to pay the principal of and interest on the Bonds and amounts owing on certain other obligations when due, the Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default, accelerate the payment of certain of the Bonds and sell the Financed Eligible Loans and all other property comprising the security for the Bonds. In such circumstances, it is possible, however, that the Trustee would not be able to sell the Financed Eligible Loans and the other assets held under the Indenture at prices sufficient to pay the principal of and accrued interest on the Bonds when due. Failure to pay amounts owing with respect to Senior-Subordinate Bonds, Subordinate Bonds and Junior-Subordinate Bonds when due to the extent Revenues are not available for such purpose under and in accordance with the Indenture does not constitute an Event of Default under the Indenture so long as any Senior Bonds are outstanding.

Changes in the Higher Education Act or Other Relevant Law

Recent and Future Changes in Relevant Law. No assurance can be given that relevant federal laws, including the Higher Education Act, or regulations, will not be changed in the future in a manner that might

adversely affect the Trust Estate. Both Title IV of the Higher Education Act and the regulations promulgated thereuder have been the subject of frequent and extensive amendments in recent years and there can be no assurance that further amendment will not materially change the provisions described herein or the effect thereof. In addition, the operation of the Federal Family Loan Education Program (the "FFEL Program") has recently been, and may in the future be, affected by proposed and enacted federal budgetary, bankruptcy and tax legislation.

Since its original enactment in 1965, the Higher Education Act has been amended and reauthorized numerous times and Congress is currently engaged in the reauthorization process. Certain of these amendments have significantly affected the federal student loan programs under the Higher Education Act. In addition, the United States Department of Education (the "Department of Education") continues to engage in the rulemaking process to revise the regulations promulgated by the Department of Education under the Higher Education Act. The Department of Education's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act, which Act is periodically reauthorized and extended. In 2005, the President signed into law the Higher Education Reconciliation Act of 2005 (the "2005 Higher Education Act Amendments"), which amended several provisions of the Higher Education Act governing the FFEL Program. The 2005 Higher Education Act Amendments extended various provisions of the Higher Education Act through September 30, 2012 and included provisions, among other things, that (i) reduced student loan insurance from 98% to 97% for loans for which the first disbursement is made after July 1, 2006, (ii) reduced the reimbursement available for student loan services by servicers designated for exceptional performance from 100% to 99%, (iii) required payment by lenders to the Department of Education of any interest paid by borrowers on student loans first disbursed on or after April 1, 2006, which is in excess of the special allowance payment rate set forth under APPENDIX B -- "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM - Special Allowance Payments" and (iv) eliminated (or, in certain limited instances, phased out by the year 2010) 9.5% floor loan recycling for lenders (which in subsequent legislation was entirely eliminated with certain limited exceptions). See APPENDIX B -- "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

On September 27, 2007, the President signed into law the "College Cost Reduction and Access Act of 2007", Public Law 110-84 (the "CCRA Act"), which amended the Higher Education Act, to eliminate certain government subsidies to student loan lenders. The legislation also includes provisions that: (i) progressively lower the rates borne by Subsidized Stafford Loans disbursed on or after July 1, 2006 but before July 1, 2012 from 6.8% to, eventually, 3.4%; (ii) reduce the FFEL Program lender insurance reimbursement percentage from 97% to 95% of the unpaid balance of such FFEL Program loans disbursed on or after October 1, 2012; (iii) reduce special allowance payments made to FFEL Program lenders; and (iv) eliminate the "exceptional performance" status for lenders, servicers and Guarantors as of October 1, 2007. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Further, in response to recent disruptions in the credit markets and the announcement by a number of lenders that they will no longer originate FFEL Program loans, the President signed into law on May 7, 2008 the Ensuring Continued Access to Student Loans Act of 2008, Public Law 110-227 (the "Ensuring Continued Access Act"). The Ensuring Continued Access Act amends the Higher Education Act to (i) increase annual loan limits and aggregate loan limits on federal unsubsidized loans for dependent and independent undergraduate students; (ii) provide deferrals to parent borrowers to begin repayment of PLUS loans which were first disbursed on or after July 1, 2008, six months and one day after students cease to carry at least one-half the normal full-time academic workload; and (iii) provide temporary authority to the Department of Education to purchase FFEL Program loans first disbursed on or after October 1, 2003 and before July 1, 2009 from any eligible lender. In a May 21, 2008 "Dear Colleague" letter the Secretary of Education, however, only offered to purchase eligible loans from lenders originated for the 2008-2009 academic year.

Federal Budgetary Legislation. The availability of various federal payments in connection with the FFEL Program is subject to federal budgetary appropriation. In recent years, federal budgetary legislation has been enacted which has provided, subject to certain conditions, for the mandatory curtailment of certain federal budget expenditures, including expenditures in connection with the FFEL Program and the recovery of certain advances previously made by the federal government to state guarantee agencies in order to achieve certain deficit reduction guidelines. The Corporation cannot predict the final content of any such legislation or the effect of such legislation on its education loan finance program. No additional representation is made as to the effect, if any, of future federal

budgetary appropriation or legislation upon expenditures by the Department of Education, or the effect, if any, of any future legislation or regulations upon the Corporation's education loan finance program or other factors that could potentially affect timely payment of the Series 2008B-1 Bonds.

Investigations into Preferred Lenders List

Since January 2007, a number of state attorneys general and the U.S. Senate Committee on Health, Education, Labor and Pensions have announced or are reportedly conducting broad investigations of various participants in the student loan industry with respect to potential conflicts of interest in connection with the placement of student lenders on preferred lender lists at colleges and universities, and through alumni organizations. "Preferred lender lists" are lists of lenders recommended by college and university financial aid departments or other organizations to students seeking financial aid. The general focus of the investigations has primarily been on any financial arrangements that schools or financial aid administrators may have with student loan lenders that may help the lenders get placed on the lists, and state and federal legislative proposals addressing this area have recently been introduced. The Corporation has not been contacted by any state attorneys general from other states or by the Chairman of the U.S. Senate Committee on Health, Education, Labor and Pensions in connection with the investigations. In May, 2007, the Vermont Attorney General sent letters of inquiry to colleges and universities in Vermont asking about their practices with respect to preferred lender lists, but has not directed any formal inquiry to the Corporation.

Financial Status of the Guarantors

A deterioration in the financial status of a Guarantor could result in the inability of such Guarantor to make guaranty claim payments to the Corporation. Among the possible causes of deterioration in a Guarantor's financial status are: (a) the amount and percentage of defaulting Federal Act Loans guaranteed by such Guarantor; (b) an increase in the costs incurred by such Guarantor in connection with Federal Act Loans it has guaranteed; and (c) a reduction in revenues received in connection with Federal Act Loans it has guaranteed. The Higher Education Act grants the Department of Education broad powers over Guarantors and their reserves. These provisions create a risk that the resources available to the Guarantors to meet their guaranty obligations may be reduced, and no assurance can be given that exercise of such powers by the Department of Education will not affect the overall financial condition of the Guarantors. Under 20 U.S.C. §1082(o) (Section 432(o) of the Higher Education Act, if the Department of Education has determined that a Guarantor is unable to meet its insurance obligations, the holder of loans insured by the Guarantor may submit insurance claims directly to the Department of Education such that the Department of Education shall pay to the holder the full insurance obligation of the guaranty agency in accordance with insurance requirements no more stringent than those of the Guarantor. However, the Department of Education's obligation to pay guaranty claims directly in this fashion is contingent upon the Department of Education making the determination referred to above. There can be no assurance that the Department of Education would ever make such a determination with respect to any specific Guarantor or, if such a determination was made, whether such determination or the ultimate payment of such insurance obligations of the Guarantor would be made in a timely manner. It is expected that virtually all of the Financed Eligible Loans are, and will be, guaranteed by the Corporation. See APPENDIX B -- "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Noncompliance with the Higher Education Act

Noncompliance with the Higher Education Act with respect to Federal Act Loans by any lender, any Guarantor, any servicer or the Corporation may adversely affect payment of principal of and interest on the Bonds, including the Series 2008B-1 Bonds, when due. The Higher Education Act, and the applicable regulations thereunder, require the lenders making Federal Act Loans, Guarantors guaranteeing Federal Act Loans and parties servicing Eligible Loans made pursuant to the Higher Education Act to follow certain due diligence procedures in an effort to ensure that Federal Act Loans are properly made and disbursed to, and timely repaid by, the borrowers. Such due diligence procedures include certain loan application procedures, certain loan origination procedures and, when a student loan is in default, certain loan collection procedures. The procedures to make, guarantee and service Federal Act Loans are specifically set forth in the Code of Federal Regulations, and no attempt has been made in this Official Statement to completely describe those procedures. Failure to follow such procedures may result in the refusal by the Department of Education to make reinsurance payments to a Guarantor on such loans or may result in

the Guarantor's refusal to honor its guarantee on such loans to the Corporation. Such action by the Department of Education could adversely affect a Guarantor's ability to honor guarantee claims made by the Corporation, and loss of guarantee payments to the Corporation by a Guarantor could adversely affect payment of principal of and interest on the Series 2008B-1 Bonds.

If the Department of Education or the guarantor determines that the Corporation owes a liability to the Department of Education or the guarantor on any Federal Act Loan for which the Corporation is legal titleholder, the Department of Education or the guarantor might seek to collect that liability by offsetting against payments due to the Corporation on Federal Act Loans that are part of the Trust Estate. Such offsetting or shortfall of payments could adversely affect the amount of Revenues and the Corporation's ability to pay principal of and interest on the Bonds, including the Series 2008B-1 Bonds.

Uncertainty as to Available Remedies

The remedies available to bondowners of the Series 2008B-1 Bonds upon an Event of Default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the federal bankruptcy code), the remedies specified by the Indenture and other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Series 2008B-1 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by limitations on the availability of equitable remedies. In addition, the Higher Education Act provides that a security interest in student loans made pursuant to the FFEL Program may be perfected either through the taking of possession of the promissory notes evidencing such loans (or copies thereof) or by the filing of notice of such security interest in the manner in which security interests in accounts may be perfected by applicable state law. If, through fraud, inadvertence or otherwise, a third-party lender or purchaser acting in good faith was to obtain possession of any of the promissory notes evidencing the Financed Eligible Loans (or copies thereto), any security interest of the Trustee in the related Financed Eligible Loans could be defeated.

Rating Agency Confirmation for Certain Actions

The Indenture provides that the Corporation and the Trustee may undertake certain actions based upon receipt by the Trustee of confirmation (the "Rating Confirmation") from each of the applicable Rating Agencies that the outstanding respective ratings assigned by such applicable Rating Agencies to the Bonds are not thereby downgraded, suspended or withdrawn (unless the Outstanding Bonds are secured by Credit Facilities, in which event no such Rating Confirmation is required). Such actions include, among others, the issuance of additional Bonds, the inclusion in the Funds held under the Indenture of Eligible Loans which are not Federal Act Loans but are otherwise permitted to be acquired by or originated by the Corporation pursuant to its Program, as authorized by the Authorizing Act, the extension of the Recycling Period for the Series 2008B-1 Bonds, certain amendments to the Indenture, the reduction of the Debt Service Reserve Fund Requirement, the addition of Derivative Products, the acquisition of certain investments, certain sales and transfers of the Financed Eligible Loans, a conversion to a Mode other than the Short-Term Mode with respect to the Series 2008B-1 Bonds, the increase of the maximum allowable Program Expenses for the Series 2008B-1 Bonds in any calendar year, the addition of loan servicers and the replacement of any Liquidity Facility or Credit Facility (which replacement always necessitates that the Trustee receive a Rating Confirmation). To the extent such actions are taken after the issuance of the Series 2008B-1 Bonds, investors in the Series 2008B-1 Bonds will be subject to such actions and their impact on credit quality. Currently, the Rating Agencies rating the Series 2008B-1 Bonds are Moody's Investors Service ("Moody's") and Fitch Ratings, a subsidiary of Fimalac, S.A., and its successors and assigns ("Fitch"). Information on the ratings assigned to the Series 2008B-1 Bonds can be obtained from Moody's at the ABS/RMBS Monitoring Department, 7 World Trade Center, 25th Floor, 250 Greenwich Street, New York, New York 10007 and from Fitch at One State Street Plaza, New York, New York 10004, Attention: ABS Surveillance.

General Economic Conditions

Certain general economic conditions such as a downturn in the economy resulting in increasing unemployment either regionally or nationally may result in an increase in defaults by borrowers in repaying Financed Eligible Loans, thus causing increased default claims to be paid by Guarantors. It is impossible to predict the status of the economy or unemployment levels or when, if ever, a downturn in the economy would impair a Guarantor's ability to pay default claims. General economic conditions may also be affected by other events including the prospect of increased hostilities abroad. Such events may also have other effects, the impact of which are difficult to project.

Servicemembers Civil Relief Act

The Servicemembers Civil Relief Act (the "Relief Act") signed into law by the President on December 19, 2003 updated and replaced the Soldiers' and Sailors' Civil Relief Act of 1940. The Relief Act provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after incurring student loan obligations. The Relief Act limits the ability of a lender of student loans to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter. In addition, the Relief Act provides generally that a borrower who is covered by the Relief Act may not be charged interest on a student loan that is not a Federal Act Loan or a HEAL Loan in excess of 6% per annum during the period of the borrower's active duty. As a result, there may be delays in payment and increased losses on the Financed Eligible Loans.

The Department of Education has issued guidelines that extend the in-school status, in-school deferment status, grace period status or forbearance status of certain borrowers ordered to active duty. Further, if a borrower is in default on a Federal Act Loan, the applicable Guarantor must, upon being notified that the borrower has been called to active duty and during certain time periods as from time to time designated by the Department of Education, cease all collection activities for the expected period of the borrower's military service.

The number and aggregate principal balance of Financed Eligible Loans that have been or may be affected by the application of the Relief Act and the Department of Education's recent guidelines is not known at this time.

Higher Education Relief Opportunities for Students Act of 2003

The Higher Education Relief Opportunities for Students Act of 2003, as amended ("HEROES Act of 2003"), authorizes the Secretary of Education, to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary (a) to ensure that student loan borrowers who are serving on active military duty during a war or other military operation or national emergency, reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency, or suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary, are not placed in a worse financial position in relation to federal student financial assistance, (b) to ensure that administrative requirements placed on such individuals who are recipients of federal student financial assistance are minimized, (c) to ensure that calculations used to determine need for such assistance accurately reflect the financial condition of such individuals, (d) to provide in certain circumstances for amended calculations of overpayment, and (e) to ensure that institutions of higher education, eligible lenders, Guarantors and other entities participating in such student financial aid programs that are located in, or whose operations are significantly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable. The Secretary was given this same authority under the Higher Education Relief Opportunities for Students Act of 2001, but the Secretary has yet to use this authority to provide specific relief to servicepersons with loan obligations who are called to active duty.

The number and aggregate principal balance of Financed Eligible Loans that may be affected by the application of the HEROES Act of 2003 is not known at this time. Accordingly, payments received by the Corporation on Financed Eligible Loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers of the Financed Eligible Loans become eligible for the relief

provided under the HEROES Act of 2003, there could be an adverse effect on the total collections on the Financed Eligible Loans and the ability of the Corporation to pay interest on the Series 2008B-1 Bonds.

THE CORPORATION

General

The Corporation, a public nonprofit corporation, was created as an instrumentality of the State 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 Federal Act and the Public Health Service Act. 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 Bonds, are not effective until approved in writing by the Governor of the State.

An eleven-member Board of Directors 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, ex officio, and three members elected by the Board. The present Directors' names and principal occupations or affiliations are as follows:

DIRECTORS	PRINCIPAL OCCUPATIONS OR AFFILIATIONS
Chris A. Robbins Chair	Member, State of Vermont Board of Education Danville, Vermont
Representative Martha P. Heath Vice-Chair	Vermont House of Representatives Westford, Vermont
David Larsen Secretary	Middle School Educator (Retired) Wilmington, Vermont
T. Spencer Wright	Financial Services Consultant; former Vice President of Finance and Marketing, Canus Vermont LLC Fayston, Vermont
Senator Ann E. Cummings	Vermont State Senator Montpelier, Vermont
Jeb Spaulding *ex officio*	Treasurer, State of Vermont Montpelier, Vermont
G. Dennis O'Brien	President Emeritus, University of Rochester Middlebury, Vermont
Pamela A. Chisolm	Director of Financial Aid Community College of Vermont Waterbury, Vermont
Dorothy R. Mitchell	Higher Education and Community Volunteer Worcester, 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
Chris A. Robbins	Chair
Martha P. Heath	Vice Chair
David Larsen	Secretary
Donald R. Vickers	President – CEO
Michael R. Stuart	Vice President and CFO and Assistant Secretary
Patrick J. Kaiser	Vice President of Student Services and Assistant Secretary
Scott A. Giles	Vice President of Policy, Research and Planning and Assistant Secretary
Thomas A. Little	Vice President, General Counsel and Assistant Secretary

Mr. Chris A. Robbins, Chair of the Board of Directors, has served as a Board member since 1991.

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 Policy, Research and Planning 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. Patrick J. Kaiser, Vice President of Student Services and Assistant Secretary of the Corporation, joined the Corporation in 1986. Mr. Kaiser previously served in financial management positions in the Cambridge, Massachusetts public school system.

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 to 2002. He is past Chair of the Lawyer's Caucus of the National Council of Higher Education Loan 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. For more than fifteen years, the Corporation's loan acquisitions have occurred and, for the foreseeable future, are expected to occur almost exclusively through loan origination directly by the Corporation. 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 and purchase Eligible Loans. The Trustee may be a party to loan purchase agreements and loan origination agreements with the Corporation.

The Corporation acquires and originates Federal Act Loans, HEAL Loans and Statutory Loans.

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 in its discretion. The Vermont Value Program may be modified, discontinued, or terminated by the Corporation in its discretion at any time.

Servicing of Eligible Loans

The Corporation provides the personnel necessary to perform all origination and servicing of Eligible Loans (including all Federal Act Loans, HEAL 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 with software developed by the Corporation.

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 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. 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 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 nor any political subdivision thereof is obligated to make such payments. Neither the faith and credit nor the taxing power of the State 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 March 31, 2008, 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 Act.

The Corporation, in its capacity as a Guarantor, currently receives funding from several sources, including reimbursement from the Secretary in the form of default aversion assistance pursuant to Section 428(l)(2) of the Act, federal advances and other federal payments, including the account maintenance fees authorized pursuant to Section 458(b) of the Act. The Act, as amended by the Omnibus Budget Reconciliation Act of 1987 (the "1987 Amendment"), 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.

Guaranty Volume. As of March 31, 2008, federally-reinsured education loans in the outstanding aggregate principal amount of approximately $1,969,468,563 were guaranteed by the Corporation.

Reserve Ratio. As of March 31, 2008, the Corporation's reserve ratio was 0.660%. 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, 2007 was .81%. See APPENDIX B -- "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Loan 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 March 31, 2008.

School Type	Outstanding Principal	Percentage of Guaranteed Loans Outstanding (as of March 31, 2008)
Four-Year	$1,523,675,748	74%
Two-Year	$ 131,264,360	6%
Proprietary	$ 138,167,323	7%
Other[1]	$ 262,851,999	13%
Total	$2,055,959,430	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 March 31, 2008, the Corporation had outstanding the following bonds and notes. 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,C,D	$ 96,000,000	Insured by AMBAC Assurance
1996 Series F,G,H,I	$ 100,000,000	Insured by AMBAC Assurance
1998 Series K,L,M,N	$ 155,000,000	Insured by AMBAC Assurance
1998 Series O	$ 10,000,000	No Credit Support
2000 Series R,S,T,U	$ 172,550,000	Insured by AMBAC Assurance
2001 Series V,W,X,Y,Z,AA	$ 164,750,000	Insured by AMBAC Assurance
2002 Series BB, CC, DD	$ 112,500,000	Insured by AMBAC Assurance

2003 Series FF, GG, HH, II, JJ, KK, LL	$	315,900,000	Insured by AMBAC Assurance
Series 2003 General Obligation Bonds	$	19,940,000	No Credit Support
2004 Series MM, NN, OO, PP	$	275,000,000	Insured by AMBAC Assurance
2005 Series QQ,RR,SS	$	239,985,000	Insured by AMBAC Assurance
2006 Series TT, UU, and VV	$	175,250,000	Insured by AMBAC Assurance
2007 Series WW, XX and YY	$	230,000,000	Insured by AMBAC Assurance
	$	2,066,875,000	

TAX MATTERS

General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2008B-1 Bonds is excludable from gross income for federal income tax purposes. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Corporation with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Series 2008B-1 Bonds. Failure to comply with such requirements could cause interest on the Series 2008B-1 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2008B-1 Bonds. The Corporation has covenanted to comply with such requirements. Bond Counsel is further of the opinion that interest on the Series 2008B-1 Bonds is a specific preference item for purposes of the federal alternative minimum tax.

Bond Counsel is also of the opinion that, under existing laws of the State, the Series 2008B-1 Bonds and interest thereon are exempt from all taxation, franchise taxes, fees or special assessments of whatever kind imposed by the State, except for transfer, inheritance and estate taxes.

Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2008B-1 Bonds.

Tax Matters Related to the Series 2008B-1 Bonds

The accrual or receipt of interest on the Series 2008B-1 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2008B-1 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2008B-1 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts, or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2008B-1 Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2008B-1 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2008B-1 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2008B-1 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition,

regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2008B-1 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2008B-1 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2008B-1 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2008B-1 Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

ABSENCE OF LITIGATION

There is no controversy or litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution, or delivery of the Series 2008B-1 Bonds, or in any way contesting or affecting the validity of such Bonds, any proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2008B-1 Bonds or the due existence or powers of the Corporation.

APPROVAL OF LEGALITY

The legality of the authorization, issuance and sale of the Series 2008B-1 Bonds is subject to the approving legal opinion of Kutak Rock LLP, Bond Counsel to the Corporation. Certain legal matters will be passed upon for the Corporation by its in-house General Counsel, for the Bank of New York by Fulbright & Jaworski, L.L.P., and for the Underwriter by its counsel, Krieg DeVault LLP, Indianapolis, Indiana. The unqualified approving opinion of Bond Counsel to the Corporation is to be delivered with the Series 2008B-1 Bonds substantially in the form attached to this Official Statement as APPENDIX C.

AGREEMENT BY THE STATE

Under the State Act, the State pledges and agrees with the holders of the bonds, notes and obligations of the Corporation that the State will not limit or restrict the rights thereby vested in the Corporation to perform its obligations and to fulfill the terms of any agreement made with the holders of its bonds, notes and obligations, including the Series 2008B-1 Bonds or the obligations to any Credit Provider or Liquidity Provider. Neither will the State in any way impair the rights and remedies of the holders until the bonds, notes and other obligations of the Corporation, including the Series 2008B-1 Bonds or the Corporation's 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. The State Act permits the Corporation to include such pledge and agreement of the State in the Corporation's contracts with the holders of its bonds, notes and obligations and the Corporation has included such pledge and agreement in the Indenture for the benefit of the bondowners.

LEGAL INVESTMENT

The State Act provides that, notwithstanding any other law, the State and all public officers, governmental units and agencies of the State, all banks, trust companies, savings banks and institutions, building and loan associations, savings and loan associations, investment companies and other persons carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, all credit unions, and all executors, administrators, guardians, trustees and other fiduciaries may legally invest any sinking funds, moneys or other funds belonging to them or within their control, in obligations of the Corporation issued under the State Act (including the Series 2008B-1 Bonds) and such obligations (including the Series 2008B-1 Bonds) are authorized security for any and all public deposits.

UNDERWRITING

The Series 2008B-1 Bonds are to be purchased by Citigroup Global Markets Inc. (the "Underwriter") pursuant to a bond purchase contract with the Corporation. The Underwriter has agreed to purchase the Series

2008B-1 Bonds at a price of par and will be paid an underwriting fee by the Corporation in an amount equal to $331,059. The obligation of the Underwriter to purchase the Series 2008B-1 Bonds is subject to certain terms and conditions set forth in the bond purchase contract. The initial public offering prices of the Series 2008B-1 Bonds may be changed by the Underwriter from time to time without notice.

The Underwriter may offer and sell the Series 2008B-1 Bonds to certain dealers (including dealers depositing such bonds into investment trusts) and others at prices lower than the initial public offering prices of the Bonds. After the initial public offering, the offering prices of the Series 2008B-1 Bonds may be changed from time to time by the Underwriter.

RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings, a subsidiary of Fimalac S.A., and its successors and assigns ("Fitch"), are each expected to assign their ratings of "Aaa/VMIG1" and "AAA/F1+" respectively to the Series 2008B-1 Bonds. Such ratings reflect only the view of Moody's and Fitch and an explanation of the significance of such ratings can only be obtained from Moody's or Fitch, as applicable. There is no assurance that such ratings will be continued for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's or Fitch if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect upon the market price or the marketability of the Series 2008B-1 Bonds.

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

The Corporation will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") for the benefit of the holders of the Series 2008B-1 Bonds to send so long as required certain financial information and operating data to certain information repositories annually and to provide notice to such repositories or the Municipal Securities Rulemaking Board of certain events, pursuant to the requirements of Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). The proposed form of the Disclosure Agreement is attached hereto as APPENDIX D.

The Corporation has not failed to comply with any prior ongoing disclosure undertaking required by the Rule. A failure by the Corporation to comply with the Disclosure Agreement will not constitute a default or Event of Default under the Indenture, and the holders of the Series 2008B-1 Bonds will have only the remedies set forth in the Disclosure Agreement itself. Nevertheless, a failure must be reported in accordance with the Rule, and such a failure may adversely affect the transferability and liquidity of the Series 2008B-1 Bonds and their market price.

FINANCIAL ADVISOR

Government Finance Associates, Inc. (the "Financial Advisor") serves as independent financial advisor to the Corporation on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2008B-1 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2008B-1 Bonds was based on materials provided by the Corporation and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the Corporation or the information set forth in this Official Statement or any other information available to the Corporation with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

FINANCIAL STATEMENTS

The financial statements of the Corporation as of and for the year ended June 30, 2007, were audited by Baker Newman & Noyes LLC, independent auditors, as stated in their report thereon dated December 6, 2007 Such

financial statements and the report of said auditors are included as APPENDIX E hereto and represent the most current audited financial statements available for the Corporation.

Because the Series 2008B-1 Bonds are special, limited obligations of the Corporation, payable solely from revenue and other sources pledged under the Indenture, the overall financial status of the Corporation may not indicate and may not necessarily affect whether such revenues and other amounts will be available under the Indenture to pay the principal of and/or interest on the Series 2008B-1 Bonds. The Corporation is not obligated to pay any amounts in respect of principal and or interest on the Series 2008B-1 Bonds from any moneys legally available to the Corporation for its general purposes.

FURTHER INFORMATION

Copies, in reasonable quantity, of the Indenture and other documents herein described may be obtained upon written request during the initial offering period of the Series 2008B-1 Bonds from Citigroup Global Markets Inc., 388 Greenwich Street, 19th Floor, New York, NY 10013, Attention: Student Loan Group, and thereafter from Vermont Student Assistance Corporation, 10 East Allen Street, P.O. Box 2000, Winooski, Vermont 05404, Attention: President or the Financial Advisor, Government Finance Associates, Inc., 590 Madison Avenue, 21st Floor, New York, New York 10022.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Act, the Public Health Service Act, the State Act and the Indenture and any other documents or statutes contained herein do not purport to be complete and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion or estimate, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or owners of any of the Series 2008B-1 Bonds.

The Indenture provides that any agreements, covenants, or representations of the Corporation contained in the Indenture or contained in the Series 2008B-1 Bonds do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the incorporators, officers, employees, agents or directors of the Corporation and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Corporation shall arise therefrom.

Use of this Official Statement in connection with the sale of the Series 2008B-1 Bonds has been authorized by the Corporation.

VERMONT STUDENT ASSISTANCE CORPORATION

By: */s/ DONALD R. VICKERS*
Donald R. Vickers, President

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture of Trust (Series B) dated as of June 1, 2008 (the "Master Indenture") by and between the Vermont Student Assistance Corporation (the "Corporation") and Chittenden Trust Company, Burlington, Vermont (the "Trustee") and the 2008B-1 Supplemental Indenture of Trust (the "2008B-1 Supplemental Indenture" and together with the Master Indenture, the "Indenture") dated as of June 1, 2008 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 or the 2008B-1 Supplemental Indenture. The summary is qualified by reference to, and is subject to, the complete Master Indenture and the 2008B-1 Supplemental Indenture, copies of which, in reasonable quantity, may be obtained during the offering period upon request directed to the Corporation or to Citigroup Global Markets Inc. at the respective addresses set forth in "FURTHER INFORMATION."

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 2008B-1 Supplemental Indenture, or any Credit Facility delivered pursuant to the 2008B-1 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 2008B-1 Supplemental Indenture, or any Liquidity Facility delivered pursuant to the 2008B-1 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 lesser of (a) the Maximum Rate, and (b)(1) 150% of the SIFMA Municipal Swap Index, as the same may be adjusted from time to time, or (2) if such index is no longer available, 150% of the comparable index of tax-exempt seven-day tender municipal bonds.

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

"*Auction Rate*" means a rate of interest determined as provided in Exhibit A to the 2008B-1 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 2008B-1 Bonds in any period during which such Series 2008B-1 Bonds are in an Auction Mode.

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

"*Authorized Denominations*" means (a) with respect to the Series 2008B-1 Bonds in a Short-Term Mode, $100,000 and any integral multiple of $5,000 in excess thereof, (b) with respect to the Series 2008B-1 Bonds in a Long-Term Mode, $5,000 and any integral multiple thereof, and (c) with respect to the Series 2008B-1 Bonds in an Auction Mode, $25,000 and any integral multiple thereof, or otherwise as provided in Exhibit A in the 2008B-1 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 of 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.

"*Bank Bonds*" will mean 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 or its designee or assignee until such time as such Bonds are remarketed. With respect to the Series 2008B-1 Bonds, Bank Bonds will mean any Series 2008B-1 Bonds held by or for the benefit of the Liquidity Provider or Credit Provider, as applicable (or its assignee), following purchase of such Series 2008B-1 Bonds with funds drawn on or advanced under the Liquidity Facility or Credit Facility, as applicable, other than Series 2008B-1 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. With respect to the Series 2008B-1 Bonds, Liquidity Provider Bonds (as defined in the Initial Liquidity Facility) will constitute Bank Bonds.

"*Bank Rate*" will equal, for each day, the rate applicable thereto as provided in the Liquidity Facility or Credit Facility, as applicable, subject in both cases to the limitation that in no event will interest borne by the Bank Bonds on any date ever exceed the Maximum Rate (as defined 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.

"*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 2008B-1 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 office of the Remarketing Agent is located, are generally open for business and on which the New York Stock Exchange is open, and (iv) in the city in which the corporate trust office of the Trustee at which the Series 2008B-1 Bonds may be tendered for purchase by the holders thereof is located, (b) with respect to the Series 2008B-1 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 2008B-1 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 generally open for business.

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

"*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 sections 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 June 25, 2008 by and between the Corporation and the Purchaser as described in the 2008B-1 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, 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.

"*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 2008B-1 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) pursuant to the Credit Facility.

"*Credit Provider*" means the provider of a Credit Facility with respect to a Series of Bonds.

"*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.

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

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

"*Daily Rate*" means the per annum interest rate on the Series 2008B-1 Bonds in the Daily Mode determined pursuant to Section 2.07 hereof.

"*Daily Rate Period*" means the period of time when the Series 2008B-1 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 June 26, 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 2008B-1 Bonds, the Debt Service Reserve Fund Requirement means initially an amount equal to 1.00% of

the principal amount of the Financed Eligible Loans on the Date of Issuance; provided, however, that, thereafter while any Series 2008B-1 Bonds are Outstanding, the Debt Service Reserve Fund Requirement will be not less than the greater of 1.00% of the aggregate principal amount of the Financed Eligible Loans attributable to the Series 2008B-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 Confirmation or, if all of the Outstanding Bonds are secured by a Credit Facility, then as will be approved by the Credit Providers.

"*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 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, loans authorized thereunder, including their benefits, have a lower economic rate of return, such loans authorized after such reauthorization or amendment shall not constitute Eligible Loans unless a Rating Confirmation is obtained with respect thereto; or (b) subject to (unless all Outstanding Bonds are secured by Credit Facilities) a Rating Confirmation and the 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.

"*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.

"*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 2008B-1 Bonds bear interest at the Fixed Rate.

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

"*Fixed Rate Bond*" means a Series 2008B-1 Bond in the Fixed Mode.

"*Fixed Rate Period*" means, for the Series 2008B-1 Bonds in the Fixed Mode, the period from the Mode Change Date upon which the Series 2008B-1 Bonds were converted to the Fixed Mode to but not including the Stated Maturity for the Series 2008B-1 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, together the Master Indenture and the 2008B-1 Supplemental Indenture, including all supplements and amendments thereto.

"*Initial Liquidity Facility*" means the Standby Bond Purchase Agreement dated as of June 1, 2008 among the Corporation, the Trustee and the Initial Liquidity Provider.

"*Initial Liquidity Provider*" means The Bank of New York, its successors and permitted assigns.

"*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 2008B-1 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 2008B-1 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 2008B-1 Bond and is (a) with respect to the Series 2008B-1 Bonds Outstanding as Bank Bonds, the dates set forth in the applicable Liquidity Facility or Credit Facility, and (b) with respect to the Series 2008B-1 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 2008B-1 Bonds.

"*Interest Period*" means, for the Series 2008B-1 Bonds in a particular Mode, the period of time that the Series 2008B-1 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 2008B-1 Bonds is the Weekly Rate Period.

"*Investment Agreement*" means any investment agreement described in a Supplemental Indenture or otherwise approved by (i) unless all Outstanding Bonds are secured by Credit Facilities, each Rating Agency as evidenced by a Rating Confirmation; 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 , or obligations on which the timely payment of the principal and interest components are unconditionally and fully guaranteed by, the United States of America;

(b) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of 12 months or less with any bank, trust company, national banking association or other depository institution, 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;

(c) interest-bearing time or demand deposits, certificates of deposits or other similar banking arrangements with a maturity of 24 months or less, but more than 12 months, with any bank, trust company, national banking association or other depository institution, including those of the Trustee and any of its affiliates; provided, that at the time of deposit or purchase, such depository institution has senior debt rated "A" or higher by S&P and "AA-" or higher by Fitch, if commercial paper is outstanding, commercial paper which is "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;

(d) interest-bearing time or demand deposits, certificates of deposit or other similar banking arrangements with a maturity of more than 24 months with any bank, trust company, national banking association or other depository institution, including those of the Trustee, and any of its affiliates; provided, that at the time of deposit or purchase, such depository institution has senior debt rated "AA" or higher by S&P and "AA" or higher by Fitch, or if commercial paper is outstanding, 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;

(e) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following agencies: Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation; the Export-Import Bank of the United States; the Federal National Mortgage Association; the Farmers Home Administration; Federal Home Loan Banks provided such obligation is rated "AAA" by S&P, "Aaa" by Moody's and "AAA" by Fitch; or any agency or instrumentality of the United States of America which will be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

(f) repurchase agreements and reverse repurchase agreements, other than overnight repurchase agreements and overnight reverse repurchase agreements, with banks, including the Trustee and any of its affiliates, which are members of the Federal Deposit Insurance Corporation or firms which are members of the Securities Investors Protection Corporation, in each case whose outstanding, unsecured debt securities are rated no lower than two subcategories below the highest rating on any Class of Outstanding Notes by S&P and Fitch, if commercial paper is outstanding, 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;

(g) overnight repurchase agreements and overnight reverse repurchase agreements at least 101% collateralized by securities described in clause (a) of this definition and with a counterparty, including the Trustee and any of its affiliates, that has senior debt rated "AA" or higher by S&P and "AA-" or higher by Fitch, if commercial paper is outstanding, 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, or a counterparty approved in writing by S&P, Moody's and Fitch, respectively;

(h) investment agreements or guaranteed investment contracts, which may be entered into, by, and among the Issuer and/or the Trustee and any bank, bank holding company, corporation or any other financial institution, including the Trustee and any of it affiliates, whose outstanding (i) commercial paper is rated "A-1+" by S&P and "F1+" by Fitch for agreements or contracts with a maturity of 12 months or less and has the required ratings from Moody's corresponding to the duration of such investment set forth below; (ii) unsecured long-term debt is rated no lower than two subcategories below the highest rating on any Class of Outstanding Notes by S&P and Fitch and, if commercial paper is outstanding, commercial paper which is rated "A-1+" by S&P and "F1+" by Fitch for agreements or contracts with a maturity of 24 months or less, but more than 12 months and has the required ratings from Moody's corresponding to the duration of such investment set forth below; or (iii) unsecured long-term debt which is rated no lower than two subcategories below the highest rating on any Class of Outstanding Notes by S&P and Fitch and, if commercial paper is outstanding, commercial paper which is rated "A-1+" by S&P and "F1+" by Fitch for agreements or contracts with a maturity of more than 24 months and has the required ratings from Moody's

corresponding to the duration of such investment set forth below, or, in each case, by an insurance company whose claims-paying ability is also rated;

(i) "tax-exempt bonds" as defined in Section 150(a)(6) of the Code, other than "specified private activity bonds" as defined in Section 57(a)(5)(C) of the Code, that are rated in the highest category by S&P and Fitch for long-term or short-term debt or shares of a so called money market or mutual fund rated "AAAm/AAAm-G" or higher by S&P, and "AAA/F1+" by Fitch and has the required ratings from Moody's corresponding to the duration of such investment set forth below, that do not constitute "investment property" within the meaning of Section 148(b)(2) of the Code; provided that the fund has all of its assets invested in obligations of such rating quality;

(j) commercial paper, including that of the Trustee and any of its affiliates, which is rated in the single highest classification, "A-1+" by S&P and "F1+" by Fitch and has the required ratings from Moody's corresponding to the duration of such investment set forth below, and which matures not more than 270 days after the date of purchase;

(k) 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;

(l) any Investment Agreement; and

(m) any other investment (i) unless all Outstanding Bonds are secured by Credit Facilities, with a Rating Confirmation from each Rating Agency and (ii) the 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), (e), (k) and (l) of this definition) will have the following Moody's long-term and or short-term ratings corresponding to the duration of such investment:

Maximum Maturity	**Minimum Ratings**
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"

"*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 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.

"*Liquidity/Credit Facility Purchase Account*" means the account by that name created pursuant to the 2008B-1 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; 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. With respect to the Series 2008B-1 Bonds, Liquidity Facility will include the Initial Liquidity Facility and any Alternate Liquidity Facility issued with respect thereto.

"*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 2008B-1 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 and, with respect to the Series 2008B-1 Bonds, will initially be the Initial Liquidity Provider.

"*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 2008B-1 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 2008B-1 Bonds tendered on such date):

(a) for Series 2008B-1 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 2008B-1 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 2008B-1 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 2008B-1 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 as the twenty-fifth day after the Liquidity Provider or Credit Provider, as applicable, has given a notice of termination to the Trustee and the Corporation requesting a mandatory tender of the Series 2008B-1 Bonds pursuant to the Liquidity Facility or Credit Facility, as applicable, provided such notice has not been rescinded by the Liquidity Provider or Credit Provider, as applicable, prior to the applicable Tender Notice Deadline, and

(f) each date established by the Corporation for mandatory tender pursuant to the 2008B-1 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 2008B-1 Bonds subject to mandatory tender pursuant to the 2008B-1 Supplemental Indenture that states (a) that all such Series 2008B-1 Bonds are to be purchased, (b) the Mandatory Tender Date on which such Series 2008B-1 Bonds are to be purchased and (c) applicable instructions with respect to such purchase and the tender of such Series 2008B-1 Bonds for payment of the Purchase Price.

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

"*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 2008B-1 Bonds, Maturity means the date on which the principal thereof becomes due and payable as therein provided or as provided in the 2008B-1 Supplemental Indenture, whether at its Stated Maturity, maturity by earlier redemption, by declaration of acceleration or otherwise.

"*Maximum Rate*" means, so long as a Liquidity Facility or Credit Facility is in effect, the lesser of either (a) (i) with respect to Series 2008B-1 Bonds which are not Bank Bonds, 12% per annum, or (ii) with respect to Bank Bonds, the interest rate per annum set forth in the applicable Liquidity Facility or Credit Facility with respect thereto or (b) 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 2008B-1 Supplemental Indenture. Initially, the Series 2008B-1 Bonds will be in the Weekly Mode.

"*Mode Change Date*" means, with respect to Series 2008B-1 Bonds in a particular Mode, the day on which another Mode for the Series 2008B-1 Bonds begins, and includes a date on which Series 2008B-1 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 2008B-1 Bonds.

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

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

"*Monthly Rate Period*" means the period when a Series 2008B-1 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. The Designated Day for the Series 2008B-1 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 Agent with the 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.

"*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 2008B-1 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.

"*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 2008B-1 Bonds: the Remarketing Agent, 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 2008B-1 Bonds to be purchased pursuant to the 2008B-1 Supplemental Indenture, (b) the Purchase Date on which such Series 2008B-1 Bond is to be purchased, and (c) applicable payment instructions with respect to the Series 2008B-1 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 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 Oblistigations 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, 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 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 Confirmation (unless all Outstanding Bonds are secured by Credit Facilities) and the 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; 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 2008B-1 Bond in the Daily Mode, the Weekly Mode, or the Monthly Mode, any Business Day selected by the Registered Owner of said Series 2008B-1 Bond pursuant to the provisions of the 2008B-1 Supplemental Indenture, and (b) any Mandatory Tender Date.

"*Purchase Notice*" means a notice delivered to the Registered Owner of Bank Bonds by the 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 2008B-1 Supplemental Indenture, an amount equal to (a) the unpaid principal amount of any Series 2008B-1 Bonds purchased on any Purchase Date, plus (b) in the case of any purchase of Series 2008B-1 Bonds on a date that is not an Interest Payment Date, accrued interest, if any, in each case, without premium.

"*Purchaser*" means Citigroup Global Markets Inc.

"*Rate Determination Date*" means July 2, 2008, and thereafter, any date the interest rate on the Series 2008B-1 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 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 Remarketing Agent; and (e) in the case of the Fixed Mode, a date determined by the 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 2008B-1 Bonds, Rating Agency will include Moody's and Fitch.

"*Rating Confirmation*" 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.

"*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 2008B-1 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 from the Date of Issuance through June 25, 2010; or such later date as may be permitted by a Rating Confirmation, unless all Outstanding Bonds are then secured by Credit Facilities, in which case upon 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 $120,385,000 Senior Series 2005QQ Bonds issued pursuant to the Refunded Bonds Resolution.

"*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 2005 Eleventh Series Resolution adopted on May 27, 2005 by the Corporation, as supplemented and amended.

"*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 Citigroup Global Markets Inc., or any other entity assuming the duties and obligations of the Remarketing Agent as may be appointed by the Corporation.

"*Remarketing Agreement*" means the Remarketing Agreement, dated as of June 1, 2008 between the Corporation and the Remarketing Agent, relating to the Series 2008B-1 Bonds, and any amendments or supplements thereto, as consented to by the Liquidity Provider or Credit Provider, as applicable, which consent will not be unreasonably withheld.

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

"*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 any Derivative Product, Credit Facility or Liquidity Facility, the priority or payment of which is equal with that of Senior Bonds.

"*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 any Derivative Product, Credit Facility or Liquidity Facility, the priority or payment of which is equal with that of Senior-Subordinate Bonds.

"*Serial Bonds*" means the Series 2008B-1 Bonds maturing on the Serial Stated Maturities, as determined pursuant to the 2008B-1 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 2008B-1 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 2008B-1 Bonds*" means the $120,385,000 Education Loan Revenue Bonds, Senior Series 2008B-1 (Tax-Exempt Variable Rate Demand 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) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation, and (ii) the 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 2008B-1 Bonds in the Weekly Mode for which a rate is not set pursuant to the 2008B-1 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, 2039.

"*Student Loan Purchase Agreement*" means a loan purchase agreement entered into for the purchase of Eligible Loans into the Trust Estate.

"*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 any Derivative Product, Credit Facility or Liquidity Facility, the priority of payment of which is equal with that of Subordinate Bonds.

"*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 shall be at least one day prior to the termination 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 2008B-1 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, 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, 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.

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

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

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

"*Term Rate Period*" means, with respect to a Series 2008B-1 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 2008B-1 Supplemental Indenture and, thereafter, the period from (and including) the beginning date of each successive Interest Period selected for such Series I2008B-1 Bonds by the Corporation pursuant to the Series 2008B-1 Indenture while such Series 2008B-1 Bonds are in the Term Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period.

"*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 Chittenden Trust Company, Burlington, Vermont, acting in its capacity as Trustee under the Indenture, or any successor Trustee designated pursuant to the Indenture.

"*Underwriter*" means the underwriter or underwriters of any of the Bonds. With respect to the Series 2008B-1 Bonds, the Underwriter will be the Purchaser.

"*Value*" on any calculation date when required under the Indenture means the value of the Trust Estate calculated by the Corporationt 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, Interest Benefit Payments and Special Allowance Payments;

(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 2008B-1 Bonds bear interest at the Weekly Rate.

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

"*Weekly Rate Period*" means the period when a Series 2008B-1 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 2008B-1 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. The Designated Day for the Series 2008B-1 Bonds during the Weekly Rate Period will be Wednesday of each week, commencing with the first Wednesday that is at least five (5) days after the applicable Mode Change Date, or such other day as may be established by the Remarketing Agent with the consent of the Corporation and the Liquidity Provider or Credit Provider, as applicable, in connection with the establishment of that rate period.

"*2008B-1 Supplemental Indenture*" means the 2008B-1 Supplemental Indenture dated as of June 1, 2008 by and between the Corporation and the Trustee authorizing the Series 2008B-1 Bonds.

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.

No Bonds will be authenticated and delivered pursuant to the Indenture unless: the Corporation and the Trustee will have entered into a Supplemental Indenture; 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 a Rating Confirmation from each Rating Agency with respect to the issuance of such Series of Bonds (except that no Rating Confirmation will be required with respect to Outstanding Bonds which are secured by a Credit Facility); and, 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.

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 2008B-1 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 2008B-1 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 2008B-1 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 2008B-1 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 2008B-1 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 covenants 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. 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).

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 pledges 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 agrees 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.

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 also 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 also creates and orders held in the custody of the Trustee as Tender Agent the "Bond Purchase Fund." The 2008B-1 Supplemental Indenture contains additional provisions relating to the Bond Purchase Fund and establishes a Remarketing Proceeds Account and Liquidity/Credit Facility Purchase Account with respect to the Series 2008B-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) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency and (ii) the 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, 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, 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 shall have received a Rating Confirmation (unless all Outstanding Bonds are secured by Credit Facilities) 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 105% unless the Corporation will have received (A) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency allowing for a lower percentage and (B) the 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 clauses (a) and (b) above shall also be subject to the limitation that the Corporation shall 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 Confirmation.

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 covenants 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) 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) 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) 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 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), 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) 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), 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) 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), 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 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 (L) 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;

(M) 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

shall be at least equal to 105% unless the Corporation shall have received (1) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency allowing for a lower percentage and (2) the consent of each Credit Provider and Liquidity Provider to a lower percentage;

(N) 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 shall be at least equal to 105% unless the Corporation shall have received (1) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency allowing for a lower percentage and (2) the 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;

(O) 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 shall be at least equal to 105% unless the Corporation shall have received (1) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency allowing for a lower percentage and (2) the 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;

(P) 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;

(Q) 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

(R) 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 an Issuer 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 Education 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) 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), 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) 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), 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) and the payment of Corporate 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), 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) 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), 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 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 (K) 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;

(L) 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 shall be at least equal to 105% unless the Corporation shall have received (1) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency allowing for a lower percentage and (2) the consent of each Credit Provider and Liquidity Provider to a lower percentage;

(M) 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 shall be at least equal to 105% unless the Corporation shall have received (1) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency allowing for a lower percentage and (2) the 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;

(N) 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, 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 shall be at least equal to 105% unless the Corporation shall have received (1) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency allowing for a lower percentage and (2) the 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;

(O) 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;

(P) 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, as the direction of the Corporation by Corporation Order);

(Q) 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. On each Bond Payment Date with respect to Tax-Exempt Bonds, 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. On each Bond Payment Date with respect to Taxable Bonds, 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 Subacccount 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 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 Capitalized Interest Account, the Debt Service Reserve Fund and the Acquisition 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 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 Capitalized Interest Account, the Debt Service Reserve Fund and the Acquisition 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 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 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 Debt Service Reserve Fund and the Acquisition 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 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 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 Debt Service Reserve Fund and the Acquisition 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, to the extent there are insufficient moneys in the Tax-Exempt Interest Subaccount, the Tax-Exempt Principal Subaccount 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 Account, 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, to the extent there are insufficient moneys in the Taxable

Interest Subaccount, the Taxable Principal Subaccount 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. 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 covenants that the amount so transferred in any one Fiscal Year will

not exceed the amount budgeted by the Corporation as Program Expenses for such Fiscal Year with respect to the Bonds and 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) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency with respect to such greater amounts and (ii) the 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 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 105%, or such higher amount as may be required pursuant to a Liquidity Facility or Credit Provider Agreement; (ii) unless all Outstanding Bonds are secured by Credit Facilities, a Rating Confirmation from each Rating Agency and the written consent of any Credit Provider and Liquidity Provider; or (iii) if all Outstanding Bonds are secured by Credit Facilities, the written consent of the Credit Provider.

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 (k) 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 certain provisions of the Indenture relating to 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 any Supplemental Indenture will be suspended during any period that such Credit Provider or Liquidity Provider, as applicable, will be in default of its payment obligation under the applicable Credit Facility or 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; and

(g) the Trustee will have received written notice from a Credit Provider that an "Event of Default" has occurred under a Credit Provider Agreement, and such "Event of Default" has not been remedied or waived.

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 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, 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 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, 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 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, all Corporation Derivative Payments (excluding all Termination Payments) secured on a parity with such 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 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, 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 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 on 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, 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 and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due; *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 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 and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, as the case may be; *fourth*, to the payment of the principal of all Senior-Subordinate Bonds then due 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 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 and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, as the case may be; *sixth*, to the payment of the principal of all Subordinate Bonds then due 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, 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 and such Corporation Derivative Payments as provided in the ISDA Master Agreement then due, as the case may be; *eighth*, to the payment of the principal of all Junior-Subordinate Bonds, then due 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, the Trustee shall 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. 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, 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, 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 a 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.

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 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; 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 Revenue 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 Obligations, 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 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; 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; or (b) any default in the payment of amounts relating to the Corporation's tax covenants contained in the Indenture. 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 resent 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). 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. 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. 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; 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 may, without the consent of or notice to any of the Registered Owners of any Obligations 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 Counsel's Opinion addressed to the Corporation and the Trustee to the effect that the addition or amendment of such provisions will not 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 the Indenture with respect to any particular Derivative Product subject to receipt of a Rating Confirmation unless all Outstanding Bonds are secured by Credit Facilities;

(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 therefore or in place thereof;

(o) if all Outstanding Bonds are secured by Credit Facilities, to make any other change with the written consent of all Credit Providers; or

(p) to make any other change 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.

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; 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

DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

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

The Higher Education Act has been subject to frequent amendments, including several amendments that have changed the terms of and eligibility requirements for the FFELP Loans. Generally, this Official Statement describes only the provisions of the Federal Family Education Loan Program that apply to loans made on or after July 1, 1998. The Higher Education Act is currently subject to reauthorization. During that process, proposed amendments to the Higher Education Act are common and numerous such bills and proposals have recently been introduced and/or passed by Congress.

The availability of various federal payments in connection with the FFEL Program is subject to federal budgetary appropriation. In recent years, federal budgetary legislation has been enacted which has provided, subject to certain conditions, for the mandatory curtailment of certain federal budget expenditures, including expenditures in connection with the FFEL Program and the recovery of certain advances previously made by the federal government to state guarantee agencies in order to achieve certain deficit reduction guidelines. As a part of the federal budgetary appropriation process, Congress has passed, and the President has signed into law, the Deficit Reduction Act of 2005, which extends the Secretary's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act through September 30, 2012, and amends numerous provisions of the Higher Education Act (some of which are summarized below).

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

Further, in response to recent 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 was enacted and signed into law by the President on May 7, 2008. The Ensuring Continued Access to Student Loans Act amends the Higher Education Act to (i) increase annual loan limits and aggregate loan limits on federal unsubsidized loans for dependent and independent undergraduate students; (ii) provide deferrals to parent borrowers to begin repayment of PLUS loans which were first disbursed on or after July 1, 2008 six months and one day after the student ceases to carry at least one-half the normal full-time academic workload; (iii) 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 Parent PLUS loans; and (iv) provide temporary authority to the Department of Education to purchase FFELP loans first disbursed on or after October 1, 2003 and before July 1, 2009 from any eligible lender. In a May 21, 2008 "Dear Colleague" letter, the Secretary, however, only offered to purchase eligible loans from lenders originated for the 2008-2009 academic year.

The Secretary's May 21, 2008 "Dear Colleague" letter also announced a new financing program to make capital available to FFEL Program lenders, whereby the Secretary will purchase participation interests in pools of loans made by FFEL Program lenders for the 2008-2009 academic year, and hold those participation interests up to September 30, 2009. While some features of this financing program are contained in the Dear Colleague letter, a subsequent *Federal Register* notice will provide details of the pricing, terms and conditions of the program. The Corporation may or may not take advantage of this program.

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

Federal Family Education Loans

Several types of loans are currently authorized as Federal Family Education Loans pursuant to the Federal Family Education Loan Program. These include: (i) 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"); (ii) 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"); (iii) loans to graduate students, professional students, or parents of dependent students ("PLUS Loans"); and (iv) loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans ("Consolidation Loans").

Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (i) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution; (ii) 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; (iii) has agreed to notify promptly the holder of the loan of any address change; (iv) is not in default on any federal education loans; (v) meets the applicable "need" requirements and (vi) 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 (composite) default rate that is higher than certain specified thresholds in the Higher Education Act is not an eligible institution.

Subsidized Stafford Loans

The Higher Education Act provides for federal (i) insurance or reinsurance of eligible Subsidized Stafford Loans, (ii) interest subsidy payments for borrowers remitted to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (iii) special allowance payments representing an additional subsidy paid by the Secretary of the U.S. Department of Education (the "Secretary") to such holders of eligible Subsidized Stafford Loans.

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

Subject to these limits, Subsidized Stafford Loans are available to borrowers in amounts not exceeding their unmet need for financing as provided in the Higher Education Act. Provisions addressing the implementation of need analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding have been the subject of frequent and extensive amendment in recent years. There can be no assurance that further amendment to such provisions will not materially affect the availability of Subsidized Stafford Loan funding to borrowers or the availability of Subsidized Stafford Loans for secondary market acquisition.

Unsubsidized Stafford Loans

Unsubsidized Stafford Loans are available for students who do not qualify for Subsidized Stafford Loans due to parental and/or student income or assets in excess of permitted amounts. In other respects, the general requirements for Unsubsidized Stafford Loans are essentially the same as those for Subsidized Stafford Loans. The interest rate, the loan fee requirements and the special allowance payment provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the Secretary does not make interest subsidy 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 Guarantee Agencies and the Secretary in providing federal reinsurance on the loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest subsidy payments are not available under the PLUS Program and special allowance payments are more restricted.

Starting on July 1, 2009, PLUS Loans made to parents of dependent students ("Parent PLUS Loans") will become subject to a loan origination rights auction to be held in each state every two years unless the College Access and Opportunity Act of 2007 is successfully enacted, repealing this recent change to the Higher Education Act. The winning lenders will be those two lenders whose bids reflect the lowest amount of special allowance payments. 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. 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. Each winning bidder will receive such special allowance payments at the rate bid by the second-lowest bidder. 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 principal and interest of defaulted Parent PLUS Loans will be 99% guaranteed by the Secretary. The Secretary will not collect any loan fees for Parent PLUS Loans originated as a result of the auction.

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. 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 PLUS Loans made to "parent borrowers") selected by the borrower, as well as loans made pursuant to the Perkins Loan Program, the Health Professional Student Loan Programs and the William D. Ford Federal Direct Loan Program (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 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 either of two purposes: (1) providing the borrower with an income contingent repayment (or income-based repayment effective July 1, 2009) if the borrower's delinquent loan has been submitted to the Guarantor for default aversion (or, beginning July 1, 2009, if the loan is already in default) or (2) allowing the borrower to participate in a public service loan forgiveness program which shall be effective July 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.

Federal Direct Student Loan Program

The Student Loan Reform Act of 1993 established the Direct Loan Program. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the Department of Education, make loans to students or parents without application to or funding from outside lenders or Guarantors. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including 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 repayment plans, other than income contingent plans, must be consistent with requirements under the Higher Education Act for repayment plans under the FFEL Program.

The first loans under the Direct Loan Program were made available for the 1994-1995 academic year, and the Higher Education Act provided for phase-in goals through the 1998-1999 academic year, for which Direct Loans were to have represented 60% of new student loan volume under the Higher Education Act (excluding Consolidation Loans). No provision was made for the size of the Direct Loan Program after the 1998-1999 academic year and the current size of the Direct Loan Program is well below the 60% goal described above. Although the goals set for the Direct Loan Program have not been achieved and the program has decreased in volume over recent years, its introduction involved reduction over time in the volume of loans made under the FFEL Program. As such, and in light of recent withdrawals of some lenders from the FFEL Program, the continued existence of the Direct Loan Program may impact the volume of loans made under the FFEL Program unless the Direct Loan Program is limited or eliminated legislatively.

Interest Rates

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

Subsidized Stafford Loans disbursed on or after July 1 2006 but before July 1, 2012 bear interest at progressively lowered rates described below. Subsidized Stafford Loans made on or after July 1, 2006 but before July 1, 2008 will 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 will bear interest at a rate equal to 6.00% per annum. Subsidized Stafford Loans made on or after July 1, 2009 but before July 1, 2010 will bear interest at a rate equal to 5.60% per annum. Subsidized Stafford Loans made on or after July 1, 2010 but before July 1, 2011 will bear interest at a rate equal to 4.50% per annum. Subsidized Stafford Loans made on or after July 1, 2011 but before July 1, 2012 will bear

interest at a rate equal to 3.40% per annum. Subsidized Stafford Loans made on or after July 1, 2012 revert to a 6.80% per annum fixed rate.

Unsubsidized Stafford Loans made on or after July 1, 2006 will 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, will bear interest at a rate equal to 8.50% per annum.

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

Loan Limits

The Higher Education Act requires that Subsidized and Unsubsidized Stafford 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. 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 (i) parents may borrow on behalf of each dependent student or (ii) 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 ten 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 standard, graduated, or income-sensitive repayment schedules to borrowers. Use of income sensitive repayment plans may extend the ten-year maximum term.

Effective July 1, 2009, a new income-based repayment plan will be available to certain FFEL Program borrowers and Direct Loan Program borrowers. To be eligible to participate in the plan, the borrower's annual amount due on such loans (as calculated under a standard 10-year repayment plan for such loans) must exceed 15% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's

spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. Such a borrower may elect to have his payments limited to the monthly amount of the above-described result. Furthermore, the borrower is permitted to repay his loans over a term greater than ten years. The Secretary will repay any outstanding principal and interest on eligible FFEL Program loans and cancel any outstanding principal and interest on eligible Direct Loan Program loans for borrowers who participated in the new income-based repayment plan and, for a period of time prescribed by the Secretary (but not more than 25 years), have (i) made certain reduced monthly payments under the income-based repayment plan; (ii) 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; (iii) made certain payments based on a standard 10-year repayment period; (iv) made certain payments under an income-contingent repayment plan for certain Direct Loan Program loans; or (v) 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. However, for parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible to begin repayment 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). 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 becomes effective on July 1, 2009. Furthermore, eligible lenders may determine for all PLUS Loan borrowers that extenuating circumstances exist if between January 1, 2007 through December 1, 2009, a PLUS Loan applicant (a) is or has been delinquent for 180 days or less on the borrower's residential mortgage loan payments or on medical bills and (b) 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 that date. Consolidation Loans which are not being paid pursuant to income-sensitive 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-sensitive repayment plan which becomes 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 FFEL 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 (i) 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; (ii) not in excess of three years while the borrower is seeking and unable to find full-time employment; (iii) 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 (iv) 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 (aa) is called or ordered to active duty and (bb) is or was enrolled within six months prior to the activation at an eligible educational institution; (v); if the borrower is in active military duty, or is in reserve status and called to active duty and (vi) 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 exist when the borrower is impacted by a national emergency, military mobilization, or when the geographical area in which the borrower resides or works is declared a disaster area by certain officials. Other mandatory periods include 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. 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 Subsidy 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 Subsidy Payments. The Secretary is required to make interest subsidy 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 subsidy 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 formulae that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.50%. Amounts derived from recoveries of principal on loans made prior to October 1, 1993 may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than $100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. The Special Allowance Payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

Subject to the foregoing, the formulae for special allowance payment rates for Stafford 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 "3 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	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34% [3]
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94% [4]
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender is the holder of the loan	3 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 formula for Special Allowance Payment rates for PLUS Loans is 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 July 1, 1995	
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after October 1, 1998	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate +2.64%
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%

The formula for Special Allowance Payment rates for Consolidation Loans is as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992 On or after July 1, 1995 On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after October 1, 1998	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.64%
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.24%
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.09%

Special Allowance Payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary offsets Interest Subsidy 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 Guarantor requirements.

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

Loan Fees

Insurance Premium. For loans guaranteed before July 1, 2006, a Guarantor 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, Guarantee Agencies have waived this fee since 1999. For loans guaranteed on or after July 1, 2006, a federal default fee equal to 1.00% of principal must be paid into the Guarantor's Federal Student Loan Reserve 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% for loans disbursed on or after July 1, 2007 and before July 1, 2008; 1.00% for loans disbursed on or after July 1, 2008 and before July 1, 2009; 0.50% for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 0.00% for loans disbursed on or after July 1, 2010. The Secretary is authorized to charge borrowers of Direct Loans 4.00% of the principal amount of the loan for loans disbursed prior to February 8, 2006. 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 July 1, 2008; 2.00% of the principal amount of the loan for loans disbursed on or after July 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 their origination fees on to the Secretary.

Lender Loan Fee. The lender of any FFEL 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 after October 1, 2007, the lender must pay an additional origination fee equal to 1.00% of the principal amount of the loan.

The Secretary collects from the lender or subsequent holder the maximum origination fee authorized (regardless of whether the lender actually charges the borrower) and the lender loan fee, either through reductions in Interest Subsidy or Special Allowance Payments or directly from the lender or holder.

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 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 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.

Federal Insurance

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

Guarantees

If the loan is guaranteed by a Guarantor in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the Guarantor for a statutorily-set percentage (98% for loans first disbursed prior to July 1, 2006; 97% for loans first disbursed on or after July 1, 2006 but before October 1, 2012; and 95% for loans first disbursed on or after October 1, 2012) of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as the eligible lender has properly serviced such loan. However, if the servicer which services such loan has been designated as an "Exceptional Performer" by the Secretary prior to October 1, 2007, the eligible lender would be reimbursed by the Guarantor for 99% of the unpaid principal balance of the defaulted loan plus accrued unpaid interest for the remainder of the year in which the servicer received the "Exceptional Performance" designation. After October 1, 2007, no further servicers may be designated as "Exceptional Performers." 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, bankruptcy or total and permanent disability of a borrower, 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 agreements, the Secretary is authorized to provide the Guarantor with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the Guarantor, ensure the uninterrupted payment of claims, or ensure that the Guarantor will make loans as the lender-of-last-resort. On May 7, 2008, Treasury funds were further authorized to be appropriated for emergency advances to Guarantors to ensure such Guarantors are able to act as lenders-of-last-resort and to assist Guarantors with immediate cash needs, claims, or any demands for loans under the lender-of-last-resort program.

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

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

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

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

The original principal 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 on a Federal Family Education Loan guaranteed by a Guarantor is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment. Guarantor retentions remaining after payment of the Secretary's equitable share on such collections on consolidations and rehabilitations of defaulted loans are 18.50%. For other loans, Guarantor retentions were 23% until September 30, 2007. On or after October 1, 2007, Guarantor retentions for such other loans will drop to 16%. The Higher Education Act 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 through consolidation by the borrower in excess of 45% of the Guarantors' 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 or bankruptcy of the student borrower at the rate of 98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006, 97% for loans in default made on or after July 1, 2006 but prior to October 1, 2012, and 95% for loans disbursed on or after October 1, 2012. Certain holders of loans may receive higher reimbursements from Guarantors. For example, lenders-of-last-resort may receive reimbursement at a rate of 100% from Guarantors. Also, if the servicer of a loan has been designated as an "Exceptional Performer" by the Secretary prior to October 1, 2007, the eligible holder of the loan may be reimbursed by the Guarantor for 100% of the loan (for those loans made on or after October 1, 1993 and prior to July 1, 2006) and 99% of the loan (for those loans made on or after July 1, 2006 but prior to October 1, 2007) during the remainder of the year in which the servicer received the "Exceptional Performance" designation. However, after October 1, 2007, no further servicers may be designated as "Exceptional Performers" such that loan holders will lose this avenue of obtaining higher reimbursements.

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.

Guarantor Reserves

Each Guarantor is required to establish a Federal Student Loan Reserve Fund (the "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 guaranty 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 (described below) at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A Guarantor is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the Guarantor. A Guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year for loans originated on or after October 1, 2003, 30% of payments received after October 7, 1998 for the administrative cost allowances for loans insured prior to that date, the account maintenance fee paid by the Secretary for Direct Loan Program loans which was reduced from .10% to .06% of the original principal of the outstanding loans insured, any default aversion fee that is paid, the 16% retention of collections on defaulted loans and other receipts as specified in the regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans guaranteed on or after July 1, 2006, Guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1.00% of the principal of the loan.

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

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

On May 7, 2008, the Ensuring Continued Access to Student Loans Act of 2008 temporarily granted the Secretary the authority to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after October 1, 2003, but prior to July 1, 2009. In order to purchase such 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 by the Secretary may not create any net cost for the United States government (including any servicing costs associated with the loans). In a May 21, 2008, "Dear Colleague" letter issued to members of the higher education lending community, the Secretary stated that at this time, the purchasing authority will be exercised only as to eligible loans originated for the 2008-2009 academic year.

The Secretary must fulfill various other requirements in order to purchase such loans, including a notice with certain details which must be published in the Federal Registrar 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 and to

originate new FFEL Program loans to students. The Secretary's authority to purchase loans pursuant to the Ensuring Continued Access to Student Loans Act of 2008 expires on July 1, 2009.

The Secretary's May 21, 2008 "Dear Colleague" letter also announced a new financing program to make capital available to FFEL Program lenders, whereby the Secretary will purchase participation interests in pools of loans made by FFEL Program lenders for the 2008-2009 academic year, and hold those participation interests up to September 30, 2009. While some features of this financing program are contained in the Dear Colleague letter, a subsequent *Federal Register* notice will provide details of the pricing, terms and conditions of the program. The Corporation may or may not take advantage of this program.

Lender-of-Last-Resort Program

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

Additionally, on May 7, 2008, the Secretary was temporarily granted the authority until June 30, 2009 to designate qualified state institutions of higher education as eligible to apply for loans from lenders-of-last-resort. The Secretary will develop standards detailing the qualifications necessary to participate in the lender-of-last-resort program; however, such standards may include a requirement that the institution show that it has been unable to secure commitments from eligible lenders for a significant number of its students and a requirement that the institution demonstrate that it has met a minimum threshold, as determined by the Secretary, for the number or percentage of students at the institution who have been rejected by eligible lenders for FFEL Program loans.

Education Loans Generally Not Subject to Discharge in Bankruptcy

Under the U.S. Bankruptcy Code, educational loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8)(A)(i)-(ii) provides as follows:

A discharge under Section 727, 1141, 1228(a), 1228(b), or 1328(b) of this title does not discharge an individual debtor from any debt:

(8) 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 a nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

[Date of Issuance]

$120,385,000
Vermont Student Assistance Corporation
Education Loan Revenue Bonds
Senior Series 2008B-1

We have acted as Bond Counsel to the Vermont Student Assistance Corporation (the "Corporation"), a nonprofit public corporation organized pursuant to the laws of the State of Vermont, in connection with the issuance by the Corporation on the date hereof of $120,385,000 aggregate principal amount of its Education Loan Revenue Bonds, Senior Series 2008B-1 (the "Series 2008B-1 Bonds").

The Series 2008B-1 Bonds have been authorized and issued pursuant to (i) Title 16, Chapter 87 of the Vermont Statutes Annotated, as amended (the "Authorizing Act), (ii) the Indenture of Trust (Series B) dated as of June 1, 2008 by and between the Corporation and Chittenden Trust Company, as trustee (the "Trustee") and the 2008B-1 Supplemental Indenture of Trust dated as of June 1, 2008 by and between the Corporation and the Trustee (collectively, the "Indenture") and (iii) an authorizing resolution adopted by the Corporation's Board of Directors on June 6, 2008 (the "Resolution"). The Indenture provides that the Series 2008B-1 Bonds are to be issued to currently refund certain outstanding bonds of the Corporation. Any capitalized term used and not defined herein shall have the same meaning ascribed thereto in the Indenture unless the context shall clearly otherwise require.

The Series 2008B-1 Bonds are dated, mature on the date and in the principal amount, bear interest at the rates, are payable and are subject to optional, extraordinary mandatory and mandatory redemption and optional and mandatory tender prior to maturity, as provided in the Indenture.

In our capacity as Bond Counsel, we have examined the Indenture; a certified transcript of proceedings relating to the authorization, sale, issuance and delivery of the Series 2008B-1 Bonds including the Resolution; a certified copy of the Bylaws of the Corporation; certificates of public officials; and such other documents and instruments as we have deemed necessary for the purpose of rendering this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings, including the representations therein, and other certifications of officials furnished to us, without undertaking to verify the same by independent investigation. We have also examined the Authorizing Act and such other statutes, regulations and law as we have deemed necessary under the circumstances.

Based upon the foregoing, and on laws, regulations, rulings and judicial decisions existing as of the date hereof, we are of the opinion that:

1. The Corporation is duly organized and existing as a nonprofit public corporation under the Authorizing Act, with full power and authority to issue the Series 2008B-1 Bonds and execute and deliver the Indenture.

2. The Indenture has been duly authorized, executed and delivered and constitutes the legal, valid and binding obligation of the Corporation enforceable in accordance with its terms. The Indenture creates a valid pledge, to secure payment of the principal of and interest on the Series 2008B-1 Bonds, of the Trust Estate, which is subject to provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Series 2008B-1 Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding special, limited obligations of the Corporation, payable solely from the

Trust Estate, and entitled to the protections, benefits and security of the Indenture. The Series 2008B-1 Bonds are not a lien or charge upon the funds or property of the Corporation except to the extent of the aforementioned pledge of the Trust Estate. Neither the faith and credit nor the taxing power of the State of Vermont or any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2008B-1 Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2008B-1 Bonds is excluded from gross income of the recipients thereof for federal income tax purposes. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Corporation with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended, that must be met subsequent to the issuance of the Series 2008B-1 Bonds. Failure to comply with such requirements could cause interest on the Series 2008B-1 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2008B-1 Bonds. The Corporation has covenanted to comply with such requirements. We are further of the opinion that interest on the Series 2008B-1 Bonds constitutes a specific preference item for purposes of the alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Series 2008B-1 Bonds.

The accrual or receipt of interest on the Series 2008B-1 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2008B-1 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

5. Under existing laws of the State of Vermont, the Series 2008B-1 Bonds and the interest thereon are exempt from all taxation, franchise taxes, fees or special assessments of whatever kind imposed by the State of Vermont, except for transfer, inheritance and estate taxes.

Our opinions in paragraphs 2 and 3 above are qualified to the extent that (a) the enforceability of the Series 2008B-1 Bonds and the Indenture and the rights of the registered owners of the Series 2008B-1 Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted, (b) the enforceability thereof may be limited by the application of general principles of equity and (c) the enforcement of such rights may also be subject to the exercise of judicial discretion in appropriate cases.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. The opinions expressed herein are based on existing law as of the date hereof and we express no opinion herein as of any subsequent date or with respect to any pending legislation or as to any other matters.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by and between The Vermont Student Assistance Corporation (the "Corporation") and Chittenden Trust Company (the "Trustee") in connection with the offering by the Corporation of its $120,385,000 Education Loan Revenue Bonds, Senior Series 2008B-1 (collectively, the "Series 2008B-1 Bonds"). In consideration of the purchase of Series 2008B-1 Bonds by the owners and Beneficial Owners thereof initially and thereafter from time to time, the Corporation undertakes and agrees as follows:

1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Corporation for the benefit of the owners and Beneficial Owners of the Series 2008B-1 Bonds and in order to assist the Underwriter in complying with the Rule (defined below).

2. Definitions. In addition to the definitions set forth in the Indenture of Trust, dated as of June 1, 2008, as amended and supplemented (the "Indenture") which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined herein, the following capitalized terms used in this Disclosure Agreement have the following meanings:

"Annual Financial Information" shall mean any Annual Financial Information with respect to the Corporation as described in Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any individual beneficial owner of the Series 2008B-1 Bonds. Beneficial ownership is to be determined consistent with the definition thereof contained in Rule 13d-3 of the Securities Exchange Act of 1934, as amended, or, in the event such provisions do not adequately address the situation at hand (in the opinion of nationally recognized federal securities law counsel), beneficial ownership is to be determined based upon ownership for federal income tax purposes.

"Dissemination Agent" shall mean any Dissemination Agent designated by the Corporation.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository
Attention: Municipal Department
100 Business Park Drive
Skillman, NJ 08558
E-Mail Address: MUNIS@Bloomberg.com
Phone: (609) 279-3225
Fax: (609) 279-5962

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Attention: Operations
E-Mail Address: nrmsir@dpcdata.com
Phone: (201) 346-0701
Fax: (201) 947-0107

Interactive Data Pricing and Reference Data, Inc.
100 William Street, 15th Floor
New York, NY 10038
Attention: NRMSIR
mail to: NRMSIR@interactivedata.com
Phone: (212) 771-6999
Fax: (212) 771-7390

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
mail to: nrmsir_repository@sandp.com
Phone: (212) 438-4595
Fax: (212) 438-3975

"Official Statement" shall mean the Official Statement of the Corporation, dated June 23, 2008, relating to the Series 2008B-1 Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as such rule may be amended from time to time.

"State" shall mean the State of Vermont.

"State Repository" or "SID" shall mean any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

"Underwriter" or "Participating Underwriter" shall mean Citigroup Global Markets Inc.

3. Provision of Annual Financial Information. The Corporation shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of each fiscal year of the Corporation (currently the twelve months ended June 30), commencing with the report for the 2008 fiscal year, provide to each Repository the Annual Financial Information for the Corporation for the preceding fiscal year. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package; provided that, if the financial statements of the Corporation are audited, the audited financial statements of the Corporation must be submitted but may be submitted separately from the balance of the Annual Financial Information and later than the date required above for the filing of the Annual Financial Information if they are not available by that date. If the fiscal year of the Corporation changes, the Corporation shall give written notice of such change in the same manner as for a Listed Event under Section 5(a) hereof. If the financial statements of the Corporation specified in Section 4(i) hereof are audited but are not available by the time the Annual Financial Information must be provided, unaudited financial statements of the Corporation will be provided by the Corporation as part of the Annual Financial Information and such audited financial statements of the Corporation, when and if available, will be provided by the Corporation to each Repository.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Corporation is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Corporation shall clearly identify each such other document so included by reference.

4. Content of Annual Financial Information. The Annual Financial Information of the Corporation shall consist of the following:

(i) Annual financial statements for the Corporation prepared in accordance with generally accepted accounting principles.

(ii) An update and a discussion of the financial information and operating data presented under the heading "The Corporation" in the Official Statement, including the following:

(a) Composition of Board of Directors and officers of the Corporation.

(b) The following Indenture information:

(i) Debt Service Reserve Fund balance,

(ii) Outstanding principal amount of the Series 2008B-1 Bonds and other bonds issued under the Indenture,

(iii) Breakdown of Financed Eligible Loans by loan type and borrower payment status and

(iv) Issuance of any additional Bonds.

(c) Outstanding debt of the Corporation.

(d) The deposit level of the Guarantee Reserve Fund established by the Corporation as State Guarantor.

(e) Changes to the Higher Education Act having a special financial impact on the program of the Corporation financed by the Series 2008B-1 Bonds which is not generally experienced in the student loan sector.

5. Reporting of Significant Events

(a) The Corporation shall give, or cause to be given, on behalf of the Corporation and in a timely manner, notice of the occurrence of any of the following events with respect to the Series 2008B-1 Bonds, if material, to each National Repository or the MSRB and to the SID, if any:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

7. Modifications to rights of owners of the Series 2008B-1 Bonds;

8. Series 2008B-1 Bond calls;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Series 2008B-1 Bonds;

11. Rating changes.

(b) Each notice given pursuant to this Section 5 shall be captioned "Material Event Notice" and shall prominently state the date, title and CUSIP of the Series 2008B-1 Bonds.

6. Termination of Reporting Obligation. The obligations under this Disclosure Agreement shall terminate upon the legal defeasance or payment in full of all of the Series 2008B-1 Bonds. If such termination occurs prior to the final maturity of the Series 2008B-1 Bonds, the Corporation shall give or cause to be given notice of such event in the same manner as for a Listed Event under Section 5(a) hereof.

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

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Corporation may unilaterally amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, but only upon the delivery by the Corporation to the Trustee of the proposed amendment or waiver and an opinion of nationally recognized bond counsel to the effect that such amendment or waiver, and giving effect thereto, will not adversely affect the compliance of this Disclosure Agreement and the Corporation with the Rule, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3, 4, 5 or 10 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Corporation or any other Obligated Person (as defined in the Rule) or the type of business conducted;

(b) this Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the rule at the time of the offering of the Series 2008B-1 Bonds, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(c) the amendment or waiver does not materially impair the interests of the owners or Beneficial Owners of the Series 2008B-1 Bonds, as determined either by parties unaffiliated with the Corporation or any other Obligated Person (as defined in the Rule) (e.g., either the trustee for the Series 2008B-1 Bonds or nationally recognized bond counsel), or by approving vote of holders of the Series 2008B-1 Bonds pursuant to the terms of the Indenture at the time of the amendment.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Corporation shall describe such amendment in the next Annual Financial Information, and shall include a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being provided by or in respect of the Corporation. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a) hereof, and (ii) the Annual Financial Information relating to the Corporation for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Corporation to meet its obligations. To the extent reasonably feasible, the comparison also shall be quantitative.

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

obligation hereunder to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the Corporation to comply with any provision of this Disclosure Agreement, any owner or Beneficial Owner of the Series 2008B-1 Bonds may seek, and may only seek, specific performance by court order, to cause the Corporation to comply with its obligations under this Disclosure Agreement, it being agreed by the parties that money damages would be inadequate recompense and/or difficult to ascertain. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy hereunder in the event of any failure of the Corporation to comply with this Disclosure Agreement shall be an action to compel specific performance. If the Corporation fails to provide the Annual Financial Information to each Repository by the date required by and in accordance with Section 3 of this Disclosure Agreement, the Corporation shall promptly provide notice of such failure to (a) either the MSRB or each National Repository and (b) the State Repository. Any filing made under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004.

11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Corporation, the Dissemination Agent, if any, the Underwriter, and owners and Beneficial Owners from time to time of the Series 2008B-1 Bonds, and shall create no rights in any other person or entity.

12. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Vermont, provided that, to the extent this Disclosure Agreement addresses matters of federal securities laws, including the Rule, this Disclosure Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

13. Counterparts. This Disclosure Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

14. Severability. In case any part of this Disclosure Agreement is held to be illegal or invalid, such illegality or invalidity shall not affect the remainder or any other section of this Disclosure Agreement. This Disclosure Agreement shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application of this Disclosure Agreement affect any legal and valid application.

15. Further Assurances. The Corporation agrees that it shall take such further action, and agrees to such further undertakings, as may be necessary in the opinion of nationally recognized bond counsel, which opinion and counsel shall be reasonably satisfactory to the Corporation and the Underwriter, in order for the Underwriter to comply with the Rule.

[Signatures on following page.]

IN WITNESS WHEREOF, the Parties have caused this CONTINUING DISCLOSURE AGREEMENT to be executed on their behalf as of this _______ day of June, 2008, by the persons whose signatures appear below.

Vermont Student Assistance Corporation

By:________________________________
Name:______________________________
Title:_______________________________

Accepted on behalf of the owners and
Beneficial Owners of the Bonds by
Chittenden Trust Company, as Trustee

By:________________________________
Name:______________________________
Title:_______________________________

APPENDIX E

FINANCIAL STATEMENTS

Vermont Student Assistance Corporation

(A Component Unit of the State of Vermont)

Basic Financial Statements and
Management's Discussion and Analysis

Years Ended June 30, 2007 and 2006

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Years Ended June 30, 2007 and 2006

TABLE OF CONTENTS

	Page(s)
Independent Auditors' Report	1
Management's Discussion and Analysis	2 – 10
Basic Financial Statements:	
Statements of Net Assets	11 – 12
Statements of Revenues, Expenses and Changes in Net Assets	13
Statements of Cash Flows	14 – 15
Statements of Fiduciary Net Assets – Agency Funds	16
Notes to Financial Statements	17 – 37

BAKER NEWMAN NOYES LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Vermont Student Assistance Corporation

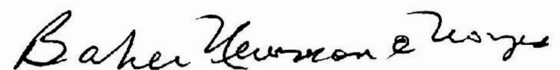
We have audited the accompanying basic financial statements of the Vermont Student Assistance Corporation, a component unit of the State of Vermont, as of and for the years ended June 30, 2007 and 2006, as listed in the accompanying table of contents. These financial statements are the responsibility of the Vermont Student Assistance Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Vermont Student Assistance Corporation, as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007, on our consideration of Vermont Student Assistance Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control on financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 2 – 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the 2007 and 2006 information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Limited Liability Company

Portland, Maine
December 6, 2007

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended June 30, 2007 and 2006

The Vermont Student Assistance Corporation (VSAC or the Corporation) is a public non-profit corporation created by the State of Vermont to provide opportunities for Vermont residents to pursue post-secondary education. VSAC's mission is to ensure that all Vermonters have the necessary financial and informational resources to pursue their educational goals beyond high school. VSAC awards grants and scholarships, and guarantees, makes, finances and services education loans to students and parents. VSAC also administers student employment programs, outreach services to students and adults seeking post-secondary education opportunities. The Corporation also contracts with several schools and colleges in Vermont to serve as the financial aid office for the institution. Finally, VSAC manages the Vermont Higher Education Investment Plan.

VSAC administers the State grant program, funded by State appropriations, at no cost to the State. VSAC also administers and awards over 148 scholarship funds, including both scholarship funds held and managed by VSAC, and outside scholarships.

VSAC's education loan programs are financed through issuance of limited obligation bonds and are guaranteed by VSAC as a guarantor and/or reinsured by the U.S. Department of Education through the Federal Family Education Loan Program (FFELP). VSAC education loans are available to Vermont students attending both in-state and out-of-state institutions, and to students of Vermont institutions.

VSAC's outreach services are funded through a variety of federal grants, including GEAR UP and Talent Search, as well as through State grants, and general corporate support.

Management's Discussion and Analysis Report includes Fiscal 2007 and Fiscal 2006 information due to the fact that the Financial Statements include Fiscal 2007 and Fiscal 2006 information.

FISCAL 2007

Fiscal 2007 Highlights and Overall Financial Position

- During the year ended June 30, 2007 VSAC provided over $22.5 million in grants and scholarships to Vermont students.
- VSAC originated over $620.7 million in student loans, including new loans to students and parents and consolidation of existing loans. VSAC holds $1.90 billion in education loans receivable including interest at June 30, 2007.
- VSAC returned over $6.0 million in interest and principal rebates to students in its loan programs during fiscal 2007, and paid over $4.6 million in fees on behalf of our borrowers (amortized over the life of the loans).
- VSAC's total net assets increased $16 million to $138.8 million.

The Financial Statements

VSAC's financial statements are a series of reports that detail financial information using accounting methods similar to those used by private businesses, especially financial institutions.

The statement of revenues, expenses and changes in net assets presents the results of VSAC's operations. The statement reports all revenues and expenses, and reconciles the beginning and end of year net asset balances.

The statement of net assets includes all the Corporation's assets and liabilities. The statement also presents the balance of assets in excess of liabilities, or net assets.

The statement of cash flows supplements these statements providing relevant information about cash receipts and payments for the Corporation.

The notes to financial statements are an integral part of the financial statements and contain information necessary to get a complete view of VSAC's financial position.

Condensed Financial Information

Statements of Net Assets

	2007	2006
	(In Thousands)	
Assets:		
Cash and investments	$ 270,109	$ 152,208
Education loans receivable (including interest)	1,895,433	1,670,870
Other assets	36,015	35,857
Total assets	$2,201,557	$1,858,935
Liabilities:		
Bonds and notes payable (including interest)	$2,020,066	$1,705,825
Arbitrage earnings rebatable	32,254	23,525
Other liabilities	10,407	6,737
Total liabilities	2,062,727	1,736,087
Net Assets:		
Restricted	85,581	69,951
Unrestricted	51,182	50,786
Net investment in property and equipment	2,067	2,111
Total net assets	138,830	122,848
Total liabilities and net assets	$2,201,557	$1,858,935

Statements of Revenues and Expenses

	2007	2006
	(In Thousands)	
Revenues:		
Interest earned from education loan financing	$147,635	$126,898
Other loan and guarantee program revenues	6,537	5,155
Investment interest	10,381	9,414
Vermont state appropriations	18,457	18,746
Federal grants	4,347	3,841
Scholarship and gift revenue	4,665	4,126
Other revenue	878	1,087
Total operating revenues	192,900	169,267
Expenses:		
Student aid	22,511	22,808
Interest rebated to borrowers	6,074	6,561
Interest on debt	74,653	56,371
Other loan financing costs	38,916	35,538
Corporate operating expenses and depreciation	34,764	32,985
Total expenses	176,918	154,263
Excess of revenues over expenses	15,982	15,004
Total net assets at the beginning of the year	122,848	107,844
Total net assets at the end of the year	$138,830	$122,848

Net Assets

Cash and investment balances increased from June 30, 2006 to 2007 from $152.2 to $270.1 million. Bonds for fiscal 2008 loan originations were issued in June 2007. The bonds for fiscal 2007 originations were issued in July 2006.

Student loans and interest receivable totaled $1.9 billion at June 30, 2007, up from $1.7 billion in 2006.

U.S. Treasury arbitrage payable is described in the expense discussion. This liability increased as of June 30, 2007, to $32.3 million, or approximately 1.4% of total assets. Unrestricted net assets increased from $50.8 million in 2006 to $51.2 million in 2007. The unrestricted funds are used to finance student loans and for corporate working capital. Unrestricted net assets invested in student loans totaled $42.6 million at June 30, 2007.

Restricted net assets increased from $70.0 million to $85.6 million at June 30, 2007. $80.2 million were restricted by bond resolutions, an increase in equity within the bond estates of $13.6 million. The remaining $5.4 million is restricted for scholarships and grants, and for programs to encourage students to pursue higher education.

Revenues

VSAC's fiscal 2007 operations resulted in an increase in net assets of $16.0 million. All revenues for 2007 are considered operating revenues. VSAC realized $192.9 million in revenues versus $176.9 million in total expenses. VSAC revenues include interest income on student loans, as well as various federal interest subsidies and special allowance payments.

Overall loan revenue to VSAC is closely related to the general interest rate environment. During 2007, interest revenue and subsidies increased from $126.9 to $147.6 million. Interest for certain loans is paid by the U.S. Department of Education as a subsidy to qualifying borrowers. This interest subsidy represented $15.2 million in 2007. VSAC also receives special allowance payments under certain interest rate conditions. Increasing interest rates, and loan portfolio growth during 2007, offset by changes in rules regarding eligibility of certain loans subject to floor rates resulted in a decrease in special allowance payments from $45.4 million in 2006 to $42.4 million in 2007.

Interest rate risk on student loan assets is managed by closely matching the coupon rate reset frequency of our debt instruments with rates that drive our loan returns. Our outstanding bond rates are reset on 7, 28 and 35 day intervals. Rates on student loans are reset each quarter and are based on short term commercial paper or LIBOR rates. Thus, the net spread on loans carries minimal interest rate risk.

Other revenues associated with the loan and loan guarantee programs include consolidation fees, default aversion fees, collections revenues, and other program fees and revenues. These fees and revenues totaled $6.5 million in 2007 and $5.2 million in 2006.

Rising interest rates resulted in increasing interest revenue on investments. Investments include student loan funds temporarily invested in cash and short term investments, and scholarship funds invested for long-term growth and income. Interest on all investments increased from $9.4 million to $10.4 million, as interest rates increased and our total invested funds increased. The increase in invested funds is related to the timing of student loan bond issues.

VSAC's regular appropriation increased from $17.7 million to $18.5 million. As in prior years, the State's appropriation for the grant program is used entirely to provide grant funds directly to students. VSAC receives no administrative allowance for administering the State grant program.

Federal grants increased from $3.8 million to $4.3 million in fiscal 2007.

Scholarship revenues, principally restricted gifts and grants, increased from $4.1 million in 2006 to $4.7 million in 2007.

Expenses

VSAC has four main types of expenses: 1. Student aid, 2. Interest and other costs of debt, 3. Noninterest costs of financing loans and 4. Costs of operations.

Student Aid – VSAC provided Vermont students with $22.5 million in student aid during fiscal 2007. $18.5 million in grant aid was provided from State appropriations. An additional $4.0 million was made available through various scholarship programs managed by VSAC. Direct aid in the form of grants and scholarships represented 12.7% of VSAC's operating expenses.

While not strictly a student aid expense, interest rebated to borrowers is an item that helps current and former students and parents manage their education debt. VSAC provided $6.1 million in rebates of interest to borrowers in fiscal 2007. VSAC has not been able to provide the level of borrower benefits on consolidation loans that it has on other underlying FFELP loans, since VSAC is required to pay a 1.05% annual fee to the Department of Education on consolidated loans. The decrease in interest rebated to borrowers from 2006 to 2007 is primarily the result of the continuing shift from Stafford and PLUS loans to consolidation loans in our portfolio. These rebates represent 3.4% of VSAC's fiscal 2007 operating expenses.

It is also important to note that, while not an expense to the Corporation, the largest portion of aid to students is the $620.7 million of loans VSAC made available to students and parents in fiscal 2007.

Interest Costs – In order to provide Vermont students and parents with low cost loans, VSAC issues both tax-exempt and taxable bonds in the public markets. The interest costs of these bonds represent a major expense category for VSAC. Since all bonds issued to finance loans are variable rate securities, interest costs vary from year to year as the general interest rate environment changes. The variable nature of these securities matches the variable rate structure of most of our loans, so revenues and expenses related to the bonds are highly correlated.

With the increase in interest rates from fiscal 2006 to 2007, VSAC interest costs rose from $56.4 to $74.7 million. This represented 42.0% of VSAC operating expenses in fiscal 2007.

Other Loan Financing Costs – Other expenses incurred in the loan financing area include credit enhancement and remarketing fees for our bond issues, consolidation and lender fees VSAC pays to the federal government, provisions for changes in arbitrage earnings liability to the U.S. Treasury, and increases in VSAC's provision for uninsured loan losses, as well as a variety of other costs incurred in issuing and managing over $2.0 billion in outstanding bonds. These costs totaled $38.9 million in fiscal 2007, representing approximately 21.9% of total operating expenses. Changes in these financing costs from year to year are principally due to changes in the total outstanding indebtedness, and by changes in arbitrage liability. Arbitrage liability represents earnings on tax exempt bond-financed loans and investments that would be returned to the U.S. Treasury if the loan portfolios were completely liquidated at June 30, and all bondholders were repaid. It represents arbitrage earnings to date, and is a function of past and current interest rates on debt and assets held by VSAC. It is fairly volatile and is managed to minimize the probability of a liability balance at the end of a bond life cycle.

In fiscal 2007, VSAC's provision for losses on student loans was $8.5 million compared to $10.7 million in fiscal 2006.

Costs of Operations – The costs of operating VSAC's programs, as well as facilities and overhead costs totaled $34.8 million in fiscal 2007, an increase of approximately 5.4% from fiscal 2006. Salaries and benefits were $24.3 million in fiscal 2007, approximately 70% of costs of operations. Overall costs of operations represent 19.6% of total operating expenses.

Total expenses for 2007 totaled $176.9 million. Revenues totaled $192.9 million. The excess of revenues over expenses was $16.0 million. The change in total net assets for the year was an increase of $16.0 million. The ending balance of net assets was $138.8 million, as compared to $122.8 million at June 30, 2006.

FISCAL 2006

Fiscal 2006 Highlights and Overall Financial Position

- During the year ended June 30, 2006 VSAC provided over $22.8 million in grants and scholarships to Vermont students.
- VSAC originated over $752.3 million in student loans, including new loans to students and parents and consolidation of existing loans. VSAC holds $1.63 billion in education loans receivable at June 30, 2006.
- VSAC returned over $6.5 million in interest and principal rebates to students in its loan programs during fiscal 2006, and paid over $600 thousand in fees on behalf of our borrowers.
- VSAC's total net assets increased $15 million to $122.8 million.

The Financial Statements

VSAC's financial statements are a series of reports that detail financial information using accounting methods similar to those used by private businesses, especially financial institutions.

The statement of revenues, expenses and changes in net assets presents the results of VSAC's operations. The statement reports all revenues and expenses, and reconciles the beginning and end of year net asset balances.

The statement of net assets includes all the Corporation's assets and liabilities. The statement also presents the balance of assets in excess of liabilities, or net assets.

The statement of cash flows supplements these statements providing relevant information about cash receipts and payments for the Corporation.

The notes to financial statements are an integral part of the financial statements and contain information necessary to get a complete view of VSAC's financial position.

Condensed Financial Information

Statements of Net Assets

	2006	**2005**
	(In Thousands)	
Assets:		
Cash and investments	$ 152,208	$ 399,072
Education loans receivable (plus interest)	1,670,870	1,473,076
Other assets	35,857	27,873
Total assets	$1,858,935	$1,900,021
Liabilities:		
Bonds and notes payable (plus interest)	$1,705,825	$1,762,638
Arbitrage earnings rebatable	23,525	20,083
Other liabilities	6,737	9,456
Total liabilities	1,736,087	1,792,177
Net Assets:		
Restricted	69,951	54,736
Unrestricted	50,786	50,731
Net investment in property and equipment	2,111	2,377
Total net assets	122,848	107,844
Total liabilities and net assets	$1,858,935	$1,900,021

Statements of Revenues and Expenses

	2006	2005
	(In Thousands)	
Revenues:		
Interest earned from education loan financing	$126,898	$102,018
Other loan and guarantee program revenues	5,155	4,422
Investment interest	9,414	4,472
Vermont state appropriations	18,746	17,143
Federal grants	3,841	3,425
Scholarship and gift revenue	4,126	3,986
Other revenue	1,087	791
Total operating revenues	169,267	136,257
Expenses:		
Student aid	22,808	20,828
Interest rebated to borrowers	6,561	7,567
Interest on debt	56,371	32,317
Other loan financing costs	35,538	39,066
Corporate operating expenses and depreciation	32,985	30,305
Total expenses	154,263	130,083
Excess of revenues over expenses	15,004	6,174
Total net assets at the beginning of the year	107,844	101,670
Total net assets at the end of the year	$122,848	$107,844

Net Assets

Cash and investment balances decreased from June 30, 2005 to 2006 from $399.0 to $152.2 million. Bonds for fiscal 2007 loan originations were not issued until July 2006. The bonds for fiscal 2006 originations had been issued in June 2005.

Student loans and interest receivable totaled $1.6 billion at June 30, 2006, up from $1.4 billion in 2005.

U.S. Treasury arbitrage payable is described in the expense discussion. This liability increased as of June 30, 2006, to $23.5 million, or approximately 0.3% of total assets.

Unrestricted net assets increased from $50.7 million in 2005 to $50.8 million in 2006. The unrestricted funds are used to finance student loans and for corporate working capital. Unrestricted net assets invested in student loans totaled $42.1 million at June 30, 2006.

Property, plant and equipment increased to $23.4 million as of June 30, 2006, with the completion of VSAC's new headquarters in Winooski. The net investment in plant, taking into account bonds payable for the construction of the building, was $2.1 million at June 30, 2006, a reduction of $266 thousand dollars from June 30, 2005.

Restricted net assets increased from $54.7 million to $70.0 million at June 30, 2006. $66.6 million were restricted by bond resolutions, an increase in equity within the bond estates of $13.9 million. The remaining $3.4 million is restricted for scholarships and grants, and for programs to encourage students to pursue higher education.

Revenues

VSAC's fiscal 2006 operations resulted in an increase in net assets of $15.0 million. All revenues for 2006 are considered operating revenues. VSAC realized $169.3 million in revenues versus $154.3 million in total expenses. VSAC's revenues include interest income on student loans, as well as various federal interest subsidies and special allowance payments.

Overall loan revenue to VSAC is closely related to the general interest rate environment. During 2006, interest revenue and subsidies increased from $102.0 to $126.9 million. Interest for certain loans is paid by the U.S. Department of Education as a subsidy to qualifying borrowers. This interest subsidy represented $11.8 million in 2006. VSAC also receives special allowance payments under certain interest rate conditions. Increasing interest rates, and loan portfolio growth during 2006, resulted in an increase in special allowance payments from $40.9 million in 2005 to $45.4 million in 2006.

Interest rate risk on student loan assets is managed by closely matching the coupon rate reset frequency of our debt instruments with rates that drive our loan returns. Our outstanding bond rates are reset on 7, 28 and 35 day intervals. Rates on student loans are reset each quarter and are based on short term commercial paper or LIBOR rates. Thus, the net spread on loans carries minimal interest rate risk.

Other revenues associated with the loan and loan guarantee programs include consolidation fees, default aversion fees, collections revenues, and other program fees and revenues. These fees and revenues totaled $5.2 million in 2006 and $4.4 million 2005.

Rising interest rates resulted in increasing interest revenue on investments. Investments include student loan funds temporarily invested in cash and short term investments, and scholarship funds invested for long-term growth and income. Interest on all investments increased from $4.5 million to $9.4 million, as interest rates increased and our total invested funds increased. The increase in invested funds is related to the timing of student loan bond issues.

VSAC's regular appropriation increased from $17.1 million to $17.7 million. As in prior years, the State's appropriation for the grant program is used entirely to provide grant funds directly to students. VSAC receives no administrative allowance for administering the State grant program. In fiscal 2006, VSAC received an additional $1.0 million supplemental appropriation to invest in programs and other initiatives that encourage Vermont K-12 students to pursue educational opportunities beyond high school. The funds will be expended in future years, and are considered restricted net assets at June 30, 2006.

Federal grants increased from $3.4 million to $3.8 million in fiscal 2006.

Scholarship revenues, principally restricted gifts and grants, increased from $4.0 million in 2005 to $4.1 million in 2006.

Expenses

VSAC has four main types of expenses: 1. Student aid, 2. Interest and other costs of debt, 3. Noninterest costs of financing loans and 4. Costs of operations.

Student Aid – VSAC provided Vermont students with $22.8 million in student aid during fiscal 2006. $17.7 million in grant aid was provided from State appropriations. An additional $4.4 million was made available through various scholarship programs managed by VSAC. Direct aid in the form of grants and scholarships represented 14.7% of VSAC's operating expenses.

While not strictly a student aid expense, interest rebated to borrowers is an item that helps current and former students and parents manage their education debt. VSAC provided $6.6 million in rebates of interest to borrowers in fiscal 2006. VSAC has not been able to provide the level of borrower benefits on consolidation loans that it has on other underlying FFELP loans, since VSAC is required to pay a 1.05% annual fee to the Department of Education on consolidated loans. The decrease in interest rebated to borrowers from 2005 to 2006 is primarily the result of the continuing shift from Stafford and PLUS loans to consolidation loans in our portfolio. These rebates represent 4.2% of VSAC's fiscal 2006 operating expenses.

It is also important to note that, while not an expense to the Corporation, the largest portion of aid to students is the $752.3 million of loans VSAC made available to students and parents in fiscal 2006.

Interest Costs – In order to provide Vermont students and parents with low cost loans, VSAC issues both tax-exempt and taxable bonds in the public markets. The interest costs of these bonds represent a major expense category for VSAC. Since all bonds issued to finance loans are variable rate securities, interest costs vary from year to year as the general interest rate environment changes. The variable nature of these securities matches the variable rate structure of most of our loans, so revenues and expenses related to the bonds are highly correlated.

With the increase in interest rates from fiscal 2005 to 2006, VSAC interest costs rose from $32.3 to $56.4 million. This represented 36.4% of VSAC operating expenses in fiscal 2006.

Other Loan Financing Costs – Other expenses incurred in the loan financing area include credit enhancement and remarketing fees for our bond issues, consolidation and lender fees VSAC pays to the federal government, provisions for changes in arbitrage earnings liability to the U.S. Treasury, and increases in VSAC's provision for uninsured loan losses, as well as a variety of other costs incurred in issuing and managing over $1.7 billion in outstanding bonds and notes. These costs totaled $35.5 million in fiscal 2006, representing approximately 22.9% of total operating expenses. Changes in these financing costs from year to year are principally due to changes in the total outstanding indebtedness, and by changes in arbitrage liability. Arbitrage liability represents earnings on bond-financed loans and investments that would be returned to the U.S. Treasury if the loan portfolios were completely liquidated at June 30, and all bondholders were repaid. It represents earnings to date, and is a function of past and current interest rates on debt and assets held by VSAC. It is fairly volatile and is managed to minimize the probability of a liability balance at the end of a bond life cycle.

In fiscal 2006, VSAC's provision for losses on student loans was $10.7 million compared to $11.6 million in fiscal 2005. In fiscal 2005, VSAC commissioned a study to gather historical default information from other lenders or servicers of nonguaranteed loans, and utilized both VSAC and industry experience to more accurately estimate expected default performance over the entire economic life of loans in our portfolio.

Costs of Operations – The costs of operating VSAC's programs, as well as facilities and overhead costs totaled $33.0 million in fiscal 2006, an increase of approximately 6.7% from fiscal 2005. Salaries and benefits were $23.6 million in fiscal 2006, approximately 71.5% of costs of operations. Overall costs of operations represent 21.4% of total operating expenses.

Total expenses for 2006 totaled $154.3 million. Revenues totaled $169.3 million. The excess of revenues over expenses was $15.0 million. The change in total net assets for the year was an increase of $15.0 million. The ending balance of net assets was $122.8 million, as compared to $107.8 million at June 30, 2005.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF NET ASSETS

June 30, 2007 and 2006

ASSETS

	2007	2006
	(In Thousands)	
Current assets:		
Cash and cash equivalents	$ 267,058	$ 151,041
Investments	3,051	1,167
Receivables:		
Student loans, net	126,260	117,298
Student loan interest and special allowance	54,979	41,736
Investment interest	777	572
Federal administrative and program fees	567	109
Other	1,198	2,211
Other assets	1,526	1,572
Total current assets	455,416	315,706
Noncurrent assets:		
Receivables:		
Student loans, net	1,714,194	1,511,836
Capital assets, net	22,628	23,402
Deferred bond issuance costs, net	9,319	7,991
Total noncurrent assets	1,746,141	1,543,229
Total assets	$2,201,557	$1,858,935

LIABILITIES AND NET ASSETS

	2007	2006
	(In Thousands)	
Current liabilities:		
Bonds payable	$ 41,655	$ 735
Accounts payable and other liabilities	5,257	4,651
Deferred revenue	5,150	2,086
Accrued interest on bonds payable	3,746	3,120
U.S. Treasury rebates payable	547	233
Total current liabilities	56,355	10,825
Noncurrent liabilities:		
Bonds payable	1,974,665	1,701,970
U.S. Treasury rebates payable	31,707	23,292
Total noncurrent liabilities	2,006,372	1,725,262
Total liabilities	2,062,727	1,736,087
Net assets:		
Invested in capital assets, net of related debt	2,067	2,111
Restricted	85,581	69,951
Unrestricted	51,182	50,786
Total net assets	138,830	122,848
Total liabilities and net assets	$2,201,557	$1,858,935

See accompanying notes to the financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended June 30, 2007 and 2006

	2007	2006
	(In Thousands)	
Operating revenues:		
U.S. Department of Education:		
Interest benefits	$ 15,161	$ 11,764
Special allowance	42,361	45,427
Interest and fees on student loans	90,113	69,707
Vermont state appropriations	18,457	18,746
Interest on cash and investments	10,381	9,414
Guarantee agency administrative revenues	6,537	5,155
Federal grants	4,347	3,841
Scholarship and gift income	4,665	4,126
Other income	878	1,087
Total operating revenues	192,900	169,267
Operating expenses:		
Interest, net of amortization	74,653	56,371
Salaries and benefits	24,324	23,578
Grants and scholarships	22,511	22,808
Interest rebated to borrowers	6,074	6,561
Other general and administrative	8,788	7,868
Interest subject to U.S. Treasury rebate	8,933	4,791
Credit enhancement and remarketing fees	5,443	6,292
Consolidation and lender paid fees	14,344	12,913
Other loan related expenses	1,361	535
Provision for losses on student loans	8,502	10,655
Depreciation and amortization	1,652	1,539
Amortization of bond issuance costs	333	352
Total operating expenses	176,918	154,263
Excess of operating revenues over operating expenses	15,982	15,004
Net assets, beginning of year	122,848	107,844
Net assets, end of year	$138,830	$122,848

See accompanying notes to the financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006

	2007	2006
	(In Thousands)	
Cash flows from operating activities:		
Cash received from customers, donors and governments	$ 76,813	$ 67,205
Principal payments received on student loans	404,830	551,007
Cash paid to suppliers for goods and services	(41,907)	(35,985)
Grants and scholarship disbursements	(22,511)	(22,809)
Loans made and purchased	(620,741)	(752,277)
Cash paid to employees for salaries and benefits	(24,121)	(23,567)
Interest and fees received on student loans	78,020	65,378
Vermont state appropriations received	18,457	18,746
Net cash used in operating activities	(131,160)	(132,302)
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds	314,150	–
Payments on bonds	–	(56,950)
Interest paid to bond holders	(72,850)	(54,733)
Net cash provided (used) by noncapital financing activities	241,300	(111,683)
Cash flows from capital and related financing activities:		
Payments on bonds payable	(735)	(725)
Interest paid to bond holders	(977)	(776)
Acquisition and construction of fixed assets	(878)	(10,821)
Net cash used by capital and related financing activities	(2,590)	(12,322)
Cash flows from investing activities:		
Interest received on cash and investments	10,176	9,419
Purchase of investments, net	(1,709)	(628)
Net cash provided by investing activities	8,467	8,791
Net increase (decrease) in cash and cash equivalents	116,017	(247,516)
Cash and cash equivalents, beginning of year	151,041	398,557
Cash and cash equivalents, end of year	$ 267,058	$ 151,041

	2007	2006
	(In Thousands)	
Reconciliation of operating income to net cash used in operating activities:		
Excess of operating revenues over operating expenses	$ 15,982	$ 15,004
Adjustments to reconcile the excess of operating revenues over operating expenses to net cash used in operating activities:		
Depreciation and amortization	1,652	1,539
Provision for losses on student loans	8,502	10,655
Amortization of loan origination fees, net	(145)	(889)
Amortization of bond issuance costs	333	352
Accretion of bond discount	200	201
Unrealized gain on investments	(175)	(24)
Loss on disposal of fixed assets	–	12
Investment interest received	(10,176)	(9,419)
Interest paid to bond holders	73,827	55,509
Changes in operating assets and liabilities:		
Investment interest receivable	(206)	5
Student loans receivable	(219,677)	(198,100)
Student loan interest receivable	(13,243)	(9,460)
Federal administrative and program fees receivable	(457)	144
Other receivables	1,013	(1,484)
Other assets	46	(190)
Deferred bond issuance costs	(1,661)	(7)
Accounts payable and other liabilities	606	202
Deferred revenue	3,064	(455)
Accrued interest on bonds payable	626	661
U.S. Treasury rebates payable	8,729	3,442
Total adjustments	(147,142)	(147,306)
Net cash used in operating activities	$(131,160)	$(132,302)

See accompanying notes to the financial statements.

VERMONT STUDENT ASSISTANCE CORPORATION
(A Component Unit of the State of Vermont)

STATEMENTS OF FIDUCIARY NET ASSETS

AGENCY FUNDS

June 30, 2007 and 2006

	Federal Loan Reserve Fund	VHEIP	2007 Total	2006 Total
	(In Thousands)			
ASSETS HELD FOR OTHERS				
Cash and cash equivalents	$ 11,050	$ 946	$ 11,996	$ 10,318
Investments	–	71,412	71,412	52,564
Student loans receivable and accrued student loan interest	–	5,633	5,633	3,814
Investment interest receivable	47	23	70	49
Due from U.S. Department of Education	1,873	–	1,873	1,878
Other assets	70	297	367	215
Total assets	$ 13,040	$ 78,311	$ 91,351	$ 68,838
LIABILITIES				
Accounts payable and other liabilities	$ 803	$ 111	$ 914	$ 635
Note payable	–	5,807	5,807	4,338
Federal advances	538	–	538	538
Amounts held on behalf of investors	–	72,393	72,393	53,259
Return of reserves due to U.S. Department of Education	276	–	276	552
Federal loan reserve funds held for U.S. Department of Education	11,423	–	11,423	9,516
Total liabilities	$ 13,040	$ 78,311	$ 91,351	$ 68,838

See accompanying notes to the financial statements.

1. Authorizing Legislation

The Vermont Student Assistance Corporation ("VSAC") was created as a public non-profit corporation by an act of the General Assembly of the State of Vermont in accordance with the provisions of the Higher Education Act of 1965, as amended ("the Act"). The purpose of VSAC is to provide opportunities for Vermont residents to pursue post-secondary education by awarding grants and guaranteeing, making, financing, and servicing loans to students. VSAC also administers scholarships, student employment programs, and outreach services to students seeking post-secondary education. In addition, VSAC manages the Vermont Higher Education Investment Plan (VHEIP).

Pursuant to Vermont statutes, VSAC is responsible for the administration of the Loan Finance Program. Under this program, VSAC originates, purchases, services and consolidates education loans. The majority of education loans are financed through the issuance of limited obligation bonds and are guaranteed by VSAC as a guarantor and reinsured by the U.S. Department of Education (DE) through the Federal Family Education Loan (FFEL) Program. The bonds and notes outstanding are payable primarily from interest and principal repayments on the financed loans as specified in the underlying resolutions authorizing the sale of the bonds and notes. The bonds and notes are not a general obligation of VSAC or an obligation of the State of Vermont or any of its political subdivisions.

For financial reporting purposes, VSAC is considered a component unit of the State of Vermont and is included as part of the State's financial reporting entity. VSAC's relationship with the State of Vermont primarily consists of an annual appropriation designated for grant aid to Vermont students.

The Vermont Student Development Fund, Inc. (the "Fund"), a separate non-profit 501(c)(3) corporation, was established in November of 2000. The primary purpose of the Fund is to receive, hold and manage securities, cash or other property whether real, personal or mixed, acquired by bequest, devise, gift, purchase or loan. These assets are used primarily for scholarships and other financial assistance to benefit qualified individuals seeking a post secondary education. The Fund provides a financial benefit to VSAC, and its Board of Directors is the same as the VSAC Board of Directors, therefore, it is considered a component unit of VSAC and is included in the totals on the financial statements.

2. Summary of Significant Accounting Policies

Basis of Accounting

VSAC follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when obligation for payment is incurred.

2. Summary of Significant Accounting Policies (Continued)

As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that Use Proprietary Fund Accounting*, VSAC applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to the extent these pronouncements do not conflict with GASB pronouncements.

The financial statements are prepared in accordance with Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statements No. 21 and 34*, and No. 38, *Certain Financial Statement Note Disclosures*. VSAC reports as a business-type activity, as defined, in GASB No. 34.

Restriction on Net Assets

The restricted net assets of VSAC are restricted by the bond resolutions, state statutes, donor restrictions, or various Federal regulations and program agreements and are restricted for the origination of student loans, payment of debt service on bonds and grant and scholarship activities. Financial activities and resulting account balances which are not so restricted are presented in the Statements of Net Assets as unrestricted net assets. VSAC's unrestricted net assets are generally reserved for educational assistance purposes.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of VSAC to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates utilized in the preparation of the financial statements of VSAC relate to the allowance for losses on student loans and the U.S. Treasury rebates payable.

Student Loans

Student loans consist primarily of guaranteed student loans which are made to post-secondary students attending eligible educational institutions and guaranteed parental loans made to parents of dependent undergraduate students, graduate and professional students, and independent undergraduate students attending eligible educational institutions. Student loans also include consolidation loans which are loans to eligible students that refinance existing student loans.

2. Summary of Significant Accounting Policies (Continued)

Student loans are stated at their unpaid principal balance net of allowances for loan losses and deferred loan origination fees and costs. Loan origination fees received and fees paid by VSAC on behalf of borrowers are deferred and amortized over the estimated life of the loans using a method that approximates the level yield method.

Allowance for Loan Losses

VSAC issues loans that are either guaranteed at default by VSAC, as guarantor under the FFEL Program, and reinsured by DE, or that carry no guarantee against default. Loans not guaranteed create the greatest loss exposure for VSAC and account for the majority of management's loan loss allowance. The amount of the allowance, which is established through a provision for losses on student loans charged to expense, is based on management's estimation of the probable losses within the portfolio. Primary considerations in establishing the allowance are the amounts of loans in the portfolio, loss rate, delinquencies, current economic conditions, and historical loss experience. The loss rate for nonguaranteed loans is 100%. For guaranteed loans, the loss rates are either 2% or 3% based on origination date of the loan.

Operating Revenue and Expenses

Operating revenues include interest earned on student loans and investments, fees received from providing services, state appropriations, and grant and scholarship revenue. Operating expenses include interest on bonds, the costs of providing services and operating all programs, and grant and scholarship awards.

Cash Equivalents

VSAC considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents include funds held in an institutional money market fund account.

Investments

Investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

2. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are stated at historical cost. Depreciation of capital assets that are placed in service is calculated using the straight-line method over the estimated useful lives of the assets. Capital asset acquisitions that equal or exceed $2.5 are capitalized. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Bond Issuance Costs

Costs of bond issuances, which are comprised of underwriters' fees, legal fees and other related financing costs, are deferred and amortized over the lives of the respective bond issues using the straight-line method.

Bond Discount and Deferred Loss on Refunding

Bond discounts are amortized using a method which approximates the level yield method over the life of the bonds. Any unamortized deferred loss related to refunded bonds is deferred and amortized over the life of the original or refunded bonds, whichever is shorter.

Grants

Unrestricted grants are recorded as revenue when received. Restricted grants are recorded as revenue upon compliance with the restrictions. Amounts received for grant programs that are restricted are recorded in deferred revenue until they become unrestricted.

FFEL Program Support

VSAC receives a percentage of the amounts collected on defaulted loans, an origination fee, a portfolio maintenance fee and a default aversion fee from DE as its primary support for the administration of the FFEL Program. These fees are recorded as guarantee agency administrative revenues when earned, as the services are provided.

Compensated Absences

Employees may accumulate, subject to certain limitations, unused vacation earned and upon retirement, termination or death, may be compensated for certain amounts at their then current rates of pay. The amount of vacation recognized as expense is the amount earned and this obligation is accrued.

2. Summary of Significant Accounting Policies (Continued)

Income Tax Status

VSAC is exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

3. Cash, Cash Equivalents and Investments

VSAC's deposit and investment policy complies with the underlying bond resolution requirements. In accordance with those bond resolutions, all deposits and investments meet the requirements and approval of the letter of credit and bond insurance providers. Additionally, such requirements mandate specific classes of investment vehicles including: bank time deposits, certificates of deposit, direct obligations of the United States of America unconditionally guaranteed by the United States of America, indebtedness issued by certain Federal agencies, collateralized repurchase agreements secured by obligations of the United States of America with collateral held by or at the direction of the trustee, guaranteed investment contracts with banks or bank holding companies, commercial paper and open ended investment funds. Funds not related to the various bond resolutions may also be invested in domestic equities or corporate bonds.

Cash and Cash Equivalents

The carrying amounts which represent both cost and fair value of cash and cash equivalents as of June 30, 2007 and 2006 are presented below:

	2007	2006
Cash and repurchase agreements	$ 7,822	$ 14,414
Money market accounts	259,236	136,627
	$267,058	$151,041

3. Cash, Cash Equivalents and Investments (Continued)

At June 30, 2007 and 2006, cash and repurchase agreements are comprised of various bank accounts and principal cash held by a bank trust department. The bank balances at June 30, 2007 were $ 8,996 and the bank balances at June 30, 2006 were $15,511. The difference between the bank balances and the amounts recorded on the financial statements is outstanding checks and deposits in transit. Additionally, $8,198 and $14,889 of the bank balances at June 30, 2007 and 2006, respectively, were covered by Federal depository insurance or collateralized by repurchase agreements for which the securities are held by the bank's trustee in VSAC's name. The remainder of bank balances of $798 and $622 at June 30, 2007 and 2006, respectively, were uninsured and uncollateralized.

At June 30, 2007 and 2006, the money market accounts are primarily invested in the Federated Prime Cash Obligations Fund. The Fund objective is to provide current income consistent with stability of principal and liquidity. The Prime Cash Obligations Fund invests primarily in a portfolio of short-term, high quality fixed income securities insured by banks, corporations and the U.S. Government. The underlying assets are not held in the name of VSAC.

Investments

VSAC held the following investments at June 30, 2007 and June 30, 2006:

	2007		2006	
	Cost	Fair Value	Cost	Fair Value
Domestic equities	$ 1,804	$ 2,004	$ 727	$ 752
Corporate bonds	647	641	239	233
U.S. Government bonds	409	406	182	182
	$ 2,860	$ 3,051	$ 1,148	$ 1,167

3. Cash, Cash Equivalents and Investments (Continued)

At June 30, 2007, the ratings for investments in debt securities are summarized as follows:

Investment	Maturities	Fair Value	Standard & Poor's Rating
Corporate bonds:			
Citigroup Inc. (3.500%)	2/1/2008	$ 25	AA
Boeing Cap Corp (4.750%)	8/25/2008	40	A+
Target Corp. (5.400%)	10/1/2008	20	A+
Texaco Capital (5.500%)	1/15/2009	20	AA
Washington Mutual (4.000%)	1/15/2009	15	A-
IBM Corp. (5.375%)	2/1/2009	20	A+
Bankamerica Corp (7.125%)	3/1/2009	21	AA-
FPL Group Cap Inc. (7.375%)	6/1/2009	21	A-
JP Morgan Chase (5.715%)	6/28/2009	19	AA-
SBC Communications (4.125%)	9/15/2009	19	A
Lehman Bros Hldgs (7.875%)	11/1/2009	20	A+
Berkshire Hathaway (4.125%)	1/15/2010	44	AAA
Countrywide Finl (4.500%)	6/15/2010	24	A
General Dynamics (4.500%)	8/15/2010	24	A
Gen Elec Cap Crp (4.875%)	10/21/2010	25	AAA
SBC Communications (5.300%)	11/15/2010	25	A
Caterpiller Fin Crp (5.050%)	12/1/2010	25	A
Goldman Sachs Group (6.875%)	1/15/2011	26	AA-
Quebec Prov (6.125%)	1/22/2011	26	A+
Conoco Funding Co. (6.350%)	10/15/2011	36	A-
Household Fin Co. (6.375%)	10/15/2011	15	AA-
Occidental Petroleum (6.750%)	1/15/2012	26	A-
Costco Wholesale Corp. (5.300%)	3/15/2012	25	A
United Tech Corp. (6.100%)	5/15/2012	46	A
Wells Fargo & Co. (5.125%)	9/1/2012	24	AA
Capital One Fin (5.500%)	6/1/2015	10	BBB+
		$ 641	

3. Cash, Cash Equivalents and Investments (Continued)

Investment	Maturities	Fair Value	Standard & Poor's Rating
U.S. Government bonds:			
U.S. Treasury Note (4.375%)	1/31/2008	$ 25	–
U.S. Treasury Note (4.625%)	2/29/2008	25	–
U.S. Treasury Note (5.000%)	7/31/2008	25	–
U.S. Treasury Note (4.875%)	1/31/2009	25	–
U.S. Treasury Note (4.500%)	2/15/2009	25	–
U.S. Treasury Note (5.500%)	5/14/2009	25	–
U.S. Treasury Note (6.000%)	8/15/2009	25	–
U.S. Treasury Note (4.625%)	11/15/2009	50	–
U.S. Treasury Note (6.500%)	2/15/2010	26	–
U.S. Treasury Note (5.750%)	8/15/2010	26	–
U.S. Treasury Note (4.500%)	11/15/2010	10	–
Tenn valley Auth (5.625%)	1/18/2011	25	AAA
U.S. Treasury Note (5.125%)	6/30/2011	25	–
U.S. Treasury Note (4.500%)	11/30/2011	24	–
Fed Nat'l Mtg Assn (5.000%)	4/30/2013	5	AAA
Ishares Lehman TIPS Bond Fund		40	AAA
		$406	

Interest Rate Risk. Through its investment policy, VSAC manages its interest rate risk by establishing a target range of 10% to 55% of its investments in fixed rate securities. VSAC's current investment manager works with a target of 30% of investments in fixed rate securities with a target duration of no greater than three years.

Credit Risk. VSAC minimizes its credit risk by requiring marketable bonds, debentures, notes, or instruments to be rated BBB or better by Standard and Poor's and Baa or better by Moody's Investors Service.

3. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk. VSAC places no limit on the amount of investments in any one issuer. However, VSAC's investment manager is currently instructed to invest approximately 70% of the total portfolio in equity issues, balanced between growth and value styles, biased toward large and mid-cap. As of June 30, 2007 and 2006, 12% and 14%, respectively, of VSAC's investments were invested in U.S. Treasuries. No other single issuer represented more than 5% of VSAC's investments at either June 30, 2007 or 2006.

Custodial Credit Risk. All of the investments are held by VSAC's agent in VSAC's name.

A significant portion of cash and cash equivalents are limited to their use for the repayment of bond and note obligations, and to satisfy certain reserve requirements specified by the bond and note indentures.

4. Student Loans Receivable

At June 30, 2007, VSAC held student loans with interest rates ranging from 2.875% to 10.860%; the majority is insured by DE and the U.S. Department of Health and Human Services. There are certain student loans that are not guaranteed. Most of VSAC's borrowers are located in the New England states.

Student loans are classified as being in "interim" status during the period from the date the loan is made until a student is out of school either for six or nine months. Subsequent to this period, student loans are classified as being in "repayment" status. "Deferral" status is a period during the life of the loan when repayment is suspended for authorized purposes.

Student loans receivable as of June 30, 2007 and 2006 are summarized as follows:

	2007	2006
Status:		
Interim status	$ 387,861	$ 360,984
Deferral status	310,029	283,972
Repayment status	1,170,425	1,011,222
Less: allowance for loan losses	(25,987)	(21,265)
deferred origination fees, net	(5,587)	(5,779)
Plus: deferred fees paid on borrowers behalf	3,713	–
Total student loans receivable	1,840,454	1,629,134
Less: noncurrent student loans receivable	1,714,194	1,511,836
Current student loans receivable	$ 126,260	$ 117,298

4. Student Loans Receivable (Continued)

	2007	2006
Guarantee type:		
U.S. Department of Education	$1,591,464	$1,422,102
U.S. Department of Health and Human Services	11,810	13,928
Other – nonguaranteed	265,041	220,148
Less: allowance for loan losses	(25,987)	(21,265)
deferred origination fees, net	(5,587)	(5,779)
Plus: deferred fees paid on borrowers behalf	3,713	–
Total student loans receivable	1,840,454	1,629,134
Less: noncurrent student loans receivable	1,714,194	1,511,836
Current student loans receivable	$ 126,260	$ 117,298

$1,824,999 and $1,614,303 of student loans were pledged to the repayment of bonds as of June 30, 2007 and 2006 respectively.

Transactions in the allowance for loan losses for the years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Balance July 1	$21,265	$12,611
Net loans charged off	(3,780)	(2,001)
Provision for losses on student loans	8,502	10,655
Balance June 30	$25,987	$21,265

The Allowance for loan losses represents management's estimate of probable losses on student loans. Management uses the amounts of loans in the portfolio, loss rate, delinquencies, current economic conditions, and historical loss experience. Should any of these factors change significantly from those currently used by management, the estimate will change.

5. Net Assets Held for the U.S. Department of Education

Under the Higher Education Act Amendments of 1998, all assets related to the FFEL Program guaranty functions were transferred to the Federal Loan Reserve Fund on October 1, 1998. The Federal Loan Reserve Fund is administered by VSAC on behalf of DE and is the property of the Federal government. VSAC also established the Guarantee Agency Operating Fund on October 1, 1998, in accordance with the Higher Education Act Amendments of 1998. The Guarantee Agency Operating Fund, which is included within the Statements of Net Assets, is the property of VSAC and is used to account for the activities under the FFEL Program that fall outside of the Federal Loan Reserve Fund.

5. Net Assets Held for the U.S. Department of Education (Continued)

Changes in Federal loan reserve funds held for DE for the years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Additions:		
Reimbursement from DE on default loan purchases	$18,755	$17,780
Default loan collections	123	242
Loan administrative fees	2,445	2,231
Investment income	511	360
Other receipts	118	–
Total additions	21,952	20,613
Deductions:		
Purchases of defaulted loans from lenders	19,381	18,395
Default aversion fee paid	664	699
Other disbursements	–	1,382
Total deductions	20,045	20,476
Net increase in Federal loan reserve funds held	1,907	137
Federal loan reserve funds held, at beginning of year	9,516	9,379
Federal loan reserve funds held, at end of year	$11,423	$ 9,516

To provide security and liquidity against potential defaults, VSAC is required to maintain reserves as specified by Title 16, Vermont Statutes Annotated §2864, Section 422 of Act 20 United States Code 1072, and under various agreements with the bond liquidity and credit enhancement providers. The Higher Education Act Amendments of 1998 require VSAC to maintain reserves equal to .25% of student loans guaranteed. During 2007 and 2006, VSAC maintained sufficient reserves to fully comply with these requirements.

Total outstanding loans issued under the FFEL Program were $1,591,464 and $1,422,101 at June 30, 2007 and 2006, respectively. Defaults on FFEL Program loan guarantees are paid by DE through the Federal Loan Reserve Fund.

6. Net Assets Held for the Vermont Higher Education Investment Plan (VHEIP)

VHEIP was established by the Vermont Legislature in April 1998. VHEIP encourages Vermont residents to save for college or other post-secondary education through tax favorable investments. The program has been designed to comply with the requirements for treatment as a "Qualified Tuition Program" under Section 529 of the Internal Revenue Code. There are three plans available: the Managed Allocation Option, the 100% Equity Option, and the Interest Income Option. The Managed Allocation Option and the 100% Equity Option are managed by TFI. TFI is part of TIAA-CREF, a New York-based financial services organization. Funds in the Managed Allocation Option are directed into special investment portfolios based on the age of the beneficiary. Funds in the 100% Equity Option are not age based and remain 100% in equity investments. Investments in the Managed Allocation and 100% Equity option are not guaranteed. The Interest Income Option is managed by VSAC. Funds in the Interest Income Option are invested in an interest-bearing note to VSAC, which is expected to return at least the 91-day U.S. Treasury Bill rate. VSAC uses the proceeds from the note to make federally guaranteed education loans.

The changes in assets held on behalf of investors for the years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Additions:		
Investment income	$ 2,023	$ 2,686
Net realized and unrealized gains	5,736	251
Student loan interest income	336	231
Net participant subscriptions/redemptions	11,090	9,272
Total additions	19,185	12,440
Deductions:		
Operational expenses	51	39
Total deductions	51	39
Net increase in assets held on behalf of investors	19,134	12,401
Assets held on behalf of investors, at beginning of year	53,259	40,858
Assets held on behalf of investors, at end of year	$72,393	$53,259

7. Capital Assets

A summary of capital assets activity for the years ended June 30, 2007 and 2006, were as follows:

	Estimated Lives	Balance July 1, 2005	Acquisitions	Dispositions	Balance June 30, 2006	Net Acquisitions	Balance June 30, 2007
Land	–	$ 3,150	$ –	$ –	$ 3,150	$ –	$ 3,150
Furniture and equipment	3 – 5 Years	5,066	2,496	189	7,373	825	8,198
Leasehold improvements	5 Years	721	–	721	–	–	–
Software	3 – 5 Years	2,477	278	1,508	1,247	57	1,304
Building	5 – 30 Years	11,072	5,581	–	16,653	(4)	16,649
		22,486	8,355	2,418	28,423	878	29,301
Less accumulated depreciation		5,888	1,539	2,406	5,021	1,652	6,673
Capital assets, net		$16,598	$ 6,816	$ 12	$23,402	$ (774)	22,628
Less bonds payable, net							20,561
Net investment in property and equipment							$ 2,067

Depreciation charged to operations for the years ended June 30, 2007 and 2006 was $1,652 and $1,539, respectively.

8. Bonds Payable

VSAC has issued the following bonds payable at June 30, 2007 and 2006:

	2007	2006
1985 Series A, dated December 27, 1985; comprised of floating rate monthly demand bonds with the balance maturing in January 2008; interest is payable monthly at variable rates which ranged from 3.61% to 3.91% during fiscal year 2007 (3.78% at June 30, 2007).	$ 40,900	$ 40,900
1995 Series A, B, C and D, dated June 29, 1995; comprised of auction rate bonds maturing December 2025; interest is reset every 35 days and payable semi-annually at rates which ranged from 3.44% to 3.94% during fiscal year 2007 (3.87% to 3.94% at June 30, 2007).	96,000	96,000

8. Bonds Payable (Continued)

	2007	2006
1996 Series F, G, H and I, dated May 29, 1996; comprised of auction rate bonds maturing December 2036; interest is reset every 35 days and payable semi-annually at rates which ranged from 3.6% to 3.94% during fiscal year 2007 (3.84% to 3.94% at June 30, 2007).	$ 100,000	$ 100,000
1998 Series K-O, dated June 24, 1998; comprised of auction rate bonds maturing December 2032; interest is reset every 35 days and payable semi-annually at rates which ranged from 3.55% to 3.99% during fiscal year 2007 (3.87% to 3.95% at June 30, 2007).	165,000	165,000
2000 Series R, S, T and U, dated May 31, 2000; comprised of auction rate bonds maturing December 2034. Interest is reset every 35 days and payable semi-annually at rates which ranged from 3.55% to 3.92% during fiscal year 2007 (3.83% to 3.92% at June 30, 2007).	172,550	172,550
2001 Series V, W and Z dated June 27, 2001; comprised of auction rate bonds maturing December 2035. Interest is reset every 35 days for Series V and W, and every 7 days for Series Z. Interest is payable semi-annually at rates which ranged from 3.45% to 3.95% during fiscal year 2007 (3.75% to 3.95% at June 30, 2007).	84,750	84,750
2001 Series X, Y and AA dated June 27, 2001; comprised of auction rate bonds maturing December 2036; interest is reset, and payable, every 28 days for Series X and Y, and every 7 days for Series AA. Interest rates ranged from 4.95% to 5.37% during fiscal year 2007 (5.25% to 5.32% at June 30, 2007).	80,000	80,000
2002 Series BB, CC and DD dated October 8, 2002; comprised of auction rate bonds maturing December 2036. Interest is reset every 35 days and payable semi-annually at rates which ranged from 3.6% to 4.0% during fiscal year 2007 (3.90% to 4.00% at June 30, 2007).	112,500	112,500
2003 Series FF, GG, HH and LL dated May 30, 2003; comprised of auction rate bonds with maturity dates ranging from June 2009 through December 2015; interest is reset every 35 days and payable semi-annually at rates which ranged from 3.07% to 3.92% during fiscal year 2007 (3.86% to 3.92% at June 30, 2007).	165,900	165,900

8. Bonds Payable (Continued)

	2007	2006
2003 Series II, JJ and KK dated May 30, 2003; comprised of auction rate bonds maturing December 2037; interest is reset every 35 days and payable semi-annually at rates which ranged from 3.62% to 4.0% during fiscal year 2007 (3.87% to 4.00% at June 30, 2007).	$ 150,000	$ 150,000
2004 Series MM dated June 3, 2004; comprised of auction rate bonds maturing December 2038; interest is reset every 35 days and payable semi-annually at rates which ranged from 3.63% to 3.86% during fiscal year 2007 (3.86% at June 30, 2007).	74,700	74,700
2004 Series NN and PP dated June 3, 2004; comprised of auction rate bonds maturing December 2038; interest is reset every 35 days and payable semi-annually at rates which ranged from 3.65% to 3.95% during fiscal year 2007 (3.88% and 3.93% at June 30, 2007).	134,500	134,500
2004 Series OO dated June 3, 2004; comprised of auction rate bonds maturing December 2038; interest is reset and payable every 28 days at rates which ranged from 5.29% to 5.37% during fiscal year 2007 (5.32% at June 30, 2007).	65,800	65,800
2005 Series QQ dated June 21, 2005; comprised of floating rate weekly demand bonds maturing December 2039; interest is reset every 7 days and payable semi-annually at rates which ranged from 3.4% to 3.99% during fiscal year 2007 (3.8% at June 30, 2007).	120,385	120,385
2005 Series RR/SS dated June 21, 2005; comprised of auction rate bonds maturing December 2039; interest is reset and payable every 28 days at rates which ranged from 5.2% to 5.34% during fiscal year 2007 (5.29% and 5.3% at June 30, 2007).	119,600	119,600
2006 Series TT-VV dated July 12, 2006; comprised of auction rate bonds maturing December 2040; interest is reset every 35 days for the Series TT and UU and every 7 days for the Series VV. Interest is payable semi-annually at rates which ranged from 3.45% to 3.98% during fiscal year 2007 (3.85% to 3.98% at June 30, 2007).	175,250	–
2007 Series WW/XX dated June 19, 2007; comprised of auction rate bonds maturing December 2041; interest is reset every 35 days and payable semi-annually with initial interest rates of 3.93%.	138,900	–

8. Bonds Payable (Continued)

	2007	2006
2003 General Obligation bond dated December 9, 2003, with a final maturity date of March 1, 2034, interest rates are fixed ranging from 2.0% to 5.0% payable semi-annually.	$ 20,695	$ 21,430
Total bonds payable	2,017,430	1,704,015
Bond discount, net	(134)	(138)
Deferred loss on refunding, net	(976)	(1,172)
Total bonds payable	2,016,320	1,702,705
Less current portion of bonds payable	41,655	735
Noncurrent portion bonds payable	$1,974,665	$1,701,970

All bonds, except the 2003 General Obligation bonds, are limited obligations of VSAC and are secured, as provided in the underlying bond resolutions, by an assignment and pledge to the Trustee of all VSAC's rights, title and interest in student loans and revenues derived thereon and the guarantee thereof, including the insurance of certain student loans by DE. In addition, a significant portion of cash and cash equivalents (including debt service reserve accounts which may be used to replenish any deficiency in funds required to pay principal and interest due on the bonds) are held in trust to secure the bonds, except the 2003 General Obligation bonds.

The 1985 Series A bonds are secured for credit-worthiness and liquidity by an irrevocable letter of credit issued by State Street Bank. The 1995 Series A-D, 1996 Series F-I, 1998 Series K-N, 2000 Series R-U, 2001 Series V-AA, 2002 Series BB-DD, 2003 Series FF-LL, 2004 Series MM-PP, 2005 Series QQ-SS, 2006 TT-VV, and the 2007 WW/XX bonds are secured for credit-worthiness by AMBAC Assurance Corporation. The 2003 General Obligation bonds and the 1998 Series O bonds payable have no credit support. The 2005 Series QQ bonds also have liquidity support by a Standby Bond Purchase Agreement issued by the Bank of New York.

All bonds, except the 2003 General Obligation bonds, are subject to redemption prior to maturity at the principal amounts outstanding plus accrued interest at date of redemption. At June 30, 2007, all bonds authorized under the underlying bond resolutions have been issued, except $91,100 of bonds that are expected to be issued in December 2007.

8. Bonds Payable (Continued)

Proceeds from issuance of the bonds payable, except the 2003 General Obligation bonds, and all revenues thereon are held in trust and are restricted as follows: to repurchase bonds; finance student loans; pay interest on the bonds; maintain required reserves; and pay reasonable and necessary program expenses.

The 2003 General Obligation bonds are payable from available revenues of VSAC. The bonds were issued for the purpose of financing the acquisition of land, construction, renovation, and equipment outfitting of a new corporate headquarters for VSAC.

The debt service requirements, which are based on the interest rates at June 30, 2007 through 2011 and in five-year increments thereafter to maturity for VSAC, are as follows:

Fiscal Year June 30,	Principal	Interest	Total
FY08	$ 41,655	$ 82,889	$ 124,544
FY09	1,670	82,102	83,772
FY10	795	82,045	82,840
FY11	820	82,020	82,840
FY12	42,355	81,912	124,267
FY13 – 17	127,980	388,950	516,930
FY18 – 22	3,815	376,080	379,895
FY23 – 27	100,865	369,298	470,163
FY28 – 32	3,540	354,956	358,496
FY33 – 37	714,800	294,126	1,008,926
FY38 – 42	979,135	95,311	1,074,446
Total	$2,017,430	$2,289,689	$4,307,119

The actual maturities and interest may differ due to changes in interest rates or other factors.

The following summarizes the debt activity for VSAC for the years ended June 30, 2007 and 2006:

	2007	2006
Balance at beginning of year	$1,702,705	$1,760,179
Issuance	314,150	–
Redemptions and refundings	(735)	(57,675)
Accretion of discount	200	201
Balance at end of year	$2,016,320	$1,702,705

9. U.S. Treasury Rebates Payable

The bonds issued by VSAC are subject to Internal Revenue Service regulations which limit the amount of income which may be earned on certain cash equivalents, investments and student loans acquired with bond proceeds. Any excess earnings are to be refunded to the U.S. Treasury. VSAC has estimated that there is an arbitrage liability at June 30, 2007 and 2006 of $32,254 and $23,525, respectively. VSAC has estimated the current portion to be $547 and $233 at June 30, 2007 and 2006, respectively. VSAC refunded the U.S. Treasury $233 and $1,112 in excess earnings in 2007 and 2006, respectively.

10. Student Loan Interest and Special Allowance Revenues

DE makes quarterly interest subsidy payments on behalf of certain qualified students until the student is required under the provisions of the Act to begin repayment. Repayment on Stafford Student Loans normally begins within six months after students complete their course of study, leave school or cease to carry at least one-half the normal full-time academic load as determined by the educational institution. Repayment of PLUS, SLS and Consolidation loans normally begins within sixty days from the date of loan disbursement unless a deferment of payments has been granted. In these cases, full repayment of principal and interest would resume at the expiration of the deferment. Interest accrues during this deferment period. HEAL loans enter repayment status nine months after the expiration date of an interim period.

DE provides a special allowance to lenders participating in the Stafford, PLUS, SLS and Consolidation student loan programs. Special allowance is paid based on a rate that is established quarterly. For loans first disbursed before January 1, 2000, the rate is based on the average rate established in the auction of the thirteen-week U.S. Treasury bills, plus a pre-determined factor, less the interest rate on the loan. For loans first disbursed on or after January 1, 2000, financed with obligations issued after October 1, 1993, the rate is based on the average rate established in the auction of three-month Financial Commercial Paper, plus a pre-determined factor, less the interest rate on the loan. Certain loans made or purchased prior to February 8, 2006 with funds obtained through the issuance of tax-exempt obligations issued before October 1, 1993, are eligible for one-half of the special allowance rate, subject to a minimum return of 9.5%. Loans made or purchased with tax exempt obligations issued before October 1, 1993 on or after February 8, 2006 are eligible for full special allowance and are not subject to a minimum return. Loans made or purchased with funds obtained through the issuance of tax-exempt obligations originally issued after October 1, 1993, are eligible for full special allowance and are not subject to a minimum return.

11. Endowment Funds

Donors have established a number of endowment funds through the Vermont Student Development Fund, Inc. All endowment funds are restricted to provide scholarship funds to Vermont students. All endowment funds are guided by specific agreements and instructions from donors regarding the uses of earnings and appreciation on invested funds.

In 1998, the Vermont General Assembly enacted a version of the Uniform Prudent Investor Act. The Act does not address in any explicit or clear manner a trustee's ability to spend net appreciation of donor-restricted endowments. The VSAC Board of Directors has established a policy, and most endowment agreements specify gains and appreciation on these funds be treated with a total return approach. In this approach, the amount of funds that may be expended from an endowment is based on a percentage of the fund's total value, and may come from the total return on the fund, including interest and dividend earnings, appreciation or original gift value. Total investment return in excess of the established spending rate is considered to be nonexpendable in future periods. The spending rate may be adjusted by the Board of Directors at their discretion.

At June 30, 2007 and 2006, the total net assets related to endowment funds were $3,152 and $1,564, respectively. Expendable restricted net assets totaled $240 and $66, respectively. The remaining $2,912 and $1,498, respectively, of net assets related to endowment funds were nonexpendable.

12. Restricted Net Assets

Restrictions on net assets are the result of bond resolutions, state statutes, various federal regulations and program agreements, and donor restrictions. Bond resolutions restrict net assets to the origination of student loans and payment of debt service on bonds and notes payable. State statutes and federal regulations and program agreements restrict various net assets to use for specific grant, scholarship and educational activities. Donors have restricted a number of endowment funds for scholarship awards. Restricted net assets as of June 30, 2007 and 2006 are as follows:

	2007	2006
Restricted by bond resolutions	$80,176	$66,576
Restricted for grants and scholarships	1,509	811
Donor restricted for scholarships	3,152	1,564
Restricted appropriation for educational programs	744	1,000
Total restricted net assets	$85,581	$69,951

13. Retirement Benefits

Full-time employees of VSAC that meet specific eligibility requirements are participants in a retirement annuity plan. This plan is a multi-employer defined contribution plan sponsored by Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF). The payroll for employees covered under the plan for the fiscal year ended June 30, 2007 and 2006 amounted to $16,428 and $16,753, respectively; VSAC's total payroll was $17,343 and $16,464, respectively. Total contributions by VSAC amounted to $1,643 and $1,675 in 2007 and 2006, respectively, which represented 10% of the covered payroll.

14. Contingencies

VSAC participates in various federally funded programs. These programs are subject to financial and compliance audits and resolution of identified questioned costs. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time.

VSAC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. VSAC manages these risks through a combination of commercial insurance packages purchased in the name of VSAC, and through self insurance programs for medical and dental claims. With respect to its commercial insurance packages, VSAC has not experienced or settled claims resulting from these risks which have exceeded its commercial insurance coverage. In addition, VSAC has purchased stop-loss insurance for its self-insurance programs and has transferred the risk of loss to the commercial insurance carrier.

A summary of the reserve for self-insured medical and dental liabilities included in accounts payable and other liabilities on the statement of net assets for the years ended June 30, 2007 and 2006 is as follows:

	2007	2006
Balance, beginning of year	$ 419	$ 253
Claims paid	(3,680)	(3,576)
Accrual for estimated claims	3,573	3,742
Balance, end of year	$ 312	$ 419

15. Loan Commitments

At June 30, 2007 and 2006, VSAC had commitments to extend credit for student loans of approximately $56,726 and $56,557, respectively. Commitments to extend credit are agreements to lend to a borrower as long as there is no violation of any condition established in the commitment agreement. Commitments generally have fixed expiration dates or other termination clauses. VSAC uses the same credit policies in making commitments as it does for student loans receivable.

16. FFELP Legislation

On September 27, 2007, the President signed the College Cost Reduction and Access Act. The Act reduces certain fees paid by the Federal government to lenders and guarantors participating in the Federal Family Education Loan Program (FFELP) starting on October 1, 2007.

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