

## OFFICIAL STATEMENT

*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 Notes is excludable from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, interest on the Notes 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 Notes 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. For a more complete description, see the caption "TAX MATTERS" herein.*

\$59,700,000

### Vermont Student Assistance Corporation Education Loan Revenue Notes, Series 2014-B (Tax-Exempt LIBOR Floating Rate Notes)

The Vermont Student Assistance Corporation (the "Corporation"), a non-profit public corporation organized as an instrumentality of the State of Vermont pursuant to the Vermont Statutes Annotated, Title 16, Chapter 87, as amended (the "State Act"), is offering \$59,700,000 aggregate principal amount of its Education Loan Revenue Notes, Series 2014-B (Tax-Exempt LIBOR Floating Rate Notes) (the "Notes") as set forth below:

<u>Original Principal Amount</u>	<u>Interest Rate</u>	<u>Offering Price</u>	<u>Stated Maturity Date</u>	<u>Expected Ratings</u> <u>Fitch/S&amp;P*</u>
\$59,700,000	One-Month LIBOR + 1.00% per annum	100%	June 2, 2042	Asf/A (sf)

\*See the heading "RATINGS" herein.

The Notes are being issued by the Corporation pursuant to an Indenture of Trust, dated as of November 1, 2014 (the "Indenture"), between the Corporation and People's United Bank, as trustee (the "Trustee"). The Notes will be secured under the Indenture by a pool of student loans made under the Federal Family Education Loan Program, the Public Health Service Act or under the Corporation's private, or alternative, loan programs, rights the Corporation has under certain agreements, a Debt Service Reserve Fund (as defined herein) and the other moneys and investments pledged to the Trustee under the Indenture.

The Notes shall be issued in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC is to act as securities depository for the Notes. Individual purchases of the Notes are to be made in book-entry form only, in the principal amount of \$100,000 and integral multiples of \$1,000 in excess thereof. Purchasers of the Notes will not receive certificates representing their interest in the Notes purchased. The Notes will receive semi-annual distributions of principal and interest on the 1<sup>st</sup> day of each June and December (or the next Business Day (as defined herein) if it is not a Business Day) as described in this Official Statement, beginning December 1, 2014, until the Notes are paid in full. All distributions of principal on the Notes through DTC will be treated by DTC, in accordance with its rules and procedures, as "Pro Rata Pass-Through Distribution of Principal."

Credit enhancement for the Notes will consist of overcollateralization, excess interest on the Financed Student Loans (as defined herein) and amounts on deposit in the Debt Service Reserve Fund. The Notes are not insured or guaranteed by any government agency or instrumentality, by any insurance company, or by any other person or entity.

It is a condition to the issuance of the Notes that the Notes be rated "Asf" by Fitch, Inc. ("Fitch") and "A (sf)" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P" and together with Fitch, the "Rating Agencies").

Potential investors should carefully review the risk factors listed under the caption "RISK FACTORS" herein.

**THE CORPORATION HAS NO TAXING POWER. THE NOTES ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION. THE CORPORATION SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE NOTES EXCEPT FROM THE REVENUES AND ASSETS PLEDGED UNDER THE INDENTURE. THE NOTES DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF VERMONT OR ANY OF ITS POLITICAL SUBDIVISIONS AND NONE OF THE FAITH AND CREDIT, THE TAXING POWER OR THE MORAL OBLIGATION 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 NOTES. THE NOTES ARE PAYABLE, BOTH AS TO PRINCIPAL AND INTEREST, SOLELY AS PROVIDED IN THE INDENTURE.**

The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon an exemption set forth therein, or any state securities or blue sky laws, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption set forth therein. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is unlawful.

We are offering the Notes through the Underwriter when and if issued. The Notes are offered when, as and if received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice. The Notes are expected to be delivered in book-entry only form through the facilities of The Depository Trust Company on or about November 21, 2014.

**Morgan Stanley**

**November 14, 2014**

## ADDITIONAL INFORMATION

No dealer, broker, salesman, or other person has been authorized by the Corporation or the Underwriter to give any material information or to make any material representations, other than those 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. The information and expressions of opinion 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 since the date hereof.

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, the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except as set forth herein, no action has been taken or will be taken to register or to qualify the Notes or otherwise to permit a public offering of the Notes in any jurisdiction where actions for that purpose would be required. The distribution of this Official Statement and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Official Statement comes are required by the Corporation and the Underwriter to inform themselves about and to observe any such restrictions. This Official Statement has been prepared by the Corporation solely for use in connection with the proposed offering of the Notes described herein.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a 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.

In making an investment decision with respect to the Notes, prospective investors must rely on their own independent investigation of the terms of the offering and the Corporation and weigh the merits and the risks involved with ownership of the Notes prior to any investment. The Corporation will furnish any additional information (to the extent the Corporation has such information or can acquire such information without unreasonable effort or expense and to the extent the Corporation may lawfully do so under the Securities Act or applicable local laws or regulations) necessary to verify the information furnished in this Official Statement. Representatives of the Corporation and the Underwriter will be available to answer questions from prospective investors concerning the Notes, the Corporation and the Student Loans.

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

The Corporation expects that the Notes sold pursuant hereto will be issued in the form of fully-registered note certificates totaling the aggregate principal amount of the Notes, which will be deposited with, or on behalf of, DTC and registered in its name or in the name of its nominee. Beneficial interests in the Notes will be shown on, and transfers thereof only will be effected through, records maintained by DTC and its participants.

An investor or potential investor in the Notes (and each employee, representative, or other agent of such person or entity) may disclose to any and all persons, without limitation, the tax treatment and tax structure of the transaction and all directly related materials of any kind, including opinions or other tax analyses, that are provided to such person or entity.

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

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

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

### **COMPLIANCE WITH APPLICABLE SECURITIES LAWS**

THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY AND THIS OFFICIAL STATEMENT MAY NOT BE DISTRIBUTED IN OR FROM OR PUBLISHED IN ANY COUNTRY OR JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE HANDS THIS OFFICIAL STATEMENT COMES ARE REQUIRED BY THE CORPORATION AND THE UNDERWRITER TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN EACH COUNTRY OR JURISDICTION IN WHICH THEY PURCHASE, SELL OR DELIVER THE NOTES OR HAVE IN THEIR POSSESSION OR DISTRIBUTE SUCH OFFICIAL STATEMENT, IN ALL CASES AT THEIR OWN EXPENSE.

### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

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

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

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

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

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

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

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## SUMMARY OF TERMS

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

References to the “Corporation” refer to the Vermont Student Assistance Corporation.

This Official Statement contains forward-looking statements that involve risks and uncertainties. See the caption “SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS” herein.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as assigned to them in the Indenture, which definitions are included in “EXHIBIT C—GLOSSARY OF CERTAIN DEFINED TERMS” hereto.

### General

The Notes will be issued pursuant to the Indenture, which is a discrete indenture, and will include a single class of Notes having the rights described in the Indenture and this Official Statement. No additional notes will be issued under the Indenture.

### Principal Parties and Dates

#### *Corporation*

Vermont Student Assistance Corporation (“we,” “us,” “our,” the “Corporation”), a non-profit public corporation organized as an instrumentality of the State of Vermont pursuant to the Vermont Statutes Annotated, Title 16, Chapter 87, as amended (the “State Act”), was created in 1965 as an instrumentality of the State of Vermont. See the caption “Description of the Corporation” below and the caption “THE CORPORATION” herein.

#### *Servicer*

The Corporation

#### *Back-up Servicers*

Nelnet Servicing, LLC (doing business as Firstmark Services with respect to Private Loans)

#### *Administrator*

The Corporation

#### *Trustee, Paying Agent and Registrar*

People’s United Bank

### *Guaranty Agency; Insurance*

We expect that approximately 57.7% of the Financed Student Loans, as defined below, based on the outstanding Principal Balance of the Financed Student Loans as of the Statistical Cut-off Date (as hereafter defined), will be “FFELP loans,” which are loans originated under the Federal Family Education Loan Program (“FFEL Program”), guaranteed (as described herein) by a Guaranty Agency, which is any entity authorized to guarantee student loans under the Higher Education Act and reinsured by the U.S. Department of Education (the “Department”), and with which the Corporation (as an Eligible Lender) maintains a Guaranty Agreement. The Corporation is expected to be the Guaranty Agency with respect to all of the FFELP loans.

We expect that approximately 0.3% of the Financed Student Loans, based on the outstanding Principal Balance of the Financed Student Loans as of the Statistical Cut-off Date, will be “HEAL loans,” which are health education assistance loans originated under the Public Health Service Act of 1944, 42 U.S.C. § 201 *et seq.* (the “Public Health Service Act”) that are permitted under the State Act. HEAL loans are insured by the Secretary of the United States Department of Health and Human Services (the “Secretary of Health and Human Services”) generally up to 98% of unpaid principal and interest.

We expect that approximately 42.0% of the Financed Student Loans, based on the outstanding

Principal Balance of the Financed Student Loans as of the Statistical Cut-off Date, will be private, or alternative, student loans (the "Private Loans") previously originated by the Corporation and described herein, which are not guaranteed or insured.

For the definition of "Student Loan," see "EXHIBIT C—GLOSSARY OF CERTAIN DEFINED TERMS" hereto.

#### ***Application of Proceeds***

We will use the proceeds from the sale of the Notes, together with other funds of the Corporation, to defease the remaining bonds issued by the Corporation (the "Refunded Bonds") pursuant to its 1995 Education Loan Revenue Bond Resolution adopted June 16, 1995 (as supplemented and amended, the "Refunded Resolution"), and thereby acquire a pool of FFELP loans (the "FFELP Financed Student Loans"), HEAL loans (the "HEAL Financed Student Loans") and Private Loans (the "Private Financed Student Loans") previously held under the Refunded Resolution, as further discussed in this Official Statement; fund a deposit to the Debt Service Reserve Fund for the Notes and pay the costs of issuance relating to the Notes. See the caption "SOURCES AND USES" herein.

All of the Student Loans described under "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" to be pledged by the Corporation to the Trustee under the Indenture are currently pledged under the Refunded Resolution and secure the Refunded Bonds. Certain of the proceeds from the sale of the Notes are expected to be transferred to and applied by the trustee under the Refunded Resolution to defease the Refunded Resolution and refund all of the Refunded Bonds, and upon such defeasance, any liens or security interests relating to the Student Loans described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein will be released from the lien of the Refunded Resolution and the Corporation will then pledge such Student Loans to the Trustee as part of the Trust Estate.

"Financed" when used with respect to Student Loans, means or refers to the Student Loans (i) transferred by the Corporation from the Refunded Resolution and deposited in or otherwise constituting a part of the Trust Estate, and (ii) substituted or exchanged as permitted by the Indenture for Financed Student Loans but, in any event, shall not include

Student Loans released from the lien of the Indenture pursuant to the terms thereof. The Federal Family Education Loan Program pursuant which the FFELP Financed Student Loans were originated is summarized in "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto. The Private Financed Student Loans were originated pursuant to the Corporation's private student loan programs described in "EXHIBIT B—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto (the "Private Loan Programs").

#### ***Distribution Dates***

Distribution dates for the Notes will be the 1<sup>st</sup> day of each June and December of each year, or if such day is not a Business Day, the next succeeding Business Day, beginning on December 1, 2014 (each, a "Distribution Date").

#### ***Collection Periods***

The collection periods will be six-month periods ending on the last day of the second month preceding each Distribution Date (each, a "Collection Period"). Therefore, the Collection period for each June Distribution Date will be the period from, and including, November 1 through, and including, the following April 30, and the Collection Period for each December Distribution Date will be the period from, and including, May 1 through, and including, the following October 31. However, the initial Collection Period will begin on the Issue Date and end on, and include, April 30, 2015.

#### ***Interest Periods***

The Initial Interest Period for the Notes begins on the Issue Date and ends on November 30, 2014 (the day before the first Distribution Date for the Notes). For any other Distribution Date, the Interest Period will begin on the prior Distribution Date and end on the day before such Distribution Date.

#### ***Cut-off Date***

The cut-off date for any Student Loan pledged to the Trustee by the Corporation under the Indenture is the date of such pledge. All loan revenues received with respect to such Financed Student Loan portfolio starting on the applicable cut-off date will be deposited in the Collection Fund.

### ***Information Relating to the Financed Student Loans***

The information presented in this Official Statement relating to the Student Loans is as of August 31, 2014, which we refer to as the “Statistical Cut-off Date.” We believe that the information set forth in this Official Statement with respect to the Student Loans as of the Statistical Cut-off Date is materially representative of the characteristics of the pool of Student Loans that will ultimately be pledged to the Trustee under the Indenture. See the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein and “EXHIBIT F—PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE NOTES” herein.

### ***Issue Date***

The Issue Date for the Notes is expected to be on or about November 21, 2014.

### **Description of the Notes**

#### ***General***

We are offering the Notes in the aggregate principal amount of \$59,700,000.

**The Corporation has no taxing power. The Notes are special, limited obligations of the Corporation. The Corporation shall not be obligated to pay the principal of or interest on the Notes except from the revenues and assets pledged under the Indenture. The Notes do not constitute a debt, liability or obligation of the State of Vermont or any of its political subdivisions and none of the faith and credit, the taxing power or the moral obligation of the State of Vermont or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Notes. The Notes are payable, both as to principal and interest, solely as provided in the Indenture.**

The Notes will be issued in minimum denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof. Principal of and interest on the Notes will be payable on each Distribution Date to the record owners of the Notes as of the close of business on the day before the related Distribution Date.

### ***No Additional Notes***

The Indenture, and the Trust Estate created thereunder, will be discrete. The Indenture will not permit the issuance of any additional bonds, notes or other evidences of indebtedness secured by the Trust Estate.

### ***Interest on the Notes***

The Notes will bear interest at a rate equal to one-month LIBOR plus 1.00% per annum. The interest rate on the Notes will be adjusted on the first Business Day of each calendar month. The interest rate determined for the Notes shall remain in effect until, but not including, the first Business Day of the succeeding calendar month (each, a “Monthly Period”). The Trustee will determine the rate of interest on the Notes on the second Business Day immediately preceding each Monthly Period (or, in the case of the first interest period, on the date the note purchase agreement is signed) (each, an “Interest Rate Determination Date”).

“*Interest Accrual Amount*” means, for any Monthly Period, the aggregate amount of interest accrued at the applicable LIBOR indexed rate set forth above during such Monthly Period on the Outstanding Amount of the Notes as of the immediately preceding Distribution Date (based on the actual number of days in such Monthly Period divided by 360 and rounding the resultant figure to the fifth decimal place) after giving effect to all principal distributions to the related Noteholders on that preceding Distribution Date, or in the case of the first Distribution Date, on the Issue Date.

For each Distribution Date, “*Interest Distribution Amount*” means the sum of (a) the Interest Accrual Amounts for each Monthly Period within the preceding Interest Period and (b) the Interest Shortfall for that Distribution Date.

### ***Distributions of Principal on the Notes***

Prior to the occurrence of an Event of Default, principal distributions will be allocated to the Notes on each Distribution Date in an amount equal to the lesser of:

- the Principal Distribution Amount for that Distribution Date; and
- funds available to pay principal as described under the caption “Flow of Funds” below



and under the caption “THE TRUST ESTATE—Flow of Funds” herein.

The term “*Principal Distribution Amount*” means, for any Distribution Date, the amount, not less than zero, by which (a) the Outstanding Amount of the Notes immediately prior to such Distribution Date exceeds (b) the Adjusted Pool Balance for that Distribution Date less the Specified Overcollateralization Amount. Notwithstanding the foregoing, (i) on or after the Stated Maturity Date, the Principal Distribution Amount will equal the amount that is necessary to reduce the Outstanding Amount to zero, and (ii) the Principal Distribution Amount shall not exceed the Outstanding Amount as of any Distribution Date (before giving effect to any distributions on such Distribution Date).

The term “*Specified Overcollateralization Amount*” means, for any Distribution Date, the greater of:

- 17.84% of the Adjusted Pool Balance for that Distribution Date; and
- \$1,400,000.

“*Adjusted Pool Balance*” shall mean (a) for the December 2014 Distribution Date, the sum of the Initial Pool Balance and the amount of cash deposited in the Debt Service Reserve Fund on the Issue Date and (b) for any other Distribution Date, the sum of the Pool Balance as of the last day of the related Collection Period and the Debt Service Reserve Fund balance as of the last day of the related Collection Period.

“*Pool Balance*” shall mean, for any date, the aggregate Principal Balance of the Financed Student Loans contained in the Trust Estate on that date, including accrued interest thereon that is expected to be capitalized, after giving effect to the following, without duplication: (a) all payments allocable to principal received by the Corporation through that date from or on behalf of borrowers, Guaranty Agencies, the Secretary of Health and Human Services and the Department; (b) all amounts allocable to principal received by the Trustee through that date from sales (or other releases from the lien of the Indenture as permitted thereunder) of Financed Student Loans permitted under the Indenture and the Servicing Agreements; (c) all amounts in respect of principal received in connection with Liquidation Proceeds and Realized Losses on the Financed Student Loans liquidated through that date; (d) the amount of any adjustment to the outstanding

Principal Balances of the Financed Student Loans that the Servicers make and that are permitted to be made under the Servicing Agreements through that date; and (e) the aggregate amount by which (i) reimbursements by Guaranty Agencies of the unpaid principal balances of defaulted FFELP Financed Student Loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act and (ii) reimbursements by the Secretary of Health and Human Services of the unpaid principal balances of defaulted HEAL Financed Student Loans through that date are less than 100%, as provided by the Public Health Service Act.

The Principal Distribution Amount is intended to provide credit support so that the Adjusted Pool Balance builds to and is maintained at an amount that exceeds the Outstanding Amount of the Notes by the greater of (a) 17.84% of the Adjusted Pool Balance, or (b) \$1,400,000. On the closing date, the Adjusted Pool Balance (including amounts deposited to the Collection Fund on the Issue Date) will exceed the Outstanding Amount of the Notes by approximately 17.77% of the Outstanding Amount of the Notes.

Failure to pay principal on the Notes is not an Event of Default (except on the Stated Maturity Date). See “EXHIBIT D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” hereto. Payment of the Principal Distribution Amount will likely result in the Notes being paid in full prior to their Stated Maturity Date.

#### ***Stated Maturity***

The Distribution Date on which the Notes are due and payable in full is the Distribution Date in June of 2042 (the “Stated Maturity Date”).

The principal of the Notes may be paid prior to the Stated Maturity Date if, for example:

- there are prepayments on the Financed Student Loans;
- the mandatory redemption of the Notes occurs if the amount on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom), together with other Available Funds, equals or exceeds the Outstanding Amount of and accrued interest on the Notes as described under the caption

“DESCRIPTION OF THE NOTES—Mandatory Redemption” herein; or

- the Corporation exercises its option to release all of the Financed Student Loans from the lien of the Indenture, and thereby redeem the Notes in whole, but not in part, which option may be exercised on any Distribution Date on or after the earlier of (a) the December 2024 Distribution Date and (b) the first Distribution Date on which the outstanding Pool Balance (as of the last day of the related Collection Period) is 10% or less of the Initial Pool Balance.

“Initial Pool Balance” shall mean the Pool Balance as of the Issue Date. See the captions “DESCRIPTION OF THE NOTES—Optional Redemption” and “—Mandatory Redemption” herein.

### **Description of the Corporation**

The Corporation, a public nonprofit corporation, was created as an instrumentality of the State of Vermont in 1965 and exists under the State Act for the purpose of ensuring that Vermont students and parents have the necessary information and financial resources to pursue their education goals beyond high school. The Corporation has carried out its mandate by guaranteeing, making, acquiring, financing and servicing loans to borrowers qualifying under the State Act and, where applicable, the Higher Education Act and the Public Health Service Act of 1944, 42 U.S.C. § 201 *et seq.* The Corporation also administers financial aid services, a program of grants and scholarships, a Section 529 savings plan (designated as the Vermont Higher Education Investment Plan) and work study, informational and career counseling services to students and adults seeking further education, and related services to parents of such students. The Corporation is located 10 East Allen Street, P.O. Box 2000; Winooski, Vermont 05404. See the caption “THE CORPORATION” herein for more information about the Corporation.

We have pledged the Trust Estate and all payments to be received with respect thereto to the Trustee as security for the Notes issued under and secured by the Indenture. The only sources of funds for payment of the Notes are the Financed Student Loans and investments pledged to the Trustee and the payments we receive on those Financed Student Loans and investments.

### **The Trust Estate**

The Trust Estate is a discrete trust estate that will consist primarily of:

- the Financed Student Loans, which are Student Loans originated under (1) the Federal Family Education Loan Program summarized in “EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” hereto, (2) the Public Health Service Act or (3) the Corporation’s private, or alternative, loan programs described in “EXHIBIT B—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto, and pledged to the Trustee pursuant to the Indenture, and any Student Loans substituted or exchanged therefor in accordance with the provisions of the Indenture;
- collections and other payments received on account of the Financed Student Loans;
- money and investments held in funds created under the Indenture, including the Acquisition Fund, the Collection Fund and the Debt Service Reserve Fund, but excluding the Department Reserve Fund and the Tax-Exempt Rebate Fund; and
- any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Indenture.

A Guaranty Agency guarantees, and the Department reinsures, the FFELP Financed Student Loans, both to the maximum extent permitted by the Higher Education Act. The Guaranty Agency with respect to all of the FFELP Financed Student Loans is expected to be the Corporation.

### **Description of Funds and Accounts**

#### ***The Acquisition Fund***

Cash in the expected amount of \$409,250 will be deposited into the Temporary Costs of Issuance Account of the Acquisition Fund and the Financed Student Loans will be deposited into the Acquisition Fund on the Issue Date. The amount on

deposit in the Temporary Costs of Issuance Account will be used to pay, upon direction of the Corporation, the costs of issuance of the Notes and certain other payments or amounts described under the caption “THE TRUST ESTATE—The Acquisition Fund” herein. Upon the defeasance of the Refunded Resolution on the Issue Date, the pool of Student Loans described under the caption (and as may be modified as described under the caption) “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein will be deposited to the Acquisition Fund.

All funds remaining on deposit in the Temporary Costs of Issuance Account after payment of costs of issuance in full will be transferred to the Collection Fund and shall constitute Available Funds on the next Distribution Date. Except for (a) the deposit of Student Loans described above, (b) any substitutions of Financed Student Loans to be made by the Corporation as described under the caption “THE FINANCED STUDENT LOANS” herein or (c) any acquisition of student loans that were previously Financed Student Loans repurchased back from a Guaranty Agency or a Servicer, there will be no subsequent acquisitions of or recycling of student loans into the Trust Estate.

#### ***The Department Reserve Fund***

A Department Reserve Fund will be established under the Indenture, but will not be a part of the Trust Estate. Amounts on deposit in the Department Reserve Fund will be used as directed by the Corporation to make when due required payments to the Department, to any Guaranty Agency any payment then due relating to its Guaranty of FFELP Financed Student Loans, or to pay to the Corporation, another entity or trust estate if amounts under the Indenture due to the Department or a Guaranty Agency with respect to FFELP Financed Student Loans were paid by the Corporation or such other entity or trust estate pursuant to any Joint Sharing Agreement. The Department Reserve Fund will be funded as described under the caption “Flow of Funds” below and under the caption “THE TRUST ESTATE—Flow of Funds” in an amount necessary to bring the balance of the Department Reserve Fund up to an amount equal to the sum of: (a) the expected Department Rebate Interest Amount accrued through the last day of the prior calendar month; (b) any Monthly Consolidation Loan Rebate Fees accrued through the last day of the prior calendar month; (c) any other accrued payments that are payable to the Department as accrued through the last day of the prior calendar month; (d) any payment then due and

payable to a Guaranty Agency relating to its Guaranty of Financed Student Loans; and (e) any other such payment then accrued to the Corporation, another entity or trust estate, if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the Financed Student Loans were paid by the Corporation or such other entity or trust estate, pursuant to any Joint Sharing Agreement. We refer to this amount as the “Department Reserve Fund Requirement.” Amounts in the Department Reserve Fund in excess of the Department Reserve Fund Requirement will be transferred to the Collection Fund.

#### ***Tax-Exempt Rebate Fund***

A Tax-Exempt Rebate Fund will be established under the Indenture. The Tax-Exempt Rebate Fund will not be a part of the Trust Estate. Amounts on deposit in the Tax-Exempt Rebate Fund will be used to pay any Rebate Amount to the Internal Revenue Service. The Tax-Exempt Rebate Fund will be funded as described under the caption “Flow of Funds” below and under caption “THE TRUST ESTATE—Flow of Funds” herein in an amount equal to the Rebate Amount. Amounts in the Tax-Exempt Rebate Fund in excess of the Rebate Amount will be transferred to the Collection Fund.

#### ***The Collection Fund***

An initial deposit of approximately \$5,288,149 will be made to the Collection Fund. The Trustee will establish the Collection Fund as part of the Trust Estate. The Trustee will deposit into the Collection Fund all moneys received by or on behalf of the Corporation as assets of, or with respect to, the Trust Estate.

Moneys on deposit in the Collection Fund will be used as described under the caption “Flow of Funds” below and under the caption “THE TRUST ESTATE—Flow of Funds” herein.

#### ***The Debt Service Reserve Fund***

The Trustee will establish the Debt Service Reserve Fund as part of the Trust Estate. On the Issue Date, we will make a deposit to the Debt Service Reserve Fund in the expected amount of approximately \$165,413 as described under the caption “THE TRUST ESTATE—The Debt Service Reserve Fund” herein. The Debt Service Reserve Fund is subject to a required minimum balance equal to (a) on the Issue Date, the amount of the initial deposit set forth above and (b) on any Distribution

Date, the greater of (i) 0.25% of the Pool Balance as of the end of the preceding Collection Period or (ii) \$99,248 (which is 0.15% of the expected Pool Balance as of the Issue Date), provided that in no event will such balance exceed the Outstanding Amount of the Notes. We refer to such minimum amount as the “Debt Service Reserve Fund Requirement.” If (i) on any Distribution Date, the amount of Available Funds on deposit in the Collection Fund is insufficient to pay any of the items specified in clauses (i) through (vi) under the caption “THE TRUST ESTATE—Flow of Funds—*Distribution Dates*” herein or (ii) on other than Distribution Dates, there are insufficient moneys on deposit in the Collection Fund to pay any Rebate Amounts, Department Rebate Interest Amounts, Monthly Consolidation Loan Rebate Fees, trustee fees, servicing fees and administration fees then due and owing, then amounts on deposit in the Debt Service Reserve Fund will be used to pay such deficiency. To the extent the amount on deposit in the Debt Service Reserve Fund falls below the Debt Service Reserve Fund Requirement, the Debt Service Reserve Fund will be replenished on each Distribution Date from funds available in the Collection Fund as described below under “THE TRUST ESTATE—Flow of Funds—*Distribution Dates*” herein. Funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement will be transferred to the Collection Fund. Amounts on deposit in the Debt Service Reserve Fund, other than amounts in excess of the Debt Service Reserve Fund Requirement, will not be available to make principal payments on the Notes except upon their Stated Maturity Date or earlier if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes as described below under the caption “DESCRIPTION OF THE NOTES—Mandatory Redemption” herein or if the Notes are accelerated following an Event of Default under the Indenture.

**Characteristics of the Financed Student Loan Portfolio**

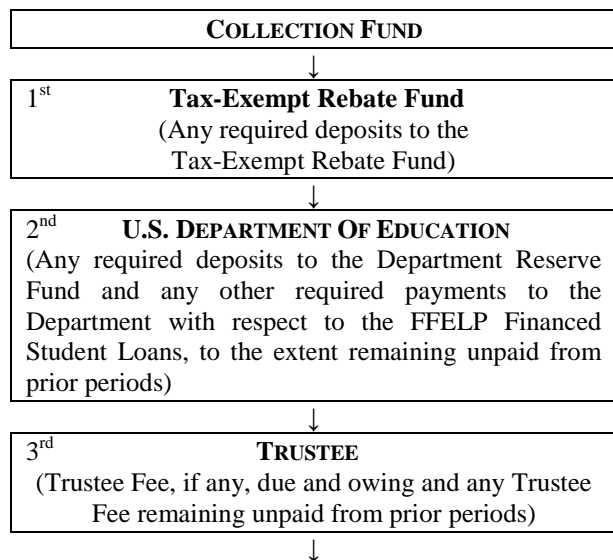
As of the Issue Date, the Corporation will pledge to the Trustee a portfolio of Student Loans, which are described more fully below under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein. As of the Statistical Cut-off Date, the weighted average annual interest rate of the Student Loans was approximately 4.642% and their weighted average remaining term to scheduled maturity was

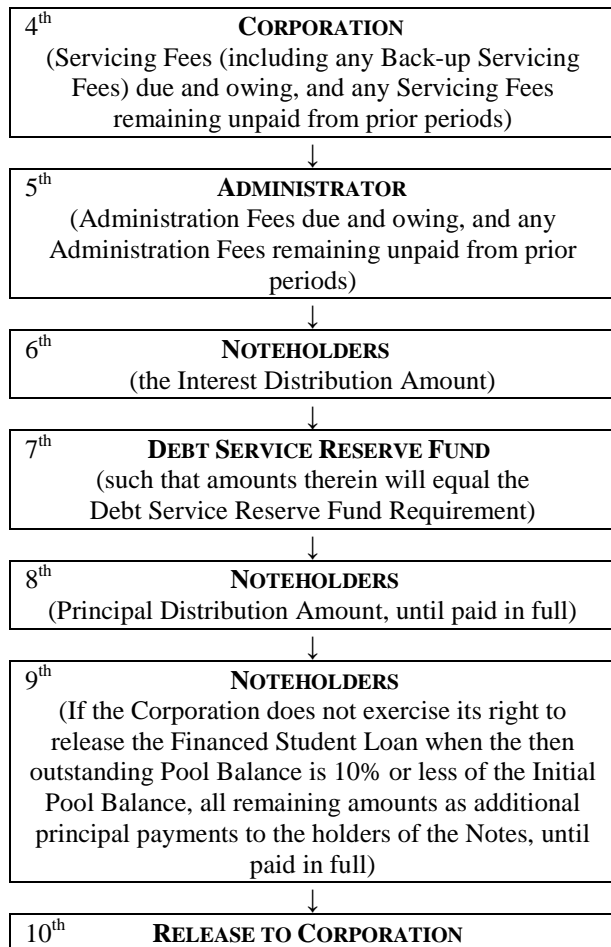
approximately 189 months. The Financed Student Loans will be (a) FFELP Loans, (b) HEAL Loans or (c) Private Loans.

In the event that the principal amount of Student Loans required to provide collateral for the Notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the ratings on the Notes described on the cover page of this Official Statement, the rates of amortization or prepayment on the portfolio of student loans from the Statistical Cut-off Date to the Issue Date varying from the rates that were anticipated, or otherwise, the portfolio of Student Loans to be pledged to the Trustee may consist of a subset of the pool of Student Loans described herein or may include additional Student Loans not described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein.

**Flow of Funds**

On any date (with respect to 1<sup>st</sup> through 5<sup>th</sup> below) and on each Distribution Date, except where an Event of Default has occurred that results in an acceleration of the maturity of the Notes, Available Funds deposited in the Collection Fund on the Issue Date with respect to the December 2014 Distribution Date, and Available Funds on deposit in the Collection Fund with respect to any other Distribution Date (including any amounts transferred from the Debt Service Reserve Fund) as of the end of the preceding Collection Period, will be used to make the following deposits and distributions, to the extent funds are available, in the amounts and in the priorities set forth in the following chart:





See the caption “THE TRUST ESTATE—Flow of Funds” herein.

***Flow of Funds After Events of Default***

After the occurrence of certain Events of Default under the Indenture that result in an acceleration of the maturity of the Notes, the Trustee may, and, upon the occurrence and continuance of any Event of Default (other than a failure by the Corporation to satisfy certain covenants contained in the Indenture), at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Notes or upon the occurrence and continuance of an Event of Default resulting from a failure by the Corporation to satisfy certain covenants contained in the Indenture, at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Notes then Outstanding, the Trustee shall (after the payment of certain fees and expenses) make payments of interest and then principal to the Notes until paid in full in accordance with the provisions of the Indenture. See

“EXHIBIT D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies” hereto.

**Initial Parity Ratio**

Based on information relating to the portfolio of Student Loans as of the Statistical Cut-off Date, the Corporation estimates that on the Issue Date the Parity Ratio (including amounts deposited to the Collection Fund on the Issue Date) will be approximately 117.8%.

“Parity Ratio” means, on any Distribution Date, (a) the Pool Balance (including all accrued interest on the Financed Student Loans) as of the end of the related Collection Period, plus the amount on deposit in the Debt Service Reserve Fund after giving effect to distributions made on that Distribution Date, divided by (b) the Outstanding Amount of the Notes, after giving effect to distributions made on that Distribution Date.

The Student Loans actually pledged under the Indenture on the Issue Date will have characteristics that differ somewhat from the characteristics of the Student Loans described herein due to payments received on and other changes in the Student Loans that occur during the period from the Statistical Cut-off Date to the Issue Date. These changes could result in the actual Parity Ratio on the Issue Date varying somewhat from the estimated Parity Ratio set forth above. However, the Corporation does not expect that the actual Parity Ratio on the Issue Date will differ materially from the estimated Parity Ratio provided above. The Parity Ratio for each Distribution Date will be reported in the related Distribution Date Information Form. The Parity Ratio will be tracked only for such reporting purposes. The level of the Parity Ratio, which will vary from time to time, will not affect the flow of funds under the Indenture, including but not limited to the amount that is required to be distributed on the Notes, on any Distribution Date or at any other time.

**Credit Enhancement**

Credit enhancement for the Notes will consist of overcollateralization, excess interest on the Financed Student Loans and amounts on deposit in the Debt Service Reserve Fund as described above under the caption “The Debt Service Reserve Fund” above.

## **Servicing and Administration**

The Corporation will serve as the Servicer and as the Administrator, and will be paid the Servicing Fees, in addition to the Administration Fee. The Servicer will be responsible for servicing, maintaining custody of and making collections on the Financed Student Loans. See the caption “STUDENT LOAN SERVICING” herein. Pursuant to back-up third-party servicing agreements (the “Back-up Servicing Agreements”), Nelnet Servicing, LLC will act as the back-up servicer with respect to the FFELP Financed Student Loans and the HEAL Financed Student Loans and Nelnet Servicing, LLC (d/b/a as Firstmark Services) will act as the back-up servicer with respect to the Private Financed Student Loans (the “Back-up Servicer”). The Servicer will pay out of the Servicing Fees for the servicing of Financed Student Loans any amounts payable to the Back-up Servicer pursuant to the applicable Back-up Servicing Agreement. See the captions “DESCRIPTION OF THE NOTES—Fees and Expenses” and “THE TRUST ESTATE—Compensation of Servicers” herein.

The Administration Fee is equal to (i) for each month, a fee equal to  $1/12^{\text{th}}$  of 0.05% of the then outstanding Pool Balance as of the end of the preceding month and (ii) no more than \$18,500 annually for certain Rating Agency surveillance fees and certain other fees relating to the administration of the Trust Estate.

Each month, the Servicing Fees shall be paid to the Servicer in an amount equal to no more than \$15,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement plus the greater of (i) the Servicing Fee Floor and (ii) no more than  $1/12^{\text{th}}$  of 0.45% of the Pool Balance as of the end of the preceding month (the “Servicing Fee”). The Corporation will pay out of the Servicing Fees received by it to any third-party Servicer (including any Back-up Servicer) the Servicer’s fees under the related Servicing Agreement and expenses reimbursable to the Servicer thereunder for servicing (or back-up servicing) in the amounts owed thereunder (up to the amounts actually received by the Corporation as Servicing Fees for that period).

“*Servicing Fee Floor*” shall mean the product of (a) \$2.50, (b) the total number of borrowers outstanding, and (c) commencing November 2015, and each successive one year anniversary thereafter, a per annum increase of 3.00%.

## **Optional Redemption and Mandatory Redemption**

The Notes are subject to redemption in full prior to maturity at a redemption price of 100% of the Outstanding Amount thereof plus interest accrued to the redemption date (as described below) from amounts deposited into the Collection Fund from the sale of the Financed Student Loans by the Corporation pursuant to the exercise of the release option granted to the Corporation under the Indenture. The Corporation will have the option to release the Financed Student Loans from the lien of the Indenture as of the earlier of (a) the December 2024 Distribution Date and (b) the Distribution Date after the last day of a Collection Period on which the then outstanding Pool Balance is 10% or less of the Initial Pool Balance, and each Distribution Date thereafter. To exercise such option, the Corporation is required to deposit in the Collection Fund, on or prior to such Distribution Date, an amount equal to the Minimum Purchase Amount (as defined below). In the event that the Corporation releases the Financed Student Loans from the lien of the Indenture, the Notes will be subject to redemption in full on the next Distribution Date immediately succeeding such release date with the amounts deposited by the Corporation to release the Financed Student Loans and any other amounts available in the Debt Service Reserve Fund and the Collection Fund. See the caption “DESCRIPTION OF THE NOTES—Optional Redemption” herein. The Trustee will, upon an election of the Corporation to release the Financed Student Loans from the lien of the Indenture as described above, give prompt written notice of such election to the Noteholders specifying that the Notes will be subject to redemption in full on the next Distribution Date. All expenses of the Trustee relating to the release of the Financed Student Loans will be paid out of the Collection Fund prior to the Noteholders in the event of such a release.

“*Minimum Purchase Amount*” means, for any Distribution Date, that amount which, when added to all moneys in the Debt Service Reserve Fund, would be sufficient to (i) reduce the Outstanding Amount of the Notes on such Distribution Date to zero, (ii) pay to the Noteholders the Interest Distribution Amount on the Notes payable on such Distribution Date, (iii) pay all Rebate Amounts and Excess Earnings (provided, however, that if all the information necessary to calculate such Rebate Amounts and Excess Earnings is not yet then available, the calculation of the Rebate Amounts and Excess Earnings may be based upon

such reasonable assumptions as the Corporation shall determine), (iv) pay any consolidation rebate fees or other amounts payable to the Department with respect to the FFELP Financed Student Loans, (v) pay amounts payable under any applicable Joint Sharing Agreement or otherwise remove amounts deposited in the Trust Estate which represent amounts that are allocable to Student Loans that are not Financed Student Loans and (vi) pay any accrued and unpaid fees and expenses due and owing under the Indenture.

The Notes are subject to mandatory redemption on any Business Day from amounts on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom), when such amounts, together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes at a redemption price for the Notes equal to 100% of the principal amount thereof, plus interest accrued to the redemption date. The Trustee shall provide written notice to the Noteholders at least ten (10) Business Days prior to the mandatory redemption date, but failure to provide such notice shall not prevent the mandatory redemption of the Notes.

### **Book-Entry Registration**

The Notes will be delivered in book-entry form through The Depository Trust Company. You will not receive a certificate representing your Notes except in very limited circumstances. See “EXHIBIT E—BOOK ENTRY SYSTEM” hereto.

### **Ratings**

It is a condition to the issuance of the Notes that the Notes be rated “Asf” by Fitch and “A (sf)” by S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revisions or withdrawal at any time by the assigning Rating Agency. See the caption “RATINGS” herein.

### **Tax Matters**

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 Notes is excludable from gross income for federal income tax purposes. However, in the opinion of Bond Counsel, interest on the Notes 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 Notes 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. For a more complete description, see the caption “TAX MATTERS” herein.

### **Reports to Noteholders**

Under the Indenture, the Corporation has agreed to make available semi-annual reports to Noteholders on the Corporation’s website at [www.vsac.org](http://www.vsac.org). See the caption “REPORTS TO NOTEHOLDERS” herein. These periodic reports will contain information concerning the Notes.

### **CUSIP Number\*:**

92428C JN5

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## **RISK FACTORS**

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

### **Experience may Vary from Assumptions**

There can be no assurance that the assumptions and considerations relied upon by us with respect to our expectations concerning the timing and sufficiency of receipts of distributions with respect to the Trust Estate are accurate or that actual experience will not vary from such assumptions and considerations.

### **The Private Financed Student Loans are Unsecured and do Not have the Benefit of a Guaranty Agency.**

The Private Financed Student Loans are private, or alternative, student loans, were not originated pursuant to the Higher Education Act and are not and will not be guaranteed by any governmental entity or third party guarantor. In addition, the Private Financed Student Loans to be pledged to the Trust Estate will be unsecured; however, certain of the Private Financed Student Loans have co-signers. Therefore, the receipt by the Trustee of principal and interest on these Private Financed Student Loans will be dependent on the ability of the borrowers and, if applicable, the co-signers to make these payments.

### **The FFELP Financed Student Loans and HEAL Financed Student Loans are Unsecured and the Ability of a Guaranty Agency to Honor its Guarantee May Become Impaired**

The Higher Education Act and the Public Health Service Act each requires that all FFELP Loans and all HEAL Loans, respectively, be unsecured. As a result, the only security for payment of the FFELP Financed Student Loans held in the Trust Estate is the guarantee provided by a Guaranty Agency (which is expected to be the Corporation for substantially all of such FFELP Financed Student Loans) and the only security for payment of the HEAL Financed Student Loans held in the Trust Estate is the insurance provided by the Secretary of Health and Human Services.

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

If the Department has determined that a Guaranty Agency is unable to meet its guarantee obligations, the loan holder may submit claims directly to the Department and the Department is required to pay the full guarantee claim amount due with respect to such claims. However, the Department's obligation to pay guarantee claims directly in this fashion is contingent upon the Department's making the determination that a Guaranty Agency is unable to meet its guarantee obligations. The Department may not ever make this determination with respect to a



Guaranty Agency and, even if the Department does make this determination, payment of the guarantee claims may not be made in a timely manner.

**Application of Consumer Protection Laws to the Financed Student Loans may Increase Costs and Uncertainties about the Financed Student Loans.**

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Also, some state laws impose interest rate ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. The failure of creditors to comply with the requirements and restrictions of federal and state consumer protection laws and regulations imposes specific statutory liabilities upon such creditors. In some cases, this liability could affect an assignee's ability to enforce consumer finance contracts such as the Financed Student Loans. As they relate to FFELP Loans, these state laws are generally preempted by the Higher Education Act.

**Changes in Relevant Laws**

There can be no assurance that changes to relevant federal or state laws will not prospectively or retroactively affect the performance of the Financed Student Loans or affect the costs of administering the Financed Student Loans in a manner that might adversely affect the adequacy or availability of the Trust Estate to fund the payment when due of principal of and interest on the Notes.

Changes to federal law, including the enactment of the Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act"), changes to the Higher Education Act and other applicable law and other Congressional action may affect your Notes and the Financed Student Loans. Effective July 1, 2010, the Reconciliation Act prohibits new loan originations under the FFEL Program and requires that all new loan originations under the Higher Education Act be made through the Federal Direct Student Loan Program (the "Direct Loan Program") and are sometimes referred to herein as "Direct Loans." The terms of existing FFELP Loans are not materially affected by the Reconciliation Act and continue to be subject to the terms of the FFEL Program.

In addition to the passage of the Reconciliation Act, Title IV of the Higher Education Act and the regulations promulgated by the United States Department of Education (the "Department") thereunder have been the subject of frequent and extensive amendments and reauthorizations in recent years. See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto for more information on the Higher Education Act and various amendments thereto.

The Corporation cannot predict the effects of the passage of the Reconciliation Act or whether any other changes will be made to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the U.S. Secretary of Education (the "Secretary") in future legislation, or the effect of such legislation on the Corporation, the Servicers, the Guaranty Agencies, the Financed Student Loans or the Corporation's loan programs, including on our ability to have the Financed Student Loans serviced on similar terms and conditions as the Financed Student Loans loans are currently being serviced.

Under the U.S. Bankruptcy Code, educational loans for qualified education expenses are generally non-dischargeable, subject to specified exceptions. Title 11 of the United States Code at Section 523(a)(8) provides substantially as follows:

- (a) 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) unless excepting such debt from discharge under this clause would impose an undue hardship on the debtor and the debtor’s dependents, for—
    - (A) (i) an educational benefit overpayment or loan made, insured, or guaranteed by a governmental unit, or made under any program funded in whole or in part by a governmental unit or nonprofit institution; or
    - (ii) an obligation to repay funds received as an educational benefit, scholarship, or stipend; or
    - (B) any other educational loan that is a qualified education loan, as defined in section 221(d)(1) of the Internal Revenue Code of 1986, incurred by a debtor who is an individual.

A number of bankruptcy reform proposals that would make it easier to discharge private student loans under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 have been discussed and/or introduced in the Congress of the United States in recent years. For example, one such bill was introduced in July of 2014 and solely affects private student loans. In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (as may be amended from time to time, the “Dodd-Frank Act”) established a student loan ombudsman within the Consumer Financial Protection Bureau (the “CFPB”), which ombudsman is required to prepare an annual report and make appropriate recommendations to the Secretary of the Treasury, the Director of the Consumer Financial Protection Bureau, the Secretary of Education, and Congress. In the Annual Report of the CFPB Student Loan Ombudsman, dated October 16, 2014, the ombudsman recommended that Congress review the provisions of the Bankruptcy Code exempting student loans for qualified education expense from discharge in bankruptcy absent a showing of “undue hardship” to the debtor. No assurance can be given as to whether bankruptcy reform legislative proposals will be enacted at the federal level in a manner that might affect the Corporation’s ability to enforce collection of the Financed Student Loans.

### **Interest Rates and Differentials**

There is a degree of basis risk associated with the Notes. Basis risk is the risk that shortfalls might occur because the interest rates of the Financed Student Loans and those of the Notes adjust on the basis of different indexes or at different times. As described above, the interest rates on the Notes will be based on one-month LIBOR. The majority of the Private Financed Student Loans bear interest based upon the average of the three-month LIBOR as published on the first Business Day of the month for each of the preceding three months. The remaining Private Financed Student Loans bear interest based upon the 91-Day U.S. Treasury Bill. The FFELP Financed Student Loans and HEAL Financed Student Loans bear interest either at fixed rates or rates which are generally based upon the bond equivalent rate of U.S. Treasury Bills. The Trust Estate also will be entitled to receive Special Allowance Payments from the Department of Education on these FFELP Financed Student Loans based upon a one-month LIBOR rate or the 91-day Treasury bill rate. See “EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM—Special Allowance Payments” hereto. We can make no representation as to what these rates may be in the future. Because of the differences in the bases and/or timing for the calculation of interest payable on the Notes and the determination of the interest received by us from the Financed Student Loans, there could be times when payments received by the Trust Estate are not sufficient to cover principal and/or interest payments to be made on the Notes and other costs of the Corporation in administering the Trust Estate. Further, moneys in the funds and accounts under the Indenture may be invested from time to time in Investment Securities that bear interest at rates that fluctuate and that differ from, and may be less than, the interest rates on the Notes.

## **You may have Difficulty Selling your Notes**

There currently is no secondary market for the Notes. We cannot assure you that any market will develop or, if it does develop, how long it will last or that it will provide investors with a sufficient level of liquidity. Although the Underwriter has advised that it may from time to time attempt to make a market in the Notes, the Underwriter is under no obligation to do so. A market may fail to develop despite some degree of market-making activities and the Underwriter may discontinue market-making activities at any time without prior notice.

If a secondary market for the Notes does develop, the spread between the bid price and the ask price for the Notes may widen, thereby reducing the net proceeds to you from the sale of your Notes. The Corporation does not intend to list the Notes on any exchange. Under current market conditions, you may not be able to sell your Notes when you want to do so (you may be required to bear the financial risks of an investment in the Notes for an indefinite period of time) or you may not be able to obtain the price that you wish to receive. The market values of the Notes may fluctuate and movements in price may be significant.

## **New Rules could Adversely Affect the Asset-Backed Securities Market**

The Dodd-Frank Act, which was enacted in July 2010, represents a comprehensive overhaul of the financial services industry within the United States. It requires the creation of new federal regulatory agencies, and grants additional authorities and responsibilities to existing regulatory agencies, to identify and address emerging systemic risks posed by the activities of financial services firms. The Dodd-Frank Act also provides for enhanced regulation of derivatives, restrictions on executive compensation and enhanced oversight of credit rating agencies. The Dodd-Frank Act will foster new regulation in the business and the markets in which the Corporation operates. Specifically, significant new regulation is anticipated in many areas of consumer financial products and services and in particular private education loans. The addition of statutory protection for consumers from “abusive” acts or practices is a new consumer protection standard that was added by the Dodd-Frank Act.

Another factor that could impact the costs associated with the Corporation’s lending activities is the change in federal law preemption enacted as part of the Dodd-Frank Act. Specifically, significant new enforcement authority is provided to state governments including the authority of state attorneys general to bring lawsuits under federal consumer protection laws with the consent of the CFPB. It is unclear what the operational impact of these developments will be on the Corporation but it is likely, however, that operational expenses will increase as new or additional compliance requirements and risk of enforcement activities are imposed on operations.

In addition, on March 14, 2013, the CFPB issued a proposed rule that would enable it to federally supervise certain non-bank student loan servicers that service more than 1 million borrower accounts, to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The proposed rule would cover both federal and private student loans. The Back-up Servicer services more than 1 million student loan borrower accounts.

The effects of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued pursuant to its provisions. It is not yet clear how the Dodd-Frank Act and its associated rules and regulations will affect the asset-backed securities market generally, or the Corporation and the Notes, in particular. No assurance can be given that the new regulations will not have an adverse effect on the value or liquidity of the Notes.

## **Noncompliance with the Higher Education Act**

Noncompliance with the Higher Education Act with respect to FFELP Financed Student Loans may adversely affect payment of principal of and interest on the Notes when due. The Higher Education Act and the applicable regulations thereunder require the lenders making FFELP Loans, Guaranty Agencies guaranteeing FFELP Loans, and lenders or servicers servicing FFELP Loans to follow certain due diligence procedures in an effort to ensure that FFELP 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 FFELP Loan is delinquent, certain loan collection procedures. The procedures to make, guarantee, and service FFELP Loans are set forth in the Code of Federal Regulations and other documents of the Department, and no attempt has been made in this Official Statement to describe those procedures in their entirety. Failure to follow such procedures may result in the Secretary's refusal to make reinsurance payments to a Guaranty Agency on such FFELP Loans or may result in the Guaranty Agency's refusal to honor its guarantee on such loans to holders of FFELP Loans, including the Corporation. Such action by the Secretary could adversely affect a Guaranty Agency's ability to honor guarantee claims, and loss of guaranty payments to us could adversely affect our ability to make payment of principal of and interest on the Notes from assets in the Trust Estate.

### **Eligible Lender Under the Higher Education Act**

The Higher Education Act provides that only "eligible lenders" may hold title to FFELP Loans. The Corporation may become disqualified as an "eligible lender" under the Higher Education Act or fail to comply with the provisions of the Higher Education Act. In such an event, a suitable replacement eligible lender trustee must be appointed. Failure of the FFELP Financed Student Loans to be owned by an eligible lender under the Higher Education Act would result in the loss of guaranty payments, Interest Subsidy Payments and Special Allowance Payments with respect thereto.

### **Timing and Sufficiency of Receipts**

Amounts received with respect to the Trust Estate, including, but not limited to, collections on the Financed Student Loans, may vary materially in both timing of receipts and amounts received as a result of innumerable factors (such as, by way of example only, collectability of loan, guaranty, insurance or and other payments with respect thereto, deferral or forbearance of a borrower's repayment obligation, timing of the quarterly filings for and receipt of Interest Subsidy Payments and Special Allowance Payments with respect to FFELP Financed Student Loans, general economic conditions that can affect the ability of borrowers or co-signers to pay principal of and interest on Financed Student Loans, or default claims that can affect the solvency of a Guaranty Agency). There can be no assurance that such factors or other types of factors will not occur or that, if they occur, such occurrence will not materially adversely affect the sufficiency of the Trust Estate to pay the principal of and interest on the Notes, as and when due.

For FFELP Loans disbursed prior to April 1, 2006, lenders are entitled to retain interest income in excess of the special allowance support level in instances when the loan rate exceeds the special allowance support level. However, FFELP lenders are not allowed to retain interest income in excess of the special allowance support level on loans disbursed on or after April 1, 2006, and are required to rebate any such "excess interest" to the federal government on a quarterly basis. This modification effectively limits lenders' returns on FFELP Loans to the special allowance support level and could require a lender to rebate excess interest accrued but not yet received. For FFELP Loans that are fixed rate loans, the excess interest owed to the federal government will be greater when one-month LIBOR rates are relatively low, causing the special allowance support level to fall below the loan rate. See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto. There can be no assurance that such factors or other types of factors will not occur or that, if they occur, such occurrence will not materially adversely affect the sufficiency of the Trust Estate to pay the principal of and interest on the Notes, as and when due.

### **Payment Offsets by a Guaranty Agency or the Department on FFELP Financed Student Loans Could Prevent the Corporation from Paying You the Full Amount of the Principal and Interest Due on Your Notes**

The Corporation uses the same Department lender identification number for FFELP Financed Student Loans as it uses for other FFELP Loans it holds that are not part of the Trust Estate. The billings submitted to the Department and the claims submitted to a Guaranty Agency with respect to such FFELP Financed Student Loans will be consolidated with the billings and claims for payments for FFELP Loans that are not part of the Trust Estate

using the same lender identification number. Payments on those billings by the Department as well as claim payments by a Guaranty Agency will be made to the Corporation in lump sum form. Those payments must be allocated by the Servicer among FFELP Loans in various trust estates that reference the same lender identification number.

If the Department or a Guaranty Agency determines that the Corporation owes it a liability on any FFELP Loan, the Department or a Guaranty Agency may seek to collect that liability by offsetting it against payments due to the Corporation in respect of the FFELP Financed Student Loans. Any offsetting or shortfall of payments due to the Corporation could adversely affect the amount of funds available to the Trust Estate and thus the Corporation's ability to pay you principal and interest on your Notes from assets in the Trust Estate.

### **Anticipated Geographic Concentration of Borrowers and Co-signers**

Generally, the applicants under the Financed Student Loans were required to be a Vermont resident or a nonresident attending a post-secondary institution or approved program in Vermont. Accordingly, the geographic distribution of borrowers and co-signers of the Financed Student Loans are concentrated in the New England region. As a result, the performance of the Financed Student Loans may be more influenced by employment trends and other economic factors affecting the New England region than by broader national trends and factors.

### **Limitation on Enforceability of Remedies against the Corporation**

The remedies available to the Trustee and the owners of the Notes upon the occurrence of an Event of Default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Notes will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency, judicial discretion, or other similar laws affecting the rights of creditors generally. There can be no assurance that the occurrence of an Event of Default or a bankruptcy, reorganization, or insolvency proceeding will not occur or that, if they occur, such occurrence will not materially adversely affect our ability to pay the principal of and interest on the Notes from the assets in the Trust Estate, as and when due.

Pursuant to the Authorizing Act, the pledge made by the Corporation in the granting clauses of the Indenture shall be valid and binding from the time when the pledge is made, and the Trust Estate so pledged and thereafter received by the Corporation shall immediately be subject to the lien of the pledge of the Indenture without any physical delivery of it or further act; and as further provided in the Authorizing Act, the pledge contained in the Indenture shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation, irrespective of whether those parties have notice of it. Nonetheless, if through fraud, inadvertence or otherwise a third-party lender or purchaser acting in good faith were to obtain possession of any of the promissory notes evidencing the Financed Student Loans, any security interest of the Trustee in the related Financed Student Loans could be preempted. The Corporation currently maintains control and shall continue to maintain control of all Financed Student Loans that are evidenced by an electronically signed note in compliance with applicable federal and state laws. Custody of all other promissory notes relating to Financed Student Loans will be maintained by the Corporation, or a custodial agent on its behalf, or by a Servicer (if other than the Corporation).

### **Reliance on the Corporation and the Back-up Servicer for Servicing of Financed Student Loans**

Pursuant to the Indenture, the Corporation, as the Servicer, is obligated to service the Financed Student Loans in accordance with the Indenture and the Higher Education Act. Nelnet Servicing, LLC (doing business as Firstmark Services with respect to Private Loans) will also be engaged as of the Issue Date to act as a Back-up

Servicer with respect to the Financed Student Loans and will agree to act as successor Servicer for the Financed Student Loans upon the occurrence of certain events in accordance with the terms of the applicable Back-up Servicing Agreement (each, a “Conversion Event”). See the captions “STUDENT LOAN SERVICING—Description of the FFELP Loan Back-up Servicing Agreement” and “—Description of the Private Loan Back-up Servicing Agreement” herein. Notwithstanding these obligations of the Corporation and the Back-up Servicer, the timing of payments to be actually received with respect to the Financed Student Loans will be dependent upon the ability of each Servicer to adequately service the Financed Student Loans serviced by it. In addition, the Noteholders will be relying on the Servicer’s (or, if applicable, the Back-up Servicer’s) compliance with applicable federal and state laws and regulations.

**The Servicing Function May be Transferred, Resulting in Additional Costs to Us, Increased Servicing Fees, or a Diminution in Servicing Performance, which could cause Delays in Payment or Losses on the Notes**

In the event that the Corporation transfers servicing functions with respect to the Financed Student Loans to a successor Servicer, we cannot predict the cost of the transfer of servicing to the successor, the ability of the successor to perform the obligations and duties of the Servicer under any servicing agreement, or the servicing fees charged by any successor Servicer. Among the events that could cause a transfer of servicing are material breaches of or defaults by the Corporation of its servicing obligations under the Indenture. The occurrence of these events could adversely affect us or our ability to pay principal of and interest on the Notes from the assets in the Trust Estate.

**The Bankruptcy of a Servicer could Delay the Appointment of a Successor Servicer or Reduce Payments on your Notes**

In the event of a default by a Servicer resulting solely from certain events of insolvency or the bankruptcy of a Servicer, a court, conservator, receiver or liquidator may have the power to prevent either the Trustee or the Noteholders from appointing a successor Servicer or prevent a Servicer from appointing a sub-servicer, as the case may be, and delays in the collection of payments on the Financed Student Loans may occur. It is possible that in a bankruptcy of a Servicer that the servicing agreement could be transferred to a new Servicer over the objection of the Corporation. Any delay in the collection of payments on the Financed Student Loans may delay or reduce payments to Noteholders.

**The Back-up Servicing Agreements may be Terminated Prior to the Payment in Full of the Notes**

Under the terms of the Back-up Servicing Agreements, the Back-up Servicer may resign or the agreements may be terminated prior to the payment in full of the Notes. Such resignation or termination is not subject to the appointment of a successor Servicer or Back-up Servicer. See the captions “STUDENT LOAN SERVICING—Description of the FFELP Loan Back-up Servicing Agreement” and “—Description of the Private Loan Back-up Servicing Agreement” herein. In the event of any such resignation or termination, the Corporation would be required to obtain the services of a comparable replacement Servicer or Back-up Servicer that is eligible to service the Financed Student Loans. There can be no assurance regarding the availability or cost of a replacement Servicer or Back-up Servicer.

**Servicing Fees may Increase over time in relation to the Pool Balance**

The Servicing Fees payable for servicing and back-up servicing of the Financed Student Loans each month are equal to no more than \$15,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement plus the greater of (i) the Servicing Fee Floor and (ii) no more than 1/12<sup>th</sup> of

0.45% of the Pool Balance as of the end of the preceding month. The Servicing Fee Floor is the product of (a) \$2.50, (b) the total number of borrowers outstanding, and (c) commencing November 2015, and each successive one year anniversary thereafter, a per annum increase of 3.00%. The Servicing Fees are senior in priority to payments on the Notes and are paid to the Corporation, as Servicer. The Corporation is responsible for paying any servicing fees to any applicable subcontractors, and any third-party Servicers, including the Back-up Servicer, but this obligation is limited to the amounts that the Corporation receives as Servicing Fees paid to the Corporation from the Trust Estate. Because of the Servicing Fee Floor which is a fee that is charged on a per borrower basis, it is expected that the Servicing Fees will increase over time (as the Pool Balance is reduced) as a percentage of the Pool Balance, and could result in delayed or reduced payments on the Notes. In addition, in the event the fees or expenses owed to a third-party Servicer, including the Back-up Servicer exceed the Servicing Fees payable to the Corporation under the Indenture, the Corporation has no obligation to pay such amounts, and the third-party Servicer would likely have, and the Back-up Servicer will have, a right to terminate the applicable Servicing Back-up Servicing Agreement. Any delay in finding a replacement Servicer may cause delayed or reduced payments on the Notes and Noteholders could suffer losses on their investments as a result

#### **Indemnity by Back-up Servicer with Respect to Financed Student Loans**

If the Back-up Servicer takes or fails to take any action in connection with servicing (whether or not such action or inaction amounts to negligence) which causes any Private Financed Student Loan to be unenforceable, the Back-up Servicer shall have a reasonable time to cure the account. If such cure does not provide sufficient enforceability of the Private Financed Student Loan within twelve (12) months of identification of the error or omission, the Back-up Servicer will purchase or arrange for the purchase of the applicable Private Financed Student Loan(s) at an amount equal to the outstanding principal balance and accrued interest.

The foregoing is the Corporation's sole remedy for servicing errors by the Back-up Servicer, and notwithstanding the foregoing remedy, in no event will the Back-up Servicer's liability of any kind under the Back-up Servicing Agreement for Private Loans exceed the servicing fees paid to Back-up Servicer under the Back-up Servicing Agreement for Private Loans during the twelve (12) months immediately preceding the event giving rise to such liability. In no event will the Back-up Servicer be liable under any theory of tort, contract, strict liability or other legal or equitable theory for any lost profits or exemplary, punitive, special, incidental, indirect or consequential.

If the Back-up Servicer takes or fails to take any action in connection with servicing (whether or not such action or inaction amounts to negligence) which causes any FFELP Financed Student Loan to be denied the benefit of any applicable Interest Subsidy Payment, Special Allowance Payment or Guaranty, the Back-up Servicer shall have a reasonable time to cause such benefits to be reinstated. If such benefits are not reinstated within twelve (12) months of denial by the Guaranty Agency or the Secretary, the Back-up Servicer will purchase or arrange for the purchase of the applicable FFELP Financed Student Loan(s) at an amount equal to the amount the Guaranty Agency would otherwise have paid but for Back-up Servicer's error or omission.

The foregoing is the Corporation's sole remedy for servicing errors by Back-up Servicer, and notwithstanding the foregoing remedy, in no event shall Back-up Servicer liability of any kind under the Back-up Servicing Agreement for FFELP Loans exceed the servicing fees paid to Back-up Servicer thereunder during the twelve (12) months immediately preceding the event giving rise to such liability. In no event will the Back-up Servicer be liable under any theory of tort, contract, strict liability or other legal or equitable theory for any lost profits or exemplary, punitive, special, incidental, indirect or consequential. Any action for the breach of any provisions of the Back-up Servicing Agreement for FFELP Loans are required to be commenced within one (1) year after the FFELP Financed Student Loan leaves the Back-up Servicer's servicing system.

#### **Treatment of Financed Student Loans upon Breach of Representations and Warranties**

Under the Indenture, the Corporation made certain representations and warranties that the Student Loans financed under the Indenture are eligible to be financed thereunder. If these representations and warranties were

incorrect as of the date of pledge, the Corporation, under certain circumstances, may be required to purchase such Financed Student Loans from the lien of the Indenture or substitute such Financed Student Loans with replacement Student Loans. The Corporation may not have sufficient assets to substitute or repurchase the Financed Student Loans. Failure of the Corporation to purchase any such Financed Student Loans from the lien of the Indenture may cause some of the FFELP Financed Student Loans held in the Trust Estate to be held as FFELP Financed Student Loans without Department reinsurance, Interest Subsidy Payments and Special Allowance Payment, insurance from the Secretary of Health and Human Services or cause the Trust Estate to suffer a loss.

**The Ratings of the Notes from the Rating Agencies are Not a Recommendation to Purchase and may Change, Affecting the Price of your Notes**

It is a condition to the issuance of the Notes that the Notes be rated “Asf” by Fitch and “A (sf)” by S&P. Ratings are based primarily on the creditworthiness of the underlying student loans, the amount of credit enhancement, and the legal structure of the transaction. The ratings are not a recommendation to you to purchase, hold, or sell your Notes inasmuch as the ratings do not comment as to market price or suitability for you as an investor. Ratings may be increased, lowered, or withdrawn by any Rating Agency if, in the Rating Agency’s judgment, circumstances so warrant. A downgrade in the rating of your Notes is likely to decrease the price a subsequent purchaser will be willing to pay for your Notes. The ratings of the Notes by the Rating Agencies will not address the market liquidity of the Notes.

**Rating Agencies may have Conflicts of Interest and Regulatory Scrutiny**

The Corporation will pay the fees charged by the Rating Agencies to assign the initial credit ratings to the Notes, as well as ongoing surveillance fees. This arrangement may create a conflict of interest for the Rating Agencies.

Furthermore, the rating agencies have been and may continue to be under scrutiny by federal and state legislative and regulatory bodies for their roles in the recent financial crisis and such scrutiny and any actions such legislative and regulatory bodies may take as a result thereof may also have an adverse effect on the price that a subsequent purchaser would be willing to pay for the Notes and your ability to resell your Notes.

**Unsolicited Ratings May Differ from Ratings by Rating Agencies**

Other rating agencies, which may have different methodologies, criteria, models and requirements, could also provide unsolicited ratings on the Notes, which ratings may be lower than those assigned by the Rating Agencies. Any unsolicited ratings may be issued prior to, on or after the Issue Date and will not be reflected herein. If another rating agency issues a lower rating, the liquidity, market value and regulatory characteristics of the Notes could be materially and adversely affected.

**Ratings of the Notes may be Reviewed or Downgraded**

Disruptions in the credit markets may caused certain of the rating agencies to review the ratings assigned to the Notes. Ratings actions may take place at any time. We cannot predict the timing of any ratings actions, nor can we predict whether the ratings assigned to these Notes will be downgraded. Any adverse action by the rating agencies regarding other student loan-backed securities issued previously by the Corporation or by any other entities may adversely affect the market value of the Notes or any secondary market for the Notes that may develop.



## **Notes Issued in Book-Entry Form Only**

The Notes will be issued in book-entry form only, represented by a single fully registered note, initially registered in the name of Cede & Co., the nominee of DTC. You will be able to exercise your rights as a beneficial owner only indirectly through DTC and its participating organizations (collectively, “DTC Participants”).

The furnishing of notices and other communications by DTC to DTC Participants, and directly and indirectly through the DTC Participants to you, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Furthermore, you may suffer delays in the receipt of distributions on the Notes, and your ability to pledge or otherwise take actions with respect to your interest in your Notes may be limited due to the lack of a physical certificate evidencing such interest.

## **Military Service Obligations and Natural Disasters**

Military service obligations and national disasters may result in delayed payments from borrowers.

Congress has enacted statutes and other guidelines that provide relief to borrowers who enter active military service, to borrowers in reserve status who are called to active duty after the origination of their student loan, and to individuals who live in a disaster area or suffer a direct economic hardship as a result of a national emergency. See the caption “—Higher Education Relief Opportunities for Students Act of 2003 May Result in Delayed Payments from Borrowers” below.

The number and aggregate principal balance of Financed Student Loans that may be affected by the application of these statutes and other guidelines will not be known at the time we issue the Notes. If a substantial number of borrowers of Financed Student Loans become eligible for the relief under these statutes and other guidelines, or any actions Congress or the Department of Education may take to respond to national disasters, there could be an adverse effect on the total collections on those Financed Student Loans and our ability to make principal and interest payments on the Notes from assets in the Trust Estate.

The Servicemembers Civil Relief Act limits the ability of a lender 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, and may limit the interest rate on a Private Financed Student Loan to 6 percent per annum while the borrower is in military service if the loan was incurred before the borrower’s entry into military service.

We do not know how many Financed Student Loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on the Financed Student Loans may be delayed as a result of these requirements, which may reduce the funds available to the Trust Estate to pay principal and interest on the Notes.

## **Higher Education Relief Opportunities for Students Act of 2003 May Result in Delayed Payments from Borrowers**

The Higher Education Relief Opportunities for Students Act of 2003 (“HEROES Act of 2003”) authorizes the Secretary to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act, such as the FFELP Financed Student Loans, as the Secretary deems necessary for the benefit of “affected individuals” who:

- are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency;
- reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or
- suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

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

- such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance;
- administrative requirements in relation to that assistance are minimized;
- calculations used to determine need for such assistance accurately reflect the financial condition of such individuals;
- provision is made for amended calculations of overpayment; and
- institutions of higher education, eligible lenders, Guaranty Agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable.

The number and aggregate principal balance of FFELP Finance Student Loans that may be affected by the application of the HEROES Act of 2003 is not known at this time. Accordingly, payments we receive on student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers become eligible for the relief provided under the HEROES Act of 2003, there could be an adverse effect on the total collections on the FFELP Financed Student Loans and our ability to pay principal and interest on the Notes.

### **Congressional Actions May Affect the Student Loan Portfolio**

The Department's authority to provide Interest Subsidy Payments, Special Allowance Payments and guarantees and federal reinsurance for loans originated under the Higher Education Act, such as the FFELP Financed Student Loans, terminates on a date specified in the Higher Education Act. The Higher Education Act must be reauthorized by Congress periodically in order to prevent sunset of the Higher Education Act. The current reauthorization of the Higher Education Act expires in [2014]. Funds for payment of interest subsidies and other payments under the FFEL Program are subject to annual budgetary appropriation by Congress. Federal budget legislation has in the past contained provisions that restricted payments made under the FFEL Program to achieve reductions in federal spending. Future federal budget legislation may adversely affect expenditures by the Department, and the financial condition of a Guaranty Agency.

Congressional amendments to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary, may adversely impact holders of FFELP Loans. For example, changes might be made to the rate of interest paid on FFELP Loans, to the level of guarantee provided by Guaranty Agencies or to the servicing requirements for FFELP Loans. See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto.

### **Variety of Factors Affecting Borrowers**

Collections on the Financed Student Loans during a Collection Period may vary greatly in both timing and amount from the payments actually due on such Financed Student Loans for that Collection Period for a variety of economic, social, and other factors.

Certain general economic conditions such as a downturn in the economy resulting in decreased employment, either regionally or nationally, may result in an increase in defaults by borrowers in repaying Financed Student Loans. 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 borrower's ability to repay his or her Financed Student Loans. 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 is impossible to project.

Failures by borrowers to pay timely the principal and interest on their Financed Student Loans or an increase in deferments or forbearances could affect the timing and amount of Available Funds for any Collection Period and our ability to pay principal of and interest on the Notes from the assets in the Trust Estate. The effect of these factors, including the effect on the timing and amount of Available Funds for any Collection Period and our ability to pay principal of and interest on the Notes from the assets in the Trust Estate, is impossible to predict.

In general, a Guaranty Agency reinsured by the Department will guarantee 100% of each FFELP Loan originated on or before November 1, 1993, 98% of each FFELP Loan originated after November 1, 1993 and before July 1, 2006, and 97% of each student loan originated on or after July 1, 2006. As a result, if a borrower of a FFELP Financed Student Loan defaults on a loan that is not 100% guaranteed, the Corporation will experience a loss of approximately 2% or 3% of the outstanding principal and accrued interest on each of the defaulted loans depending upon when it was first disbursed. The Corporation does not have any right to pursue the borrower for the remaining portion that is not subject to the guarantee.

If defaults occur on the Financed Student Loans and the remedies or credit enhancement described herein are not sufficient, you may suffer a delay in payment or a loss on your Notes.

### **Amendments of the Indenture and Waivers of Defaults; Voting Rights**

Under the Indenture, holders of specified percentages of the aggregate principal amount of Notes may amend or supplement provisions thereof, direct remedies upon the occurrence of an Event of Default and waive Events of Default and compliance provisions without the consent of the other holders. A holder of the Notes may have no recourse if other holders of the Notes vote and such holder disagrees with the vote on these matters. The holders may vote in a manner that impairs our ability to pay principal and interest on the Notes from assets in the Trust Estate.

### **The Notes are Limited Obligations of the Corporation Payable Solely from the Trust Estate**

The Corporation has no taxing power. The Notes are special, limited obligations of the Corporation. The Corporation shall not be obligated to pay the principal of or interest on the Notes except from the Available Funds, the Financed Student Loans and the other assets pledged under the Indenture. The Notes do not constitute a debt, liability or obligation of the State of Vermont or any of its political subdivisions and none of the faith and credit, the taxing power or the moral obligation of the State of Vermont or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Notes. The Notes are payable, both as to principal and interest, solely as provided in the Indenture. See the caption "THE TRUST ESTATE" herein.

Payments of interest and principal on the Notes will ultimately depend on the amount and timing of payments and other collections in respect of the Financed Student Loans and interest paid or earnings on the Funds and Accounts established pursuant to the Indenture (and the amounts on deposit therein). No insurance or guarantee of the Notes will be provided by any government agency or instrumentality, by any insurance company or by any other person or entity. You will have no recourse against any party, including the Corporation, if the Trust Estate created under the Indenture is insufficient for repayment of the Notes. If these sources of funds are unavailable or insufficient to make payments on the Notes, you may experience a loss on your investment.

### **Sale of Financed Student Loans after an Event of Default**

Upon the occurrence of an Event of Default or to prevent an Event of Default under the Indenture, Financed Student Loans may have to be sold. However, it may not be possible to find a purchaser for such Financed Student Loans. Also, the market value of such Financed Student Loans plus other assets in the Trust Estate available for the payment of the Notes may not equal the principal amount of the Notes Outstanding plus accrued interest. The secondary market for private, or alternative, student loans also could be further diminished, resulting in

fewer or no potential buyers of such Financed Student Loans and lower prices or no bids available in the secondary market for such Financed Student Loans. You may suffer a loss in circumstances such as these if purchaser(s) cannot be found who are willing to pay sufficient prices for such Financed Student Loans.

### **Differing Incentive and Borrower Benefit Programs may Affect the Notes**

Most of the FFELP Financed Student Loans are subject to borrower benefit programs, which may vary. Under some borrower payment incentive programs, a portion of the principal of FFELP Financed Student Loans may be forgiven and/or interest rates on FFELP Financed Student Loans may be reduced based upon the graduation and payment performance of the borrowers, and may result in the principal amount of FFELP Financed Student Loans amortizing faster than anticipated. We cannot predict which borrowers will qualify for or decide to participate in these programs. The effect of these incentive programs may be to reduce the yield on the FFELP Financed Student Loans. See the caption “THE CORPORATION—Borrower Benefits” herein and the last two tables included under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—FFELP Financed Student Loans (including HEAL Financed Student Loans)” herein.

Many of the Private Financed Student Loans are subject to one or more borrower incentive programs. The interest rate on certain Private Financed Student Loan can be reduced by 25 basis points for borrowers who elect to make the monthly recurring payments electronically (ACH); however, this program was discontinued for new enrollment in March 2007. In addition certain medical and law school loans may receive a rebate of interest (which results in a reduction of the principal amount of the loan) based upon the payment performance of the borrowers. We cannot predict which borrowers will qualify for or decide to participate in these programs. The effect of these incentive programs may be to reduce the yield on the Private Financed Student Loans. See the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—Private Financed Student Loans” herein and “EXHIBIT B—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto.

### **Superior Security Interest**

If, through inadvertence or fraud, Financed Student Loans were to be sold to a purchaser who purchases in good faith without knowledge of the Trustee’s security interest, such purchaser may defeat the Trustee’s security interest. Custody of the loan documents for the Financed Student Loans is maintained initially by the Corporation, as the Servicer, but in the future may be maintained by one or more third-party Servicers. The loan documents may not be physically segregated or marked to evidence the Trustee’s interest in those Financed Student Loans. A third-party that obtained control of the loan documents might be able to assert rights that defeat the Trustee’s security interest.

### **The Private Financed Student Loans may be Evidenced by a Single Promissory Note**

Loans made under the Private Loan Programs may be evidenced by a single promissory note. Once a borrower executes a promissory note, additional loans made by the Corporation are evidenced by a confirmation sent to the borrower, and all loans are governed by the single promissory note.

A loan evidenced by a single promissory note may be pledged as security or sold independently of the other loans evidenced by such promissory note. If the Corporation sells a student loan evidenced by such a promissory note, other parties could claim an interest in the Financed Student Loan. This could occur if another party secured by another loan evidenced by the same promissory note or the holder of the promissory note was to take an action inconsistent with the Corporation’s rights to a Financed Student Loan.

### **The FFELP Financed Student Loans May Be Evidenced by a Master Promissory Note**

The FFELP Financed Student Loans may be evidenced by a master promissory note. Once a borrower executes a master promissory note with a lender, additional loans made by the lender under the FFEL Program are

evidenced by a confirmation sent to the borrower, and all such loans are governed by the single master promissory note.

A FFEL Program loan evidenced by a master promissory note may be pledged as security or sold independently of the other FFEL Program loans evidenced by such master promissory note. If the Corporation acquires a FFEL Program loan evidenced by a master promissory note, other parties could claim an interest in such FFELP Financed Student Loan. This could occur if another party secured by another FFEL Program loan evidenced by the same master promissory note or the holder of the master promissory note were to take an action inconsistent with the Corporation's rights to a FFELP Financed Student Loan, such as delivery of a duplicate copy of the master promissory note to a third-party for value. Although such action would not defeat our rights to such FFELP Financed Student Loan or impair the security interest held by the Trustee for your benefit, it could delay receipt of principal and interest payments on such FFELP Financed Student Loan.

**Commingling of Payments on Student Loans could Prevent us from Paying you the Full Amount of the Principal and Interest Due on your Notes**

Payments received on the Financed Student Loans generally are deposited into an account in our name each Business Day. However, payments received on the Financed Student Loans will not be segregated from payments on other student loans owned by us. Such amounts are transferred to the related trust estates within two Business Days of receipt by the Servicer. If the commingled account becomes subject to a claim in litigation or is attacked in a proceeding in bankruptcy or otherwise, the Servicer may be unable to transfer payments received on the Financed Student Loans to the Trustee, and we may be unable to pay principal and interest on the Notes from assets in the Trust Estate.

**No Subordinate obligations will be issued and, therefore, the Notes will bear all Losses not covered by Available Credit Enhancement**

Credit enhancement for the Notes will consist of overcollateralization, excess interest on the Financed Student Loans and amounts on deposit in the Debt Service Reserve Fund. The Corporation is not issuing any obligations that are subordinate to the Notes. The amount on deposit in the Debt Service Reserve Fund is limited in amount. In certain circumstances, if there is a shortfall in Available Funds, such amounts may be partially or fully depleted. Therefore, to the extent that the credit enhancement described above is exhausted, the Notes will bear any risk of loss.

**The Notes may be Redeemed Due to an Optional or Mandatory Redemption and your Yield may Be Affected**

The Notes may be repaid before you expect them to be if:

- the Corporation exercises its option to release all the Financed Student Loans from the lien of the Indenture on the earlier of (a) the December 2024 Distribution Date and (ii) when the Pool Balance is 10% or less of the Initial Pool Balance as described under the caption "DESCRIPTION OF THE NOTES—Optional Redemption" herein; or
- the amounts on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom), together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes as described under the caption "DESCRIPTION OF THE NOTES—Mandatory Redemption" herein.

Any such event would result in the early retirement of the Notes Outstanding on that date. If this happens, the yield on your Notes may be affected and you will bear the risk that you cannot reinvest the money you receive in comparable notes at an equivalent yield. The Notes may also be repaid after you expect them to be in the event the Corporation's release option is not exercised. If this happens, the yield on your Notes may be affected and you will not recover the principal of your investment as soon as you may have expected.

**You will bear Prepayment and Extension Risk due to Actions taken by Individual Borrowers and Other Variables beyond our Control**

A borrower may prepay a Financed Student Loan, in whole or in part, at any time. The rate of prepayments on the Financed Student Loans may be influenced by a variety of economic, social, competitive and other factors, including changes in interest rates, the availability of alternative financings and the general economy. Various loan consolidation programs available to eligible borrowers may increase the likelihood of prepayments. In addition, the Corporation may receive unscheduled payments due to defaults and purchases by the Servicer or the Corporation. Because the pool will include thousands of Financed Student Loans, it is impossible to predict the amount and timing of payments that will be received and paid to Noteholders in any period. If the Corporation receives prepayments on the Financed Student Loans, those amounts will be used to make principal payments as described under the caption "THE TRUST ESTATE—Flow of Funds" herein, which could shorten the average life of the Notes. Consequently, the length of time that the Notes are outstanding and accruing interest may be shorter than you expect, and may significantly affect your actual yield to maturity.

On the other hand, the Financed Student Loans may be extended as a result of grace periods, deferment periods and, under some circumstances, forbearance periods, which may all be extended as authorized by the FFEL Program and the Private Loan Programs. See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" and "EXHIBIT B—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto. This may lengthen the remaining terms of the Financed Student Loans and delay principal payments to you. In addition, the amount available for distribution to you will be reduced if borrowers fail to pay timely the principal and interest due on the Financed Student Loans. Consequently, the length of time that the Notes are outstanding and accruing interest may be longer than you expect. The redemption of the Notes that would result from the Corporation exercising its option to release from the lien of the Indenture the remaining Financed Student Loans (on the earlier of (a) the December 2024 Distribution Date and (b) any Distribution Date when the Pool Balance as of the end of the related Collection Period is 10% or less of the Initial Pool Balance) create additional uncertainty regarding the timing of payments to Noteholders. The effect of these factors is impossible to predict. You will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the Financed Student Loans.

**The Characteristics of the Portfolio of Financed Student Loans may Change**

The characteristics of the pool of Student Loans expected to be pledged to the Trustee are described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein and are described herein as of the Statistical Cut-off Date. In the event that the principal amount of Student Loans required to provide collateral for the Notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the ratings on the Notes described on the cover page of this Official Statement, the rate of amortization or prepayment on the portfolio of Student Loans from the Statistical Cut-off Date to the Issue Date varying from the rates that were anticipated, or otherwise, the portfolio of Student Loans to be pledged to the Trustee may consist of a subset of the pool of Student Loans described herein or may include additional Student Loans not described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein.

The aggregate characteristics of the entire pool of Financed Student Loans, including the composition of the Financed Student Loans and the related borrowers, the related co-signers, guarantors, the distribution by student loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from the information presented herein, since the information presented herein

is as of the Statistical Cut-off Date, and the date that the Financed Student Loans will be pledged to the Trustee under the Indenture will occur after that date. The aggregate characteristics may also vary as a result of the inclusion of Student Loans not described herein or the exclusion of Student Loans that are described herein, in each case for the reasons described in the preceding paragraph.

The Corporation believes that the information set forth in this Official Statement with respect to the pool of Student Loans as of the Statistical Cut-off Date is representative of the characteristics of the pool of the Financed Student Loans as they will exist once the pool of Student Loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein have been pledged to the Trustee under the Indenture. You should consider potential variances when making your investment decision concerning the Notes.

### **Certain Private Financed Student Loans may be Forgiven upon the Death or Permanent Disability of the Student Borrower**

The Private Financed Student Loans are eligible for loan write-off if the student borrower dies or becomes permanently disabled. The Corporation uses the eligibility and documentation requirements outlined in the Higher Education Act to determine if a student borrower has died or has become permanently disabled. If the student borrower meets these requirements, the student borrower’s and any co-signer’s obligation to repay such Private Financed Student Loan will be cancelled. The FFELP Financed Student Loans are paid by the applicable Guaranty Agency if the student borrower dies or becomes permanently disabled and the HEAL Financed Student Loans are paid by the Secretary of Health and Human Services if the student borrower dies or becomes permanently disabled.

### **Notes Not Suitable Investment for All Investors**

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

### **Investigations and Inquires of the Student Loan Industry**

A number of state attorneys general and the U.S. Senate Committee on Health, Education, Labor and Pensions have conducted broad inquiries or investigations of the activities of various participants in the student loan industry, including, but not limited to, activities that may involve perceived conflicts of interest.

There is no assurance that the Corporation, any other Servicer or Guaranty Agency will not be subject to inquiries or investigations. While we cannot predict the ultimate outcome of any inquiry or investigation, it is possible that these inquiries or investigations and regulatory developments may materially affect the FFEL Program, our ability to perform our obligations under the Indenture and pay principal of and interest on the Notes Outstanding from assets in the Trust Estate.

### **Recent Investigations, Litigation and Regulatory Initiatives Related to LIBOR may Affect the Notes**

The interest rates to be borne by the Notes are based on a spread over one-month LIBOR. The London Interbank Offered Rate, or LIBOR, serves as a global benchmark for home mortgages, student loans and what various issuers pay to borrow money. Additionally, the indices for calculating the interest rates on the Special Allowance Payments on all of the FFELP Loans expected to be financed under the Indenture are LIBOR indices. Certain financial institutions have announced settlements with certain regulatory authorities with respect to, among

other things, allegations of manipulating LIBOR or have announced that they are involved in investigations by regulatory authorities relating to, among other things, the manipulation of LIBOR. In addition to the ongoing investigations, several plaintiffs have filed lawsuits against various banks in federal court seeking damages arising from alleged LIBOR manipulation. Pursuant to new rules and regulations that became effective on April 1, 2013, the U.K.'s Financial Conduct Authority assumed regulatory oversight and supervision of LIBOR, removing it from the control of the British Bankers' Association, and on February 1, 2014 the administration of LIBOR was transferred from the British Bankers' Association to the Intercontinental Exchange Group (ICE). We cannot predict what effect, if any, these events will have on the use of LIBOR as a global benchmark going forward, or on Special Allowance Payments and the Notes.

### **Litigation and Other Matters potentially Affecting the Corporation**

The Corporation is a defendant in a civil case brought by an individual under the federal False Claims Act alleging that the Corporation and certain other entities submitted false claims to the federal government as Federal Family Education Loan Program lenders. This case remains pending. See the captions "THE CORPORATION—Role in Federal Programs" and "LITIGATION—Pending Federal False Claims Act Litigation" herein.

The Corporation currently acts as the originator and servicer of all of its education loans, including all of the Financed Student Loans. There can be no assurance that the ultimate resolution of this civil case may not, directly or indirectly, have an adverse effect upon the Financed Student Loans or the Corporation's capacity to administer and service the Financed Student Loans. In such event, it is possible that the servicing of Financed Student Loans may be dependent upon the availability of third-party servicers at an aggregate cost that may be funded from available funds under the Indenture for the payment of Servicing Fees consistent with the full and timely payment of the principal of and interest on the Notes. See the captions "Reliance on the Corporation and Back-up Servicer for Servicing of Financed Student Loans," "The Servicing Function May be Transferred, Resulting in Additional Costs to Us, Increased Servicing Fees, or a Diminution in Servicing Performance, Which Could Cause Delays in Payment or Losses on the Notes," "The Bankruptcy of a Servicer Could Delay the Appointment of a Successor Servicer or Reduce Payments on Your Notes," "The Back-up Servicing Agreements May Be Terminated Prior to the Payment in Full of the Notes" and "Servicing Fees may increase over time in relation to the Pool Balance" above and the caption "THE CORPORATION" herein.

### **Forward-Looking Statements**

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Corporation. These forward-looking statements speak only as of the date of this Official Statement. The Corporation disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Corporation's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **INTRODUCTION**

This Official Statement is being provided by Vermont Student Assistance Corporation with respect to the offering and sale of its \$59,700,000 Education Loan Revenue Notes, Series 2014-B (Tax-Exempt LIBOR Floating Rate Notes). The Notes are issued as LIBOR indexed notes pursuant to an Indenture of Trust, dated as of November 1, 2014 (the "Indenture"), between the Corporation and the Trustee.

**THE CORPORATION HAS NO TAXING POWER. THE NOTES ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION. THE CORPORATION SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE NOTES EXCEPT FROM THE REVENUES AND ASSETS PLEDGED UNDER THE INDENTURE. THE NOTES DO NOT CONSTITUTE A DEBT,**



**LIABILITY OR OBLIGATION OF THE STATE OF VERMONT OR ANY OF ITS POLITICAL SUBDIVISIONS AND NONE OF THE FAITH AND CREDIT, THE TAXING POWER OR THE MORAL OBLIGATION 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 NOTES. THE NOTES ARE PAYABLE, BOTH AS TO PRINCIPAL AND INTEREST, SOLELY AS PROVIDED IN THE INDENTURE.**

**THE NOTES ARE NOT INSURED OR GUARANTEED BY ANY GOVERNMENT AGENCY OR INSTRUMENTALITY, BY ANY INSURANCE COMPANY, OR BY ANY OTHER PERSON OR ENTITY. THE HOLDERS OF THE NOTES WILL HAVE RECOURSE TO THE TRUST ESTATE PURSUANT TO THE INDENTURE, BUT WILL NOT HAVE RECOURSE TO ANY OF THE CORPORATION'S OTHER ASSETS.**

The initial proceeds from the sale of the Notes and other funds of the Corporation are being used in connection with the Corporation's Program to:

- defease the Refunded Resolution and thereby release the Student Loans originated pursuant to the FFEL Program, the Public Health Service Act and the Private Loan Programs held thereunder to be pledged to secured the Notes pursuant to the Indenture,
- fund a deposit to the Debt Service Reserve Fund, and
- fund a deposit to the Temporary Costs of Issuance Account in the Acquisition Fund to pay costs and expenses associated with the issuance of the Notes.

See the caption "SOURCES AND USES" herein. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as assigned to them in the Indenture, certain of which definitions are included in "EXHIBIT C—GLOSSARY OF CERTAIN DEFINED TERMS" hereto.

Brief summaries and descriptions of the Notes, the Corporation, the Indenture, the FFEL Program, the Private Loan Programs, and certain statutes, regulations and other documents and materials are included in this Official Statement. These summaries and descriptions do not purport to be comprehensive or definitive. All references to the Notes, the Indenture and statutes, regulations and other documents and materials summarized, described or referred to herein are qualified in their entirety by reference to such documents, statutes, regulations and other materials. Copies of the Indenture are available for inspection at the office of the Corporation during usual business hours on any weekday (public holidays excepted) for the term of the Notes and are available to holders of the Notes upon written request to the Trustee.

## **DESCRIPTION OF THE NOTES**

### **General**

The Notes will be issued pursuant to the terms of the Indenture. Under the Indenture, People's United Bank has been named the initial Trustee. The following summary describes the material terms of the Notes. However, it is not complete and is qualified in its entirety by the actual provisions of the Notes and the Indenture.

The Notes will be issued in minimum denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof. Principal of and interest on the Notes will be payable on each Distribution Date to the record owners of the Notes as of the close of business on the day before the related Distribution Date.

*Other than the information provided under the caption "THE TRUSTEE" herein, the Trustee did not participate in the preparation of this Official Statement and makes no representations concerning the Notes, the collateral or any other matter stated in this Official Statement. The Trustee has no duty or obligation to pay the Notes from its own funds, assets, or corporate capital or to make inquiry regarding, or investigate the use of, amounts disbursed from the Trust Estate.*

## Interest Payments

Interest will accrue on the Outstanding Amount of the Notes at the interest rate described below during each applicable Interest Period. The amount of interest actually payable on each Distribution Date is equal to the Interest Distribution Amount (as defined below), which includes any Interest Distribution Amounts payable as of any prior Distribution Date but not previously paid plus, to the extent lawful, interest on prior unpaid Interest Distribution Amounts at the interest rates applicable to the Notes. The Interest Distribution Amount will be payable on each Distribution Date to the Noteholders of record as of the close of business on the record date (the Business Day preceding the related Distribution Date) until maturity or earlier payment of the Notes.

Interest payments on the Notes for any Distribution Date will generally be funded from Available Funds remaining after all required prior distributions or, if necessary, from amounts on deposit in the Debt Service Reserve Fund. For a further description of the payment priorities, see the caption “THE TRUST ESTATE—Flow of Funds” herein. To the extent that there are insufficient Available Funds for the payment of Interest Distribution Amount, the Interest Shortfall with respect to the Notes will be allocated pro rata to the Noteholders, based upon the principal amount held by each Noteholder. See the caption “THE TRUST ESTATE—Flow of Funds” herein.

The interest rate on the Notes will be equal to One-month LIBOR plus 1.00% per annum

Interest on the Notes will be adjusted on the first Business Day of each calendar month. The interest rate determined for the Notes shall remain in effect until, but not including, the first Business Day of the succeeding calendar month (each, a “Monthly Period”).

The Trustee will determine the rate of interest on the Notes on the second Business Day immediately preceding each Monthly Period (or, in the case of the first interest period, on the date the Note Purchase Agreement is signed) (each, an “Interest Rate Determination Date”). Interest on the Notes will be calculated on the basis of the actual number of days elapsed during the Interest Period divided by 360 (and rounding to the fifth decimal place the resultant figure equal to the actual number of days elapsed divided by 360).

The Trustee will determine One-Month LIBOR for each Monthly Period on each Interest Rate Determination Date as described under the caption “Determination of One-Month LIBOR” below.

“*Interest Distribution Amount*” means, for any Distribution Date, the sum of (i) the Interest Accrual Amounts for each Monthly Period within the preceding Interest Period and (ii) the Interest Shortfall for that Distribution Date.

“*Interest Accrual Amount*” means, for any Monthly Period, the aggregate amount of interest accrued at the applicable LIBOR Indexed Rate set forth above during such Monthly Period on the Outstanding Amount of the Notes as of the immediately preceding Distribution Date (based on the actual number of days in such Monthly Period divided by 360 and rounding the resultant figure to the fifth decimal place) after giving effect to all principal distributions to the related Noteholders on that preceding Distribution Date, or in the case of the first Distribution Date, on the Issue Date.

“*Interest Shortfall*” shall mean, for any Distribution Date, the excess of (i) the Interest Distribution Amount on the preceding Distribution Date, over (ii) the amount of interest actually distributed to the Noteholders on that preceding Distribution Date, plus interest on the amount of that excess, to the extent permitted by law, at the applicable LIBOR Indexed Rate set forth above for each Monthly Period from that preceding Distribution Date to the current Distribution Date.

## Distributions of Principal

### *Priority of Principal Payments*

Prior to the occurrence of an Event of Default, principal distributions will be allocated to the Notes on each Distribution Date in an amount equal to the lesser of:

- the Principal Distribution Amount for that Distribution Date; and
- funds available to pay principal as described under the caption “THE TRUST ESTATE—Flow of Funds” herein.

The term “*Principal Distribution Amount*” means, for any Distribution Date, the amount, not less than zero, by which (a) the Outstanding Amount of the Notes immediately prior to such Distribution Date exceeds (b) the Adjusted Pool Balance for that Distribution Date less the Specified Overcollateralization Amount. Notwithstanding the foregoing, (i) on or after the Stated Maturity Date, the Principal Distribution Amount will equal the amount that is necessary to reduce the Outstanding Amount to zero, and (ii) the Principal Distribution Amount shall not exceed the Outstanding Amount as of any Distribution Date (before giving effect to any distributions on such Distribution Date).

The term “*Specified Overcollateralization Amount*” means, for any Distribution Date, the greater of:

- 17.84% of the Adjusted Pool Balance for that Distribution Date; and
- \$1,400,000.

“*Adjusted Pool Balance*” shall mean (a) for the December 2014 Distribution Date, the sum of the Initial Pool Balance and the amount of cash deposited in the Debt Service Reserve Fund on the Issue Date and (b) for any other Distribution Date, the sum of the Pool Balance as of the last day of the related Collection Period and the Debt Service Reserve Fund balance as of the last day of the related Collection Period.

“*Pool Balance*” shall mean, for any date, the aggregate Principal Balance of the Financed Student Loans contained in the Trust Estate on that date, including accrued interest thereon that is expected to be capitalized, after giving effect to the following, without duplication: (i) all payments allocable to principal received by the Corporation through that date from or on behalf of borrowers, Guaranty Agencies, the Secretary of Health and Human Services and the Department; (ii) all amounts allocable to principal received by the Trustee through that date from sales (or other releases from the lien of the Indenture as permitted thereunder) of Financed Student Loans permitted under the Indenture and the Servicing Agreements; (iii) all amounts in respect of principal received in connection with Liquidation Proceeds and Realized Losses on the Financed Student Loans liquidated through that date; (iv) the amount of any adjustment to the outstanding Principal Balances of the Financed Student Loans that the Servicers make and that are permitted to be made under the Servicing Agreements through that date; and (v) the aggregate amount by which (a) reimbursements by Guaranty Agencies of the unpaid principal balances of defaulted Financed Student Loans that are FFEL Program loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act and (b) reimbursements by the Secretary of Health and Human Services of the unpaid principal balances of defaulted Financed Student Loans that are HEAL loans through that date are less than 100%, as provided by the Public Health Service Act.

The Principal Distribution Amount is intended to provide credit support so that the Adjusted Pool Balance builds to and is maintained at an amount that exceeds the Outstanding Amount of the Notes by the greater of (A) 17.84% of the Adjusted Pool Balance, or (B) \$1,400,000. On the closing date, the Adjusted Pool Balance (including amounts deposited to the Collection Fund on the Issue Date) will exceed the Outstanding Amount of the Notes by approximately 17.77% of the Outstanding Amount of the Notes.

Amounts on deposit in the Debt Service Reserve Fund, other than amounts in excess of the Debt Service Reserve Fund Requirement that are transferred to the Collection Fund, will not be available to make principal payments on the Notes except upon their Stated Maturity Date or earlier if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes as described under the caption “Mandatory Redemption” below or if the Notes are accelerated following an Event of Default under the Indenture.

The Outstanding Amount of the Notes will be due and payable in full on the Stated Maturity Date. The Notes are subject to early redemption in the event of the exercise by the Corporation of its option to release the Financed Student Loans from the lien of the Indenture as described under the caption “Optional Redemption” below or in the event of a mandatory redemption as described under “Mandatory Redemption” below (or other releases from the lien of the Indenture permitted thereunder).

Failure to pay principal on the Notes is not an Event of Default (except on the related Stated Maturity Date). See “EXHIBIT D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” hereto. The principal payments described in the paragraph above will likely result in the Notes being paid in full prior to their related Stated Maturity Date.

See also the caption “RISK FACTORS” herein as to factors that may affect the actual date on which the aggregate outstanding principal of and accrued interest on the Notes is paid.

### **Optional Redemption**

The Notes are subject to redemption in full prior to maturity at a redemption price of 100% of the Outstanding Amount thereof plus interest accrued to the redemption date from amounts deposited into the Collection Fund from the release of all Financed Student Loans from the lien of the Indenture by the Corporation pursuant to the exercise of the release option granted to the Corporation under the Indenture. The Corporation will have the option to release the Financed Student Loans from the lien of the Indenture as of the earlier of (a) the December 2024 Distribution Date and (b) the Distribution Date after the last day of a Collection Period on which the then outstanding Pool Balance is 10% or less of the Initial Pool Balance, and each Distribution Date thereafter. To exercise such option, the Corporation is required to deposit in the Collection Fund, on or prior to such Distribution Date, an amount equal to the Minimum Purchase Amount. In the event that the Corporation effects a release of the Financed Student Loans from the lien of the Indenture, the Notes will be subject to redemption in full on the next Distribution Date immediately succeeding such release date with the amounts deposited by the Corporation to release the Financed Student Loans and any other amounts available in the Debt Service Reserve Fund and the Collection Fund. The Trustee will, upon an election of the Corporation to release the Financed Student Loans from the lien of the Indenture as described above, give prompt written notice of such election to the Noteholders specifying that the Notes will be subject to redemption in full on the next Distribution Date. All expenses of the Trustee relating to the release of the Financed Student Loans will be paid out of the Collection Fund prior to the Noteholders in the event of such release.

### **Mandatory Redemption**

The Notes are subject to mandatory redemption on any Business Day from amounts on deposit in the Debt Service Reserve Fund (after all required transfers and distributions have been made therefrom) when such amounts, together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes at a redemption price for the Notes equal to 100% of the Outstanding Amount thereof, plus interest accrued to the redemption date. The Trustee shall provide written notice to the Noteholders at least ten (10) Business Days prior to the mandatory redemption date, but failure to provide such notice shall not prevent the mandatory redemption of the Notes.

### **Determination of One-Month LIBOR**

“One-Month LIBOR Rate” shall mean the London interbank offered rate for deposits in U.S. dollars having a maturity of one month as it appears on Reuters Screen LIBOR01 Page, or another page of this or any other

financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related Interest Rate Determination Date as obtained by the Trustee from such source. If this rate does not appear on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having a maturity of one month and in a principal amount of not less than \$1,000,000, are offered at approximately 11:00 a.m., London time, on that Interest Rate Determination Date, to prime banks in the London interbank market by the Reference Banks. The Trustee will request the principal London office of each Reference Bank to provide a quotation of its rate. If at least two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the quotations. If fewer than two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Administrator at approximately 11:00 a.m., Eastern time, on that Interest Rate Determination Date, for loans in U.S. dollars to leading European banks having a maturity of one month and in a principal amount of not less than \$1,000,000. If the banks selected as described above do not provide such quotations, the One-Month LIBOR in effect for the applicable Monthly Period will be the One-Month LIBOR, as the case may be, in effect for the previous Interest Period.

“Business Day” means for purposes of calculating the One-Month LIBOR Rate, any day on which banks in New York, New York and London, England are open for the transaction of international business.

“Reference Banks” means, with respect to a determination of One-Month LIBOR for any Monthly Period by the Trustee, the four largest United States banks with an office in London by total consolidated assets, as listed by the Federal Reserve in its most current statistical release on its website with respect thereto.

#### **Prepayment, Yield and Maturity Considerations**

The rate of payment of principal of the Notes and the yield on the Notes will be affected by prepayments on the Financed Student Loans that may occur as described below. Each Financed Student Loan is prepayable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower’s default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee or insurance payments with respect thereto. The rate of those prepayments cannot be predicted and may be influenced by a variety of economic, social, competitive and other factors, as described below. Therefore, payments on the Notes could occur significantly earlier than expected. Consequently, the actual maturity on the Notes could be significantly earlier, the average life of the Notes could be significantly shorter, and periodic balances could be significantly lower, than expected. In general, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates applicable to the Financed Student Loans. In addition, the Corporation is obligated to purchase from the lien of the Trust Estate any Financed Student Loan if it ceases to be guaranteed or insured as the result of circumstances or events that occurred prior to the pledge of such Financed Student Loans under the Indenture or is determined to be encumbered by a lien other than the lien of the Indenture.

On the other hand, the rate of principal payments and the yield on the Notes will be affected by scheduled payments with respect to, and maturities and average lives of, the Financed Student Loans. These may be lengthened as a result of, among other things, grace periods, deferral periods, forbearance periods, or repayment term or monthly payment amount modifications. Therefore, payments on the Notes could occur significantly later than expected. Consequently, the actual maturity and weighted average life of the Notes could be significantly longer than expected and periodic balances could be significantly higher than expected. The rate of payment of principal of the Notes and the yield on the Notes may also be affected by the rate of defaults resulting in losses on defaulted Financed Student Loans which have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of a Guaranty Agency to make timely guaranty payments or the Secretary of Health and Human Services to make timely insurance payments, as applicable, with respect to the FFELP Financed Student Loans and HEAL Financed Student Loans. In addition, the maturity of certain of the Financed Student Loans could extend beyond the Stated Maturity Date for the Notes.

The rate of prepayments on the Financed Student Loans cannot be predicted due to a variety of factors, some of which are described above, and any reinvestment risks resulting from a faster or slower incidence of prepayment of Financed Student Loans will be borne entirely by the Noteholders. Such reinvestment risks may

include the risk that interest rates and the relevant spreads above particular interest rate indices are lower at the time Noteholders receive payments from the Corporation than those interest rates and those spreads would otherwise have been if those prepayments had not been made or had those prepayments been made at a different time.

*Prepayments, Extensions, Weighted Average Lives and Expected Maturities of the Notes.* The projected weighted average lives, expected maturity dates and percentages of remaining principal amount of the Notes under various assumed prepayment scenarios may be found in “EXHIBIT F—PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE NOTES” hereto.

### **Book-Entry Notes**

The Notes will be delivered in book-entry form through The Depository Trust Company. You will not receive a certificate representing your Notes except in very limited circumstances. See “EXHIBIT E—BOOK ENTRY SYSTEM” hereto.

### **Fees and Expenses**

The fees and expenses payable in respect of the Notes and the Trust Estate from the assets of the Trust Estate are estimated in the table below.

<u>Fees</u>	<u>Amount</u>
Servicing Fees	0.450% <sup>(1)</sup>
Administration Fees	0.050% <sup>(2)</sup>
Trustee Fee	0.007% <sup>(3)</sup>

<sup>(1)</sup> As a percentage of the Pool Balance as of the end of the preceding month, approximately 1/12<sup>th</sup> of such amount is payable monthly. The percentage above assumes that the Servicing Fee Floor is not in effect and does not include fees of the Back-up Servicer. Each month, the Servicing Fees shall be paid to the Servicer in an amount equal to no more than \$15,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement plus the greater of (i) the Servicing Fee Floor and (ii) no more than 1/12<sup>th</sup> of 0.45% of the Pool Balance as of the end of the preceding month. The Servicing Fee Floor is the product of (a) \$2.50, (b) the total number of borrowers outstanding, and (c) commencing November 2015, and each successive one year anniversary thereafter, a per annum increase of 3.00%. The Servicer shall pay out of the Servicing Fees the Back-up Servicer’s fees under the Back-up Servicing Agreements and expenses reimbursable to the Back-up Servicer thereunder for back-up servicing. Because of the Servicing Fee Floor which is a fee that is charged on a per borrower basis, it is expected that the Servicing Fees will increase over time (as the Pool Balance is reduced) as a percentage of the Pool Balance. See the caption “THE TRUST ESTATE—Compensation of Servicers” herein.

<sup>(2)</sup> As a percentage of the Pool Balance as of the end of the preceding month, approximately 1/12<sup>th</sup> of such amount is payable monthly. This amount does not include the annual Rating Agency surveillance fees and certain other fees relating to the administration of the Trust Estate included in the Administration Fee payable out of the Trust Estate of up to \$18,500 per annum.

<sup>(3)</sup> One-half paid semi-annually on each Distribution Date as a percentage of the Outstanding Amount of the Notes as of the preceding Distribution Date, with the first payment to be made on the June 2015 Distribution Date as a percentage of the Outstanding Amount of the Notes as of the Issue Date.

## SOURCES AND USES

Proceeds of the Notes<sup>(1)</sup> and moneys of the Corporation are expected to be applied approximately as follows:

### SOURCES

Proceeds of the Notes	\$59,700,000
Corporation Moneys	<u>13,965,774</u>
Total	<u>\$73,665,774</u>

### USES

Defeasance of the Refunded Resolution <sup>(2)</sup>	\$67,455,752
Deposit to the Collection Fund <sup>(3)</sup>	5,288,149
Deposit to the Debt Service Reserve Fund <sup>(4)</sup>	165,413
Costs of Issuance <sup>(5)</sup>	<u>756,460</u>
Total	<u>\$73,665,774</u>

<sup>(1)</sup>The Notes offered will be the only obligations issued pursuant to the Indenture. No additional notes or obligations will be issued under the Indenture.

<sup>(2)</sup>These amounts will be deposited with the trustee for the Refunded Resolution and used to defease the Refunded Resolution. Upon such defeasance, the Student Loans described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein will be released from the Refunded Resolution and deposited to the Acquisition Fund.

<sup>(3)</sup>The initial deposit to the Collection Fund will be distributed on the December 2014 Distribution Date as described under the caption "THE TRUST ESTATE—Flow of Funds" herein.

<sup>(4)</sup>The initial deposit to the Debt Service Reserve Fund is expected to be \$165,413, which is approximately 0.25% of the expected Pool Balance as of the Issue Date.

<sup>(5)</sup>Includes the deposit to the Temporary Costs of Issuance Account of the Acquisition Fund and the Underwriting fee paid to the Underwriter.

All of the Student Loans described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein to be pledged by the Corporation to the Trustee under the Indenture are currently pledged under the Corporation's 1995 Education Loan Revenue Bond Resolution, adopted June 16, 1995 (as amended, the "Refunded Resolution"), and secure the various series of bonds (the "Refunded Bonds") issued thereunder. The Refunded Bonds are limited obligations of the Corporation payable solely from and secured solely by certain pledged assets held in the trust estate created under the Refunded Resolution. Certain of the proceeds from the sale of the Notes are expected to be transferred to and applied by the trustee under the Refunded Resolution to defease the Refunded Resolution on the Issue Date, and upon such defeasance, any liens or security interests relating to the Student Loans described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein will be released from the lien of the Refunded Resolution and the Corporation will then pledge such Student Loans to the Trustee as part of the Trust Estate. These Financed Student Loans are expected to comprise a portion of the Trust Estate and will be pledged to the Trustee pursuant to the Indenture.

## THE TRUST ESTATE

### General

**The Corporation has no taxing power. The Notes are special, limited obligations of the Corporation. The Corporation shall not be obligated to pay the principal of or interest on the Notes except from the revenues and assets pledged under the Indenture. The Notes do not constitute a debt, liability or obligation of the State of Vermont or any of its political subdivisions and none of the faith and credit, the taxing power or the moral obligation of the State of Vermont or any political subdivision thereof is pledged to the payment of the principal of or the interest on the Notes. The Notes are payable, both as to principal and interest, solely as provided in the Indenture.**

The Notes are limited obligations of the Corporation, secured by and payable from the discrete Trust Estate pledged by the Corporation to the Trustee. Under the Indenture, the assets comprising the Trust Estate consist of:

- Financed Student Loans transferred from the Refunded Resolution and deposited in the Acquisition Fund and pledged pursuant to the Indenture, and any Student Loans substituted or exchanged therefor in accordance with the provisions of the Indenture. See the captions “SOURCES AND USES” and “DESCRIPTION OF THE NOTES—Fees and Expenses” herein and “EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” and “EXHIBIT B—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto.
- The rights of the Corporation under any Servicing Agreements, including the Back-up Servicing Agreements, any Custodian Agreements, any Administration Agreements, any Joint Sharing Agreement and any Guaranty Agreements, and any assignments thereof, as the same relate to the Financed Student Loans.
- Interest payments, proceeds, charges and other income received by the Trustee or the Corporation with respect to Financed Student Loans made by or on behalf of borrowers accrued and paid on or after the applicable cut-off date, the date such Financed Student Loans were pledged under the Indenture.
- All amounts received on or after the applicable cut-off date in respect of payment of principal of Financed Student Loans and all other obligations of the borrowers thereunder, including, without limitation, scheduled, delinquent and advance payments, payouts or prepayments, and proceeds from any applicable Guaranty, or from the sale, assignment or other disposition, of Financed Student Loans.
- Any applicable Special Allowance Payments paid on or after the applicable Cut-Off Date, subject to recapture of excess interest on certain Financed Student Loans, or any similar allowances authorized from time to time by federal law or regulation.
- Any applicable Interest Subsidy Payments paid on or after the applicable Cut-Off Date, or payable in respect of any Financed Student Loan.
- Available Funds (other than moneys released from the lien of the Indenture), together with all moneys and investments held in the Funds established under the Indenture (other than the moneys and investments held in the Department Reserve Fund and the Tax-Exempt Rebate Fund), including all proceeds thereof and all income thereon.
- Any proceeds from any property described in the previous paragraphs, and any and all other property, rights and interests of every kind or description that from time to time is granted, conveyed, pledged, assigned, or transferred or delivered to the Trustee as and for additional security under the Indenture.

For a description of the Funds established by the Indenture, see “EXHIBIT D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Funds” hereto.

### **The Acquisition Fund**

On the Issue Date, Student Loans and cash will be deposited into the Acquisition Fund, including a cash deposit to the Temporary Costs of Issuance Account, created under the Indenture in the amount described under the caption “SOURCES AND USES” herein. The amount deposited in the Temporary Costs of Issuance Account will be used to pay, upon direction by the Corporation, the costs of issuance of the Notes. A pool of Student Loans as described (and as may be modified) under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein, which will be released from the Refunded Resolution upon the defeasance of the Refunded Resolution and then pledged under the Indenture, will be deposited to the Acquisition Fund. Student Loans deposited in the Acquisition Fund that are pledged to the Trust Estate created under the Indenture will be held by the Trustee or its agent or bailee and accounted for as a part of the Acquisition Fund. Except for (a) the deposit of the pool of Student Loans described above, (b) any substitutions of Financed Student Loans to be made by the Corporation as described under the caption “THE FINANCED STUDENT LOANS” herein or (c) any acquisition of



Student Loans that were previously Financed Student Loans repurchased from a Guaranty Agency or a Servicer, there will be no subsequent acquisitions of or recycling of Student Loans into the Trust Estate.

### **The Collection Fund**

The Trustee will establish the Collection Fund as part of the Trust Estate. An initial deposit of approximately \$5,288,149 will be made to the Collection Fund. All loan revenues received with respect to the Financed Student Loans will be transferred from the Servicers to the Corporation (who will forward the same to the Trustee) or directly to the Trustee, as applicable under each respective Servicing Agreement or the Indenture. The Trustee will deposit into the Collection Fund daily, in addition to all loan revenues with respect to the Financed Student Loans, all moneys received by or on behalf of the Corporation as assets of, or with respect to, the Trust Estate, including, without limitation, all proceeds of any sale (or other release from the lien of the Indenture) of Financed Student Loans, all amounts received under any Joint Sharing Agreement, any amounts transferred from other Funds created under the Indenture, and any earnings on investment of moneys on deposit in Funds and accounts established under the Indenture as they are earned (other than the Department Rebate Fund and the Tax-Exempt Rebate Fund).

Moneys on deposit in the Collection Fund will be used as described under the caption “Flow of Funds” below.

### **Flow of Funds**

Moneys on deposit in the Collection Fund will be transferred or distributed by the Trustee on any date such amounts are due (with respect to *First* through *Fifth* below) and on each Distribution Date in the priority described below.

*Distribution Dates.* On any date amounts described in *First* through *Fifth* below are due, the Trustee shall pay such amounts from amounts then on deposit in the Collection Fund, and on each Distribution Date prior to the occurrence of certain Events of Default under the Indenture that result in an acceleration of the maturity of the Notes, Available Funds on deposit in the Collection Fund (including any amounts transferred from the Debt Service Reserve Fund, in that order), as of the end of the preceding Collection Period or, with respect to the December 2014 Distribution Date, amounts deposited on the Issue Date, will be used to make the following deposits and distributions, to the extent funds are available, as follows (as set forth on the Distribution Date Certificate):

- (i) ***First***, to the Tax-Exempt Rebate Fund, the amount necessary to bring the balance of the Tax-Exempt Rebate Fund to an amount equal to the expected Rebate Amount.
- (ii) ***Second***, to the Department Reserve Fund, the amount necessary to bring the balance of the Department Reserve Fund to an amount equal to the Department Reserve Fund Requirement and any other required payments to the Department with respect to the FFELP Financed Student Loans to the extent remaining unpaid from prior periods.
- (iii) ***Third***, to the Trustee, the portion of the annual Trustee Fee, if any, then due under the Indenture, and any Trustee Fee remaining unpaid from prior periods.
- (iv) ***Fourth***, to the Corporation, the Servicing Fees (including any Back-up Servicing Fees) due with respect to the preceding calendar month, together with Servicing Fees remaining unpaid from prior periods.
- (v) ***Fifth***, to the Administrator, any Administration Fees due with respect to the preceding calendar month, together with Administration Fees remaining unpaid from prior periods.
- (vi) ***Sixth***, to the Noteholders, the Interest Distribution Amount payable on the Notes.

- (vii) **Seventh**, to the Debt Service Reserve Fund, the amount, if any, necessary to reinstate the balance of the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.
- (viii) **Eighth**, to the Noteholders, the Principal Distribution Amount, until the Notes are paid in full.
- (ix) **Ninth**, if the Corporation does not exercise its right to release the Financed Student Loan as described under the caption “DESCRIPTION OF THE NOTES—Optional Redemption” herein when the then outstanding Pool Balance is 10% or less of the Initial Pool Balance, to the Noteholders, all remaining amounts, until the Notes are paid in full.
- (x) **Tenth**, to the Corporation, any remaining amounts after application of the preceding clauses.

To the extent that the amount on deposit in the Collection Fund is insufficient to pay any of the amounts specified in clauses (i) through (vi) above, then, after the required transfers from the Debt Service Reserve Fund, any funds on deposit in the Collection Fund collected for the following Collection Period, but before the end of such Collection Period, may be used to make the payments specified in clauses (i) through (vi) above.

*Following an Event of Default.* Generally, after the occurrence of certain Events of Default under the Indenture that result in an acceleration of the maturity of the Notes, the Trustee may, and, upon the occurrence and continuance of any Event of Default (other than a failure by the Corporation to satisfy certain covenants contained in the Indenture), at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Notes Outstanding at the time or upon the occurrence and continuance of an Event of Default resulting from a failure by the Corporation to satisfy certain covenants contained in the Indenture, at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Notes then Outstanding, the Trustee shall (after the payment of certain fees and expenses) make payments of interest and then principal to the Notes, until paid in full in accordance with the provisions of the Indenture. Any amounts remaining after all other payments required by the Indenture at such time have been made will be released to the Corporation. See “EXHIBIT D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies” hereto.

### **The Department Reserve Fund**

A Department Reserve Fund will be established under the Indenture, but will not be a part of the Trust Estate. Amounts on deposit in the Department Reserve Fund will be used as directed by the Corporation to pay amounts due to the Department related to the FFELP Financed Student Loans (including, without limitation, any Monthly Consolidation Loan Rebate Fees and Department Rebate Interest Amounts due on each Department Rebate Payment Date) or any payment then due and payable to a Guaranty Agency relating to its Guaranty of FFELP Financed Student Loans, or any such other payment then accrued to the Corporation, another entity or trust estate, if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the FFELP Financed Student Loans were paid by the Corporation or such other entity or trust estate pursuant to any applicable Joint Sharing Agreement. The Department Reserve Fund will be funded as described under the caption “Flow of Funds” above in an amount necessary to bring the balance of the Department Reserve Fund up to the “Department Reserve Fund Requirement,” which is an amount equal to the sum of: (a) the expected Department Rebate Interest Amount accrued through the last day of the related Collection Period; (b) any Monthly Consolidation Loan Rebate Fees accrued through the last day of the related Collection Period; (c) any other accrued payments that are payable to the Department as accrued through the last day of the related Collection Period; (d) any payment then due and payable to a Guaranty Agency relating to its Guaranty of FFELP Financed Student Loans; and (e) any other such payment then accrued to the Corporation, another entity or trust estate, if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the FFELP Financed Student Loans were paid by the Corporation or such other entity or trust estate, pursuant to any Joint Sharing Agreement. Amounts in the Department Reserve Fund in excess of the Department Reserve Fund Requirement will be transferred to the Collection Fund. If amounts on deposit in the Department Reserve Fund are insufficient to make any required payments to the Department, the Corporation shall direct the Trustee in a Corporation Order to transfer funds equal to such deficiency from the Collection Fund to the Department Reserve Fund or to pay such amount to the Department directly from the Collection Fund.

## **The Tax-Exempt Rebate Fund**

A Tax-Exempt Rebate Fund will be established under the Indenture, but will not be a part of the Trust Estate. Amounts on deposit in the Tax-Exempt Rebate Fund will be used to pay any Rebate Amount to the Internal Revenue Service. The Tax-Exempt Rebate Fund will be funded as described under the caption “Flow of Funds” above in an amount equal to the Rebate Amount. Amounts in the Tax-Exempt Rebate Fund in excess of the Rebate Amount will be transferred to the Collection Fund. If amounts on deposit in the Tax-Exempt Rebate Fund are insufficient to make any required payments to the Internal Revenue Service, the Corporation shall direct the Trustee in a Corporation Order to transfer funds equal to such deficiency from the Collection Fund to the Tax-Exempt Rebate Fund or to pay such amount to the Internal Revenue Service directly from the Collection Fund.

## **The Debt Service Reserve Fund**

The Debt Service Reserve Fund will be created with an initial deposit by the Corporation on the Issue Date of cash in an amount equal to the amount described under the caption “SOURCES AND USES” herein. The Debt Service Reserve Fund is subject to a minimum balance equal to the greater of 0.25% of the Pool Balance as of the end of the preceding Collection Period or \$99,248 (which is 0.15% of the expected Pool Balance as of the Issue Date), provided that in no event will such balance exceed the Outstanding Amount of the Notes. We refer to such minimum amount as the “Debt Service Reserve Fund Requirement.” If (i) on any Distribution Date, the amount of Available Funds on deposit in the Collection Fund is insufficient to pay any of the items specified in clauses (i) through (vi) under the caption “Flow of Funds—*Distribution Dates*” above or (ii) on other than Distribution Dates, there are insufficient moneys on deposit in the Collection Fund to pay any of the items specified in clauses (i) through (v) under the caption “Flow of Funds—*Distribution Dates*” above then due and owing, the amounts on deposit in the Debt Service Reserve Fund will be used to pay such deficiency. To the extent the amount in the Debt Service Reserve Fund falls below the Debt Service Reserve Fund Requirement, the Debt Service Reserve Fund will be replenished on each Distribution Date from funds available in the Collection Fund as described in the priority set forth in clause (vii) under the caption “Flow of Funds—*Distribution Dates*” above. Funds on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement will be transferred to the Collection Fund and will be applied as described under the caption “Flow of Funds—*Distribution Dates*” above.

The Debt Service Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the Noteholders and to decrease the likelihood that the Noteholders will experience losses. In some circumstances, however, the Debt Service Reserve Fund could be reduced to zero. On the final Stated Maturity Date, or earlier if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, equal or exceed the Outstanding Amount of and accrued interest on the Notes or upon any acceleration of the Notes after an Event of Default under the Indenture, any amounts on deposit in the Debt Service Reserve Fund will be available to pay principal on such Notes and accrued interest.

## **Compensation of Servicers**

The Corporation as Servicer will be entitled to receive the Servicing Fees as compensation for performing the functions as Servicer in accordance with the Indenture. Each month, the Servicing Fees shall be paid to the Servicer in an amount equal to no more than \$15,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement plus the greater of (i) the Servicing Fee Floor and (ii) no more than 1/12<sup>th</sup> of 0.45% of the Pool Balance as of the end of the preceding month (the “Servicing Fee”). The Servicing Fee Floor is the product of (a) \$2.50, (b) the total number of borrowers outstanding, and (c) commencing November 2015, and each successive one year anniversary thereafter, a per annum increase of 3.00%. The Corporation will pay out of the Servicing Fees received by it to any third-party Servicer (including the Back-up Servicer) the Servicer’s fees under the related Servicing Agreement and expenses reimbursable to the Servicer thereunder for servicing (or back-up servicing) in the amounts owed thereunder (up to the amounts actually received by the Corporation as Servicing Fees for that period). The Servicing Fees will be paid solely out of Available Funds and, if necessary, from amounts on deposit in the Debt Service Reserve Fund on that date. In addition, because the Servicing Fee Floor is calculated on a per borrower basis, it is expected that the Servicing Fees will increase over time (as the Pool Balance is reduced) as a percentage of the Pool Balance. If the servicing fees owed to the Servicers including the Back-up Servicer exceed the amount of the Servicing Fees payable to the Corporation as Servicer out of the Trust Estate, the Corporation is not responsible for paying such amounts not payable out of the

Trust Estate. See the captions “DESCRIPTION OF THE NOTES—Fees and Expenses” and RISK FACTORS—Servicing Fees may increase over time in relation to the Pool Balance” herein.

### **Compensation of Administrator**

The Corporation as Administrator will be entitled to receive the Administration Fees as compensation for performing the functions as Administrator. The Administration Fees will be payable each month and will be paid solely out of Available Funds and, if necessary, from amounts on deposit in the Debt Service Reserve Fund on that date. The Corporation as Administrator shall pay out of the Administration Fees any fees or expenses reimbursable to any other Administrator that may be engaged by the Corporation. Certain Rating Agency fees will additionally be paid annually as part of the Administration Fees. If the fees owed to a successor Administrator exceed the amount of the Administration Fees payable to the Corporation as Administrator out of the Trust Estate, the Corporation is not responsible for paying such amounts not payable out of the Trust Estate. See the caption “DESCRIPTION OF THE NOTES—Fees and Expenses” herein.

## **THE FINANCED STUDENT LOANS**

### **General**

All of the Student Loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein to be pledged by the Corporation to the Trustee under the Indenture are currently pledged under the Refunded Resolution and secure the Refunded Bonds. The Refunded Bonds are limited obligations of the Corporation payable solely from and secured solely by certain pledged assets held in the trust estate created under the Refunded Resolution. Certain of the proceeds from the sale of the Notes are expected to be transferred to and applied by the trustee under the Refunded Resolution to defease the Refunded Resolution on the Issue Date, and upon such defeasance any liens or security interests relating to the Student Loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein will be released from the lien of the Refunded Resolution and the Corporation will then pledge them to the Trustee as part of the Trust Estate.

If any Financed Student Loan is found to have been subject to a lien at the time such Financed Student Loan was acquired, the Corporation shall sell or otherwise release such Financed Student Loan from the Trust Estate for a purchase price equal to its principal amount plus any unamortized premium, if any, and interest accrued thereon or shall replace such Financed Student Loan with another Student Loan with substantially identical characteristics, which replacement Student Loan shall be free and clear of liens at the time of such replacement.

### **Rights and Remedies Relating to Acquisition or Purchase; Limitations**

Substantially all of the FFELP Student Loans expected to be pledged to the Trustee under the Indenture were originated, serviced and, if applicable, guaranteed by the Corporation since origination. The Corporation does not expect that any of the FFELP Financed Student Loans will be subject to repurchase obligations from third-party sellers.

Under some circumstances, the Corporation may be required to purchase or otherwise release from the lien of the Indenture or provide a substitute for a FFELP Financed Student Loan, which right against the Corporation arises generally if a FFELP Financed Student Loan ceases to be Guaranteed or Insured (and a guarantee or insurance claim is not paid by a Guaranty Agency or by the United States), if a HEAL Financed Student Loan ceases to be insured by the Secretary of Health and Human Services and if the same is not cured within the applicable cure period. The Corporation may also have the right to require a Servicer to so purchase a Financed Student Loan, which right generally arises generally as the result of a breach of certain covenants with respect to the servicing of such Student Loan. The Corporation is also expected to be the Guaranty Agency with respect to all of the FFELP Financed Student Loans and the Servicer with respect to all of the Financed Student Loans.

## **CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO**

The Financed Student Loans will be transferred to, and constitute a substantial portion of, the Trust Estate. The following charts provide summary information concerning certain characteristics of the Student Loans as of the Statistical Cut-off Date. The Statistical Cut-off Date is August 31, 2014 with respect to the pool of Student Loans described below. All loan cash flow received with respect to such Financed Student Loan portfolio starting on the applicable cut-off date (the date such Financed Student Loan is pledged to the Trustee under the Indenture), will be deposited in the Collection Fund. This information, particularly specific dollar amounts that change as a result of payments received, may have changed since the Statistical Cut-off Date.

Please note that percentages and numbers appearing in the following tables have been rounded to the nearest one-tenth of one percent and nearest whole number respectively. Due to such rounding, the sum of the percentages or numbers in any particular column may not exactly equal the totals shown.

In the event that the principal amount of Student Loans required to provide collateral for the Notes varies from the amounts anticipated herein, whether by reason of a change in the collateral requirement necessary to obtain the ratings on the Notes described on the cover page of this Official Statement, the rate of amortization or prepayment on the portfolio of Student Loans from the Statistical Cut-off Date to the Issue Date varying from the rates that were anticipated, or otherwise, the portfolio of Student Loans to be pledged to the Trustee may consist of a subset of the pool of Student Loans described herein or may include additional Student Loans not described below.

The Corporation believes that the information set forth in this Official Statement with respect to the pool of Student Loans as of the Statistical Cut-off Date is materially representative of the characteristics of the pool of Student Loans as they will exist as on the Issue Date.

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**FFELP Financed Student Loans (including HEAL  
Financed Student Loans)**

**Composition of the FFELP Financed Student Loans  
as of the Statistical Cut-off Date**

Outstanding Principal Balance	\$38,177,741
Aggregate Accrued Interest	\$505,055
Aggregate Accrued Interest Expected to be Capitalized	\$209,515
Outstanding Principal Balance and Interest Expected to be Capitalized ("Aggregate Outstanding Balance")	\$38,387,256
Number of Borrowers	3,438
Average Aggregate Outstanding Principal Balance and Interest per Borrower	\$11,166
Number of Loans	5,644
Average Aggregate Outstanding Balance and Interest per Loan	\$6,801
Weighted Average Annual Borrower Interest Rate <sup>(1)</sup>	5.289%
Weighted Average Remaining Term to Scheduled Maturity (months)	168
Weighted Average Original Term to Scheduled Maturity (months)	235
Weighted Average Active Margin (91-day Treasury Loans)	2.291%
Weighted Average Active Margin (1 year Constant Maturity Treasury (CMT) Loans)	3.100%
Weighted Average SAP Margin (LIBOR) <sup>(2)</sup>	2.487%
Weighted Average SAP Margin (91-day Treasury bill) <sup>(2)</sup>	3.087%

<sup>(1)</sup> Determined using the interest rates applicable to the FFELP Financed Student Loans as of August 31, 2014. However, the interest rate does not represent the actual rate of return with respect to loans under the Higher Education Act, due to Special Allowance Payments and special allowance support level. See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto.

<sup>(2)</sup> The Weighted Average SAP Margin (LIBOR) and the Weighted Average SAP Margin (91-day Treasury bill) refers to the margin by which the combination of interest (net of the excess over the special allowance support level) and Special Allowance Payment rates, assuming all payments are made when due, exceeds the one-month LIBOR index or the 91-day US Treasury bill rate index, respectively. The Corporation elected to change the index for Special Allowance Payment calculations on the FFELP Financed Student Loans disbursed after January 1, 2000 from the three-month commercial paper rate to the one-month LIBOR index beginning on April 1, 2012. See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM—Special Allowance Payments" hereto. The margin has not been reduced to take into account any interest rate reductions as a result of the repayment incentives described under the caption "THE CORPORATION—Borrower Benefits" and the last two tables included under this subcaption "FFELP Financed Student Loans (including HEAL Financed Student Loans)."

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**Distribution of the FFELP Financed Student Loans by Loan Type  
as of the Statistical Cut-off Date**

<b>Loan Type</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
Subsidized Stafford	1,462	25.9%	\$ 3,389,202	8.8%
Unsubsidized Stafford	1,691	30.0	6,833,446	17.8
Subsidized Consolidation	1,035	18.3	10,225,856	26.6
Unsubsidized Consolidation	1,051	18.6	14,798,757	38.6
PLUS	256	4.5	1,674,445	4.4
Graduate PLUS	91	1.6	1,246,130	3.2
HEAL <sup>(1)</sup>	<u>58</u>	<u>1.0</u>	<u>219,421</u>	<u>0.6</u>
<b>Total</b>	<b><u>5,644</u></b>	<b><u>100.0%</u></b>	<b><u>\$38,387,256</u></b>	<b><u>100.0%</u></b>

<sup>(1)</sup>HEAL loans are health education assistance loans originated under the Public Health Service Act that are insured by the Secretary of Health and Human Services generally up to 98% of the lender's losses on both unpaid principal and interest except to the extent a borrower may have a defense on the loans.

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

<b>Borrower Payment Status</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
In-School	22	0.4%	\$ 82,203	0.2%
Grace	20	0.4	75,981	0.2
Deferment	571	10.1	2,871,882	7.5
Forbearance	245	4.3	2,640,349	6.9
Repayment				
First year in repayment	274	4.9	1,749,687	4.6
Second year in repayment	400	7.1	2,262,253	5.9
Third year in repayment	433	7.7	2,679,107	7.0
Fourth year and greater in repayment	<u>3,679</u>	<u>65.2</u>	<u>26,025,794</u>	<u>67.8</u>
<b>Total</b>	<b><u>5,644</u></b>	<b><u>100.0%</u></b>	<b><u>\$38,387,256</u></b>	<b><u>100.0%</u></b>

**Scheduled Weighted Average Remaining Months (WAM) in Status by Current Borrower Payment Status as of the Statistical Cut-off Date**

<b>Current Borrower Payment Status</b>	<b>In-School WAM</b>	<b>Grace WAM</b>	<b>Deferment WAM</b>	<b>Forbearance WAM</b>	<b>Repayment WAM</b>	<b>Total Term</b>
In-School	21	6	0	0	120	147
Grace	0	3	0	0	120	123
Deferment	0	0	18	0	148	166
Forbearance	0	0	0	4	181	185
Repayment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>169</u>	<u>169</u>
Weighted Average	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>168</u>	<u>170</u>

Current borrower payment status refers to the status of the borrower of each initial FFELP Financed Student Loan as of the Statistical Cut-off Date. The borrower:

- may still be attending school – in-school;
- may be in a grace period after completing school and prior to repayment commencing – grace;
- may have temporarily ceased repaying the loan through a deferment or a forbearance period; or

- may be currently required to repay the loan – repayment.

See “EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” hereto.

Each of the FFELP Financed Student Loans provides or will provide for the amortization of its outstanding principal balance over a series of regular payments. Except as described below, each regular payment consists of an installment of interest which is calculated on the basis of the outstanding principal balance of the FFELP Financed Student Loan. The amount received is applied first to interest accrued to the date of payment and the balance of the payment, if any, is applied to reduce the unpaid principal balance. Accordingly, if a borrower pays a regular installment before its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be less than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly greater. Conversely, if a borrower pays a monthly installment after its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be greater than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly less. In addition, if a borrower pays a monthly installment after its scheduled due date, the borrower may owe a fee on that late payment. If a late fee is applied, that payment will be applied first to the applicable late fee, second to interest and third to principal. As a result, the portion of the payment applied to reduce the unpaid principal balance may be less than it would have been had the payment been made as scheduled. In either case, subject to any applicable deferment periods or forbearance periods, and except as provided below, the borrower pays a regular installment until the final scheduled payment date, at which time the amount of the final installment is increased or decreased as necessary to repay the then outstanding principal balance of that FFELP Financed Student Loan.

In accordance with the terms of the FFEL Program and the terms of its loan program, the Corporation makes available, to borrowers of the FFELP Financed Student Loans, payment terms that may result in the lengthening of the remaining term of the FFELP Financed Student Loans. For example, not all of the FFELP Financed Student Loans provide for level payments throughout the repayment term of such FFELP Financed Student Loans. Some FFELP Financed Student Loans provide for interest only payments to be made for a designated portion of the term of the FFELP Financed Student Loans, with amortization of the principal of the loans occurring only when payments increase in the latter stage of the term of the Financed Student Loans. Other FFELP Financed Student Loans that provide for a graduated phase in of the amortization of principal with a greater portion of principal amortization being required in the latter stages than would be the case if amortization were on a level payment basis. Some of the FFELP Financed Student Loans are or may be subject to an income-sensitive repayment plan, under which repayments are based on the borrower’s income. Under that plan, ultimate repayment may be delayed up to five years. See “EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” hereto.

**Distribution of the FFELP Financed Student Loans by Disbursement Date  
as of the Statistical Cut-off Date**

<b>Date of Disbursement</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
Prior to October 1, 1993	18	0.3%	\$ 71,142	0.2%
October 1, 1993 to March 31, 2006	2,435	43.1	19,202,086	50.0
April 1, 2006 to September 30, 2007	2,170	38.4	12,911,045	33.6
October 1, 2007 to June 30, 2010	<u>1,021</u>	<u>18.1</u>	<u>6,202,983</u>	<u>16.2</u>
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>



**Distribution of the Financed Student Loans by Percent Guaranteed  
as of the Statistical Cut-off Date**

<b>Percent Guaranteed <sup>(1)</sup></b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
100%	6	0.1%	\$ 43,834	0.1%
98%	2,586	45.8	20,436,840	53.2
97%	<u>3,052</u>	<u>54.1</u>	<u>17,906,582</u>	<u>46.6</u>
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

<sup>(1)</sup> The percent guaranteed refers to the percentage of the principal of and accrued interest on a FFELP Financed Student Loan that would be payable on a default claim under FFEL Program or an insurance claim with the Secretary of Health and Human Services for HEAL Loans (which generally insures up to 98% of loss on unpaid principal). See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" hereto.

**Distribution of the FFELP Financed Student Loans by Guaranty Agency or Insurance  
as of the Statistical Cut-off Date**

<b>Guaranty Agency</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
The Corporation	5,586	99.0%	\$38,167,836	99.4%
Other <sup>(1)</sup>	<u>58</u>	<u>1.0</u>	<u>219,421</u>	<u>0.6</u>
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

<sup>(1)</sup> These Financed Student Loans are HEAL loans that are insured by the Secretary of Health and Human Services.

**Distribution of the FFELP Financed Student Loans by  
SAP Interest Rate Index as of the Statistical Cut-off Date<sup>(1)</sup>**

<b>SAP Interest Rate Index + Repayment Margin</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
One-Month LIBOR + 1.94%	854	15.1%	\$ 3,577,334	9.3%
One-Month LIBOR + 2.24%	167	3.0	2,625,649	6.8
One-Month LIBOR + 2.34%	2,305	40.8	6,954,643	18.1
One-Month LIBOR + 2.64%	2,059	36.5	23,438,594	61.1
Three-Month T-Bill + 2.80%	34	0.6	80,253	0.2
Three-Month T-Bill + 3.10%	164	2.9	1,469,701	3.8
Three-Month T-Bill + 3.25%	2	0.0*	20,062	0.1
Three-Month T-Bill + 3.50%	1	0.0*	1,600	0.0*
HEAL Loan, No SAP	<u>58</u>	<u>1.0</u>	<u>219,421</u>	<u>0.6</u>
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

\* Greater than 0.00% but less than 0.05%.

<sup>(1)</sup> The Corporation elected to change the index for Special Allowance Payment calculations on the FFELP Financed Student Loans disbursed after January 1, 2000 from the three-month commercial paper rate to the one-month LIBOR index beginning on April 1, 2012. See "EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM—Special Allowance Payments" hereto. The margin has not been reduced to take into account any interest rate reductions as a result of the repayment incentives described under the caption "THE CORPORATION—Borrower Benefits" and the last two tables included under this subcaption "FFELP Financed Student Loans (including HEAL Financed Student Loans)."

**Distribution of the FFELP Financed Student Loans  
by Current Borrower Interest Rate as of the Statistical Cut-off Date**

<b>Current Borrower Interest Rate</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
1.01% - 1.50%	19	0.3%	\$ 107,336	0.3%
1.51% - 2.00%	42	0.7	148,493	0.4
2.01% - 2.50%	891	15.8	1,955,656	5.1
2.51% - 3.00%	415	7.4	4,079,275	10.6
3.01% - 3.50%	429	7.6	3,835,799	10.0
3.51% - 4.00%	253	4.5	3,176,296	8.3
4.01% - 4.50%	215	3.8	2,462,238	6.4
4.51% - 5.00%	228	4.0	2,589,648	6.7
5.01% - 5.50%	120	2.1	1,541,475	4.0
5.51% - 6.00%	105	1.9	1,967,041	5.1
6.01% - 6.50%	98	1.7	1,291,269	3.4
6.51% - 7.00%	2,329	41.3	9,411,429	24.5
7.01% - 7.50%	60	1.1	922,147	2.4
7.51% - 8.00%	78	1.4	1,347,174	3.5
8.01% - 8.50%	356	6.3	3,467,882	9.0
8.51% and above	6	0.1	84,098	0.2
<b>Total</b>	<b><u>5,644</u></b>	<b><u>100.0%</u></b>	<b><u>\$38,387,256</u></b>	<b><u>100.0%</u></b>

**Distribution of the FFELP Financed Student Loans by Range of  
Outstanding Principal Balances as of the Statistical Cut-off Date**

<b>Outstanding Balances</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
\$0.00 - \$4,999.99	3,691	65.4%	\$7,667,238	20.0%
\$5,000.00 - \$9,999.99	911	16.1	6,541,453	17.0
\$10,000.00 - \$14,999.99	408	7.2	5,070,743	13.2
\$15,000.00 - \$19,999.99	223	4.0	3,838,863	10.0
\$20,000.00 - \$24,999.99	143	2.5	3,190,892	8.3
\$25,000.00 - \$29,999.99	71	1.3	1,959,750	5.1
\$30,000.00 - \$34,999.99	55	1.0	1,779,145	4.6
\$35,000.00 - \$39,999.99	32	0.6	1,199,270	3.1
\$40,000.00 - \$44,999.99	34	0.6	1,449,143	3.8
\$45,000.00 - \$49,999.99	16	0.3	772,260	2.0
\$50,000.00 - \$54,999.99	18	0.3	962,833	2.5
\$55,000.00 - \$59,999.99	5	0.1	285,086	0.7
\$60,000.00 - \$64,999.99	2	0.0*	128,123	0.3
\$65,000.00 - \$69,999.99	2	0.0*	137,112	0.4
\$70,000.00 - \$74,999.99	4	0.1	289,309	0.8
\$75,000.00 - \$79,999.99	7	0.1	540,445	1.4
\$80,000.00 - \$84,999.99	3	0.1	253,551	0.7
\$85,000.00 - \$89,999.99	1	0.0*	87,958	0.2
\$90,000.00 - \$94,999.99	2	0.0*	186,733	0.5
\$95,000.00 - \$99,999.99	2	0.0*	195,771	0.5
\$100,000.00 +	14	0.2	1,851,580	4.8
<b>Total</b>	<b><u>5,644</u></b>	<b><u>100.0%</u></b>	<b><u>\$38,387,256</u></b>	<b><u>100.0%</u></b>

\*Greater than 0.00% but less than 0.05%.

**Distribution of the FFELP Financed Student Loans by  
Delinquency Status as of the Statistical Cut-off Date**

<b>Days Delinquent</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
Current	4,892	86.7%	\$33,157,988	86.4%
Less than 30 Days	241	4.3	2,246,762	5.9
30 to 59 Days	201	3.6	1,110,326	2.9
60 to 89 Days	103	1.8	699,669	1.8
90 to 119 Days	49	0.9	298,125	0.8
120 to 149 Days	22	0.4	170,605	0.4
150 to 179 Days	43	0.8	262,026	0.7
180 + Days	93	1.6	441,755	1.2
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

**Distribution of the FFELP Financed Student Loans by  
Remaining Months to Scheduled Maturity as of the Statistical Cut-off Date**

<b>Remaining Months to Scheduled Maturity</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
0 – 3	5	0.1%	\$ 1,974	0.0%*
4 – 12	36	0.6	35,225	0.1
13 – 24	152	2.7	215,659	0.6
25 – 36	221	3.9	382,523	1.0
37 – 48	400	7.1	941,786	2.5
49 – 60	493	8.7	1,258,208	3.3
61 – 72	612	10.8	1,823,031	4.7
73 – 84	635	11.3	2,140,314	5.6
85 – 96	517	9.2	2,236,308	5.8
97 – 108	565	10.0	2,851,101	7.4
109 – 120	621	11.0	3,804,071	9.9
121 – 132	129	2.3	1,130,585	2.9
133 – 144	107	1.9	1,133,690	3.0
145 – 156	125	2.2	1,469,678	3.8
157 – 168	116	2.1	1,419,145	3.7
169 – 180	57	1.0	731,002	1.9
181 – 192	64	1.1	1,013,551	2.6
193 – 204	58	1.0	1,127,321	2.9
205 – 216	53	0.9	1,078,498	2.8
217 – 228	94	1.7	1,358,241	3.5
229 – 240	105	1.9	1,726,568	4.5
241 – 252	132	2.3	2,048,733	5.3
253 – 264	83	1.5	1,513,589	3.9
265 – 276	120	2.1	2,808,860	7.3
277 – 288	81	1.4	1,779,103	4.6
289 – 300	40	0.7	1,281,477	3.3
301 – 312	9	0.2	368,096	1.0
313 – 324	7	0.1	344,686	0.9
325 – 336	5	0.1	282,842	0.7
337 – 348	2	0.0*	81,391	0.2
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

\* Greater than 0.00% but less than 0.05%.

**Distribution of the Financed Student Loans  
by State of Borrower's Address as of the Statistical Cut-off Date**

State Distribution <sup>(1)</sup>	Number of Loans	Percent of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Alabama	7	0.1%	\$ 35,445	0.1%
Alaska	7	0.1	14,497	0.0*
Arizona	33	0.6	305,496	0.8
Arkansas	9	0.2	30,657	0.1
California	194	3.4	1,864,934	4.9
Colorado	96	1.7	821,798	2.1
Connecticut	202	3.6	1,246,728	3.2
Delaware	5	0.1	12,768	0.0*
District of Columbia	28	0.5	251,167	0.7
Florida	81	1.4	416,453	1.1
Georgia	26	0.5	255,179	0.7
Hawaii	15	0.3	85,597	0.2
Idaho	3	0.1	9,531	0.0*
Illinois	41	0.7	350,001	0.9
Indiana	14	0.2	129,167	0.3
Iowa	5	0.1	70,280	0.2
Kansas	12	0.2	93,248	0.2
Kentucky	10	0.2	99,134	0.3
Louisiana	4	0.1	31,557	0.1
Maine	117	2.1	1,024,857	2.7
Maryland	60	1.1	417,588	1.1
Massachusetts	467	8.3	3,034,509	7.9
Michigan	37	0.7	333,484	0.9
Minnesota	13	0.2	236,373	0.6
Mississippi	4	0.1	14,496	0.0*
Missouri	16	0.3	48,863	0.1
Montana	17	0.3	283,058	0.7
Nebraska	4	0.1	9,414	0.0*
Nevada	13	0.2	77,550	0.2
New Hampshire	201	3.6	1,582,319	4.1
New Jersey	105	1.9	695,715	1.8
New Mexico	11	0.2	103,817	0.3
New York	1,121	19.9	7,970,984	20.8
North Carolina	79	1.4	613,413	1.6
Ohio	41	0.7	212,588	0.6
Oklahoma	4	0.1	16,708	0.0*
Oregon	47	0.8	532,403	1.4
Other/Unknown	31	0.5	224,631	0.6
Pennsylvania	103	1.8	994,016	2.6
Rhode Island	58	1.0	429,652	1.1
South Carolina	20	0.4	188,141	0.5
South Dakota	3	0.1	10,704	0.0*
Tennessee	17	0.3	228,465	0.6
Texas	62	1.1	564,078	1.5
Utah	8	0.1	82,975	0.2
Vermont	2,021	35.8	11,090,369	28.9
Virginia	93	1.6	576,389	1.5
Washington	51	0.9	506,428	1.3
West Virginia	2	0.0*	6,741	0.0*
Wisconsin	20	0.4	114,987	0.3
Wyoming	5	0.1	36,611	0.1
Virgin Islands	1	0.0*	1,294	0.0*
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

\*Greater than 0.00% but less than 0.05%.

<sup>(1)</sup>Based on the billing addresses of the borrowers of the FFELP Financed Student Loans shown on the Servicer's records.

**Distribution of the FFELP Financed Student Loans by Servicer  
as of the Statistical Cut-off Date**

<b>Servicer</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
The Corporation	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

**Distribution of the Financed Student Loans by School Type  
as of the Statistical Cut-off Date**

<b>School Type</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
4-Year University/Grad	4,146	73.5%	\$27,781,290	72.4%
2-Year University	600	10.6	1,787,522	4.7
Vocational	157	2.8	1,016,967	2.6
Proprietary	156	2.8	587,979	1.5
Foreign	62	1.1	562,900	1.5
Other/Unknown	<u>523</u>	<u>9.3</u>	<u>6,650,598</u>	<u>17.3</u>
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

**Distribution of the FFELP Financed Student Loans by ACH Loan Reduction  
as of the Statistical Cut-off Date**

<b>Loan Reduction (ACH)<sup>(1)</sup></b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
None <sup>(2)</sup>	4,835	85.7%	\$33,347,561	86.9%
0.25% interest rate reduction (receiving) <sup>(3)</sup>	325	5.8	2,995,944	7.8
0.25% interest rate reduction (eligible) <sup>(4)</sup>	<u>484</u>	<u>8.6</u>	<u>2,043,751</u>	<u>5.3</u>
Total	<u>5,644</u>	<u>100.0%</u>	<u>\$38,387,256</u>	<u>100.0%</u>

<sup>(1)</sup> This borrower benefit and the eligibility requirements therefor is described under the caption "THE CORPORATION—Borrower Benefits" herein.

<sup>(2)</sup> Not eligible for this borrower benefit.

<sup>(3)</sup> Receiving this borrower benefit as of the Statistical Cut-off Date.

<sup>(4)</sup> Eligible for but not receiving this borrower benefit as of the Statistical Cut-off Date.

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**Distribution of the FFELP Financed Student Loans by Rebate/Interest Reduction  
as of the Statistical Cut-off Date**

<b>Rebate/Interest Reduction Description<sup>(1)</sup></b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
None <sup>(2)</sup>	1,693	30.0%	\$14,627,905	38.1%
1% interest rebate annually	2,940	52.1	10,430,400	27.2
1% interest rebate after 36 months (receiving) <sup>(3)</sup>	169	3.0	1,715,645	4.5
Other interest rebates <sup>(4)</sup>	<u>842</u>	<u>14.9</u>	<u>11,613,306</u>	<u>30.3</u>
<b>Total</b>	<b><u>5,644</u></b>	<b><u>100.0%</u></b>	<b><u>\$38,387,256</u></b>	<b><u>100.0%</u></b>

<sup>(1)</sup> All of the borrower benefits in this table and the eligibility requirements therefor are described under the caption “THE CORPORATION—Borrower Benefits” herein.

<sup>(2)</sup> Not eligible or benefits that have already been paid or expired.

<sup>(3)</sup> Receiving this borrower benefit as of the Statistical Cut-off Date.

<sup>(4)</sup> Includes annual interest rebates ranging from 0.75% - 1.5% annually, some of which step-down after the first year in repayment. Some of the FFELP Financed Student Loans are eligible for but are not receiving these borrower benefits as of the Statistical Cut-off Date.

**Private Financed Student Loans**

**Composition of the Private Financed Student Loans  
as of the Statistical Cut-off Date**

Outstanding Principal Balance	\$27,651,937
Aggregate Accrued Interest	\$238,401
Accrued Interest to be Capitalized	\$125,829
Outstanding Principal Balance and Accrued Interest to be Capitalized (“Aggregate Outstanding Balance”)	\$27,777,766
Number of Borrowers	3,141
Average Aggregate Outstanding Principal Balance and Interest per Borrower	\$8,844
Number of Loans	4,384
Average Aggregate Outstanding Balance and Interest per Student Loan	\$6,336
Weighted Average Annual Borrower Interest Rate	3.748%
Weighted Average Remaining Term	217
Weighted Average Original Term	267
Weighted Average January 2012 FICO	703
Weighted Average Updated FICO <sup>(1)</sup>	710
Weighted Average Active Margin (LIBOR Loans)	3.623%
Weighted Average Active Margin (91-Day Treasury Bill Loans)	2.928%

<sup>(1)</sup> Updated FICO score reflects FICO score as of June 30, 2014 for approximately 99% of the borrowers, including those who were not scored at origination.

**Distribution of the Financed Student Loans by Loan Type  
as of the Statistical Cut-off Date**

<b>Loan Type</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
Advantage	2,565	58.5%	\$20,853,983	75.1%
Bar	107	2.4	511,864	1.8
Choice	27	0.6	103,026	0.4
EXTRA Classic	12	0.3	43,894	0.2
Law	625	14.3	3,146,418	11.3
Medical	53	1.2	490,162	1.8
Residency	14	0.3	105,124	0.4
Unguaranteed FFELP	6	0.1	4,641	0.0*
Green Mountain	<u>975</u>	<u>22.2</u>	<u>2,518,654</u>	<u>9.1</u>
<b>Total</b>	<b><u>4,384</u></b>	<b><u>100.0%</u></b>	<b><u>\$27,777,766</u></b>	<b><u>100.0%</u></b>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Advantage and Choice Private Financed Student Loans by  
Origination Year as of the Statistical Cut-off Date**

<b>Advantage<sup>(1)</sup> Origination Year</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>	<b>Percent of Loans Co-Signed</b>	<b>Weighted Average Original FICO</b>
Advantage FY2004-FY2006	1,283	49.5%	\$9,222,668	44.0%	14.3%	669
Advantage FY2007-FY2008	694	26.8	6,009,035	28.7	85.3	724
Advantage FY2009-FY2010	<u>615</u>	<u>23.7</u>	<u>5,725,307</u>	<u>27.3</u>	<u>95.6</u>	<u>733</u>
<b>Total/Average</b>	<b><u>2,592</u></b>	<b><u>100.0%</u></b>	<b><u>\$20,957,009</u></b>	<b><u>100.0%</u></b>	<b><u>52.6%</u></b>	<b><u>702</u></b>

<sup>(1)</sup> Includes VSAC Choice Loans which are approximately 0.4% of the total aggregate outstanding balance of the Private Financed Student Loans

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

<b>Borrower Payment Status</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
In-School	25	0.6%	\$ 201,260	0.7%
Grace	20	0.5	178,948	0.6
Deferment	2	0.0*	4,576	0.0*
Forbearance	122	2.8	1,153,514	4.2
Repayment				
First year in repayment	102	2.3	1,192,885	4.3
Second year in repayment	292	6.7	2,494,033	9.0
Third year in repayment	470	10.7	4,297,292	15.5
Four plus years in repayment	<u>3,351</u>	<u>76.4</u>	<u>18,255,258</u>	<u>65.7</u>
<b>Total</b>	<b><u>4,384</u></b>	<b><u>100.0%</u></b>	<b><u>\$27,777,766</u></b>	<b><u>100.0%</u></b>

\*Greater than 0.0%, but less than 0.05%.

**Scheduled Weighted Average Remaining Months (WAM) in Status by Current Borrower Payment Status as of the Statistical Cut-off Date**

<b>Current Status of Account</b>	<b>In-School WAM</b>	<b>Grace WAM</b>	<b>Deferment WAM</b>	<b>Forbearance WAM</b>	<b>Repayment WAM</b>	<b>Total Term</b>
In-School	18	6	0	0	161	186
Grace	0	3	0	0	173	176
Deferment	0	0	64	0	116	180
Forbearance	0	0	0	3	267	270
Repayment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>216</u>	<u>216</u>
Weighted Average	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>217</u>	<u>218</u>

Current borrower payment status refers to the status of the student borrower of each initial Private Financed Student Loan as of the Statistical Cut-off Date. The student borrower:

- may still be attending school – in-school;
- may be in a grace period after completing school and prior to repayment commencing – grace;
- may have temporarily ceased repaying the loan through a forbearance period; or
- may be currently required to repay the loan – repayment.

See “EXHIBIT B—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto.

Each of the Private Financed Student Loans provides or will provide for the amortization of its outstanding principal balance over a series of regular payments. Each regular payment consists of an installment of interest which is calculated on the basis of the outstanding principal balance of the Private Financed Student Loan. The amount received is applied first to interest accrued to the date of payment and the balance of the payment, if any, is applied to reduce the unpaid principal balance. Accordingly, if a borrower pays a regular installment before its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be less than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly greater. Conversely, if a borrower pays a monthly installment after its scheduled due date, the portion of the payment allocable to interest for the period since the preceding payment was made will be greater than it would have been had the payment been made as scheduled, and the portion of the payment applied to reduce the unpaid principal balance will be correspondingly less. In addition, if a borrower pays a monthly installment after its scheduled due date, the borrower may owe a fee on that late payment. As a result, the portion of the payment applied to reduce the unpaid principal balance may be less than it would have been had the payment been made as scheduled. In either case, subject to any applicable forbearance periods, and the borrower pays a regular installment until the final scheduled payment date, at which time the amount of the final installment is increased or decreased as necessary to repay the then outstanding principal balance of that Private Financed Student Loan.



**Distribution of the Private Financed Student Loans  
by Interest Rate Type as of the Statistical Cut-off Date**

<b>Interest Rate Type</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
3-Month LIBOR + 2.25%	44	1.0%	\$ 361,075	1.3%
3-Month LIBOR + 2.70%	555	12.7	1,837,976	6.6
3-Month LIBOR + 2.90%	1,373	31.3	9,187,820	33.1
3-Month LIBOR + 3.00%	422	9.6	3,598,993	13.0
3-Month LIBOR + 3.25%	135	3.1	1,184,311	4.3
3-Month LIBOR + 3.50%	178	4.1	1,594,244	5.7
3-Month LIBOR + 3.65%	44	1.0	207,485	0.7
3-Month LIBOR + 4.00%	115	2.6	997,835	3.6
3-Month LIBOR + 4.25%	1	0.0*	5,054	0.0*
3-Month LIBOR + 4.50%	102	2.3	919,652	3.3
3-Month LIBOR + 4.75%	58	1.3	514,028	1.9
3-Month LIBOR + 5.00%	2	0.0*	10,469	0.0*
3-Month LIBOR + 5.25%	87	2.0	883,522	3.2
3-Month LIBOR + 5.50%	169	3.9	1,711,031	6.2
3-Month LIBOR + 6.00%	63	1.4	518,332	1.9
3-Month LIBOR + 6.75%	46	1.0	497,500	1.8
3-Month LIBOR + 7.25%	61	1.4	700,687	2.5
91-Day T-Bill + 2.30%	1	0.0*	11	0.0*
91-Day T-Bill + 2.50%	21	0.5	149,693	0.5
91-Day T-Bill + 2.90 %	536	12.2	1,430,325	5.1
91-Day T-Bill + 3.00 %	366	8.3	1,463,090	5.3
91-Day T-Bill + 3.10%	1	0.0*	7	0.0*
Fixed Rate	<u>4</u>	<u>0.1</u>	<u>4,624</u>	<u>0.0*</u>
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Private Financed Student Loans by ACH Borrower Benefit  
as of the Statistical Cut-off Date**

<b>Borrower Benefit</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
None	4,259	97.1%	\$27,520,051	99.1%
ACH 0.25% Reduction	<u>125</u>	<u>2.9</u>	<u>257,715</u>	<u>0.9</u>
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

**Distribution of the Private Financed Student Loans by Rebate  
Borrower Benefit as of the Statistical Cut-off Date**

<b>Borrower Benefit</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
None	4,174	95.2%	\$26,527,598	95.5%
1.5% Annual Rebate while In-School and 1% Annual Rebate thereafter	149	3.4	911,027	3.3
1% Annual Rebate	58	1.3	334,548	1.2
1.3% Annual Rebate	<u>3</u>	<u>0.1</u>	<u>4,593</u>	<u>0.0*</u>
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Private Financed Student Loans  
by Current Interest Rate as of the Statistical Cut-off Date**

<b>Current Interest Rate</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
2.01% - 2.50%	57	1.3%	\$ 395,087	1.4%
2.51% - 3.00%	1,405	32.0	4,656,355	16.8
3.01% - 3.50%	1,993	45.5	14,161,891	51.0
3.51% - 4.00%	222	5.1	1,801,729	6.5
4.01% - 4.50%	116	2.6	1,002,889	3.6
4.51% - 5.00%	160	3.6	1,433,680	5.2
5.01% - 5.50%	89	2.0	893,991	3.2
5.51% - 6.00%	169	3.9	1,711,031	6.2
6.01% - 6.50%	63	1.4	518,332	1.9
7.01% - 7.50%	46	1.0	497,500	1.8
7.51% - 8.00%	61	1.4	700,687	2.5
8.01% - 8.50%	<u>3</u>	<u>0.1</u>	<u>4,593</u>	<u>0.0*</u>
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

\*Greater than 0.0%, but less than 0.05%.

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**Distribution of the Private Financed Student Loans by Range of Outstanding Principal Balances as of the Statistical Cut-off Date**

<b>Outstanding Balances</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
\$0.00 - \$4,999.99	2,566	58.5%	\$5,714,766	20.6%
\$5,000.00 - \$9,999.99	913	20.8	6,613,192	23.8
\$10,000.00 - \$14,999.99	437	10.0	5,382,231	19.4
\$15,000.00 - \$19,999.99	244	5.6	4,223,777	15.2
\$20,000.00 - \$24,999.99	134	3.1	2,971,754	10.7
\$25,000.00 - \$29,999.99	52	1.2	1,415,220	5.1
\$30,000.00 - \$34,999.99	19	0.4	616,823	2.2
\$35,000.00 - \$39,999.99	10	0.2	397,169	1.4
\$40,000.00 - \$44,999.99	4	0.1	173,566	0.6
\$45,000.00 - \$49,999.99	3	0.1	139,933	0.5
\$50,000.00 - \$54,999.99	1	0.0*	54,221	0.2
\$75,000.00 - \$79,999.99	<u>1</u>	<u>0.0*</u>	<u>75,113</u>	<u>0.3</u>
<b>Total</b>	<b><u>4,384</u></b>	<b><u>100.0%</u></b>	<b><u>\$27,777,766</u></b>	<b><u>100.0%</u></b>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Private Financed Student Loans by Delinquency Status as of the Statistical Cut-off Date**

<b>Delinquency Status</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
Current	3,741	85.3%	\$22,814,021	82.1%
Less than 30 Days	231	5.3	1,765,867	6.4
30 to 59 Days	190	4.3	1,479,931	5.3
60 to 89 Days	78	1.8	762,370	2.7
90 to 119 Days	43	1.0	266,328	1.0
120 to 149 Days	30	0.7	220,021	0.8
150 to 179 Days	20	0.5	84,460	0.3
180 + Days	<u>51</u>	<u>1.2</u>	<u>384,767</u>	<u>1.4</u>
<b>Total</b>	<b><u>4,384</u></b>	<b><u>100.0%</u></b>	<b><u>\$27,777,766</u></b>	<b><u>100.0%</u></b>

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**Distribution of the Financed Student Loans by  
Remaining Months to Scheduled Maturity as of the Statistical Cut-off Date**

Remaining Months to Scheduled Maturity	Number of Loans	Percent of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
4 – 12	1	0.0%*	\$ 232	0.0%*
13 – 24	26	0.6	7,130	0.0*
25 – 36	80	1.8	28,000	0.1
37 – 48	114	2.6	116,712	0.4
49 – 60	126	2.9	167,845	0.6
61 – 72	202	4.6	446,854	1.6
73 – 84	270	6.2	727,558	2.6
85 – 96	346	7.9	992,534	3.6
97 – 108	353	8.1	1,222,432	4.4
109 – 120	347	7.9	1,610,765	5.8
121 – 132	311	7.1	1,907,090	6.9
133 – 144	317	7.2	2,374,617	8.5
145 – 156	174	4.0	1,541,469	5.5
157 – 168	135	3.1	1,287,469	4.6
169 – 180	101	2.3	1,160,248	4.2
181 – 192	11	0.3	31,133	0.1
193 – 204	23	0.5	90,341	0.3
205 – 216	27	0.6	107,450	0.4
217 – 228	39	0.9	152,744	0.5
229 – 240	33	0.8	121,505	0.4
241 – 252	25	0.6	169,703	0.6
253 – 264	70	1.6	335,229	1.2
265 – 276	87	2.0	525,266	1.9
277 – 288	174	4.0	1,307,134	4.7
289 – 300	247	5.6	2,514,170	9.1
301 – 312	227	5.2	2,554,296	9.2
313 – 324	240	5.5	2,537,868	9.1
325 – 336	172	3.9	2,255,099	8.1
337 – 348	87	2.0	1,140,093	4.1
349 – 360	19	0.4	344,781	1.2
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Private Financed Student Loans by Co-Signer  
as of the Statistical Cut-off Date**

Co-Signer	Number of Loans	Percent of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Co-Signed	1,386	31.6%	\$11,988,077	43.2%
Not Co-Signed	<u>2,998</u>	<u>68.4</u>	<u>15,789,689</u>	<u>56.8</u>
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

**Distribution of the Private Financed Student Loans by  
January 2012 FICO Score as of the Statistical Cut-off Date**

January 2012 FICO Score	Number of Loans	Percent of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
420 - 429	1	0.0%*	\$ 3,306	0.0%*
440 - 449	1	0.0*	5,970	0.0*
450 - 459	1	0.0*	6,962	0.0*
460 - 469	12	0.3	58,073	0.2
470 - 479	28	0.6	365,698	1.3
480 - 489	7	0.2	144,605	0.5
490 - 499	14	0.3	104,093	0.4
500 - 509	27	0.6	179,238	0.6
510 - 519	44	1.0	413,245	1.5
520 - 529	34	0.8	261,186	0.9
530 - 539	39	0.9	226,526	0.8
540 - 549	64	1.5	475,088	1.7
550 - 559	49	1.1	371,182	1.3
560 - 569	41	0.9	336,615	1.2
570 - 579	37	0.8	276,348	1.0
580 - 589	65	1.5	539,084	1.9
590 - 599	36	0.8	261,514	0.9
600 - 609	67	1.5	440,885	1.6
610 - 619	56	1.3	504,548	1.8
620 - 629	72	1.6	449,715	1.6
630 - 639	71	1.6	504,123	1.8
640 - 649	127	2.9	726,446	2.6
650 - 659	136	3.1	828,015	3.0
660 - 669	137	3.1	873,917	3.1
670 - 679	168	3.8	964,153	3.5
680 - 689	146	3.3	781,178	2.8
690 - 699	164	3.7	1,061,733	3.8
700 - 709	140	3.2	839,852	3.0
710 - 719	205	4.7	1,192,789	4.3
720 - 729	195	4.4	1,119,878	4.0
730 - 739	218	5.0	1,195,297	4.3
740 - 749	290	6.6	1,719,581	6.2
750 - 759	273	6.2	1,618,450	5.8
760 - 769	290	6.6	1,611,632	5.8
770 - 779	278	6.3	1,763,531	6.3
780 - 789	281	6.4	1,932,968	7.0
790 - 799	214	4.9	1,142,530	4.1
800 - 809	177	4.0	1,152,190	4.1
810 - 819	93	2.1	677,425	2.4
820 - 829	43	1.0	330,811	1.2
830 - 839	12	0.3	100,764	0.4
840 - 849	4	0.1	31,410	0.1
Missing	27	0.6	185,213	0.7
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Private Financed Student Loans by  
Updated FICO Score as of the Statistical Cut-off Date**

Updated FICO Score	Number of Loans	Percent of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
460 - 469	3	0.1%	\$ 9,546	0.0%*
470 - 479	3	0.1	7,072	0.0*
480 - 489	8	0.2	67,021	0.2
490 - 499	11	0.3	80,839	0.3
500 - 509	15	0.3	121,338	0.4
510 - 519	21	0.5	96,632	0.3
520 - 529	19	0.4	136,334	0.5
530 - 539	38	0.9	244,051	0.9
540 - 549	21	0.5	130,815	0.5
550 - 559	23	0.5	95,967	0.3
560 - 569	53	1.2	427,159	1.5
570 - 579	49	1.1	458,671	1.7
580 - 589	23	0.5	207,776	0.7
590 - 599	38	0.9	330,230	1.2
600 - 609	61	1.4	548,200	2.0
610 - 619	74	1.7	493,999	1.8
620 - 629	89	2.0	726,848	2.6
630 - 639	79	1.8	603,983	2.2
640 - 649	102	2.3	551,511	2.0
650 - 659	120	2.7	688,562	2.5
660 - 669	154	3.5	1,138,755	4.1
670 - 679	170	3.9	900,938	3.2
680 - 689	168	3.8	1,149,283	4.1
690 - 699	184	4.2	1,079,975	3.9
700 - 709	224	5.1	1,473,354	5.3
710 - 719	221	5.0	1,415,991	5.1
720 - 729	259	5.9	1,558,587	5.6
730 - 739	271	6.2	1,692,198	6.1
740 - 749	255	5.8	1,449,706	5.2
750 - 759	317	7.2	2,139,285	7.7
760 - 769	277	6.3	1,418,169	5.1
770 - 779	263	6.0	1,530,029	5.5
780 - 789	225	5.1	1,407,172	5.1
790 - 799	203	4.6	1,352,633	4.9
800 - 809	241	5.5	1,603,032	5.8
810 - 819	77	1.8	335,768	1.2
820 - 829	4	0.1	6,348	0.0*
Missing	<u>21</u>	<u>0.5</u>	<u>99,987</u>	<u>0.4</u>
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Financed Student Loans  
by State of Borrower's Address as of the Statistical Cut-off Date**

State Distribution <sup>(1)</sup>	Number of Loans	Percent of Loans	Aggregate Outstanding Balance	Percent of Loans by Aggregate Outstanding Balance
Alabama	8	0.2%	\$ 49,912	0.2%
Alaska	23	0.5	141,655	0.5
Arizona	18	0.4	119,128	0.4
California	146	3.3	861,778	3.1
Colorado	105	2.4	481,984	1.7
Connecticut	173	3.9	842,406	3.0
Delaware	2	0.0*	20,888	0.1
District of Columbia	41	0.9	224,835	0.8
Florida	123	2.8	948,607	3.4
Georgia	21	0.5	140,122	0.5
Hawaii	15	0.3	111,403	0.4
Idaho	7	0.2	38,777	0.1
Illinois	38	0.9	230,023	0.8
Indiana	6	0.1	65,419	0.2
Iowa	11	0.3	79,740	0.3
Kansas	10	0.2	22,186	0.1
Kentucky	6	0.1	10,787	0.0*
Louisiana	12	0.3	103,066	0.4
Maine	144	3.3	939,727	3.4
Maryland	87	2.0	695,271	2.5
Massachusetts	542	12.4	3,010,295	10.8
Michigan	18	0.4	163,293	0.6
Minnesota	13	0.3	63,464	0.2
Mississippi	5	0.1	14,754	0.1
Missouri	11	0.3	115,552	0.4
Montana	11	0.3	69,172	0.2
Nebraska	4	0.1	55,341	0.2
Nevada	17	0.4	219,264	0.8
New Hampshire	266	6.1	1,832,677	6.6
New Jersey	95	2.2	611,581	2.2
New Mexico	11	0.3	86,144	0.3
New York	397	9.1	2,289,345	8.2
North Carolina	61	1.4	519,872	1.9
North Dakota	2	0.0*	18,947	0.1
Ohio	18	0.4	87,766	0.3
Oklahoma	5	0.1	36,436	0.1
Oregon	49	1.1	279,782	1.0
Pennsylvania	89	2.0	434,969	1.6
Puerto Rico	1	0.0*	4,952	0.0*
Rhode Island	41	0.9	267,248	1.0
South Carolina	20	0.5	140,824	0.5
South Dakota	4	0.1	12,639	0.0*
Tennessee	21	0.5	143,448	0.5
Texas	46	1.0	431,833	1.6
Utah	25	0.6	162,505	0.6
Vermont	1,447	33.0	9,465,271	34.1
Virginia	81	1.8	535,836	1.9
Washington	52	1.2	364,651	1.3
West Virginia	2	0.0*	15,302	0.1
Wisconsin	11	0.3	61,884	0.2
Wyoming	4	0.1	26,434	0.1
Other / International <sup>(2)</sup>	19	0.4	108,571	0.4
Total	<u>4,384</u>	<u>100.0%</u>	<u>\$27,777,766</u>	<u>100.0%</u>

\* Greater than 0.0%, but less than 0.05%.

<sup>(1)</sup> Based on the billing addresses of the borrowers of the Private Financed Student Loans shown on the Servicer's records.

<sup>(2)</sup> Consists of locations that include other states, U.S. territories, possessions and commonwealths, foreign countries and overseas military establishments. To the extent that states with a large concentration of Private Financed Student Loans experience adverse economic or other conditions to a greater degree than other areas of the country, the ability of borrowers to repay their Private Financed Student Loans may be impacted to a larger extent than if the borrowers were more dispersed geographically.

**Distribution of the Private Financed Student Loans by School Type  
as of the Statistical Cut-off Date**

<b>School Type</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
4-Year University/Grad	3,804	86.8%	\$22,249,109	80.1%
2-Year University	298	6.8	2,142,778	7.7
Proprietary	180	4.1	2,224,386	8.0
Vocational	60	1.4	588,613	2.1
Foreign	41	0.9	572,850	2.1
Unknown/Other	<u>1</u>	<u>0.0*</u>	<u>31</u>	<u>0.0*</u>
<b>Total</b>	<b><u>4,384</u></b>	<b><u>100.0%</u></b>	<b><u>\$27,777,766</u></b>	<b><u>100.0%</u></b>

\*Greater than 0.0%, but less than 0.05%.

**Distribution of the Private Financed Student Loans by School  
as of the Statistical Cut-off Date**

<b>School</b>	<b>Number of Loans</b>	<b>Percent of Loans</b>	<b>Aggregate Outstanding Balance</b>	<b>Percent of Loans by Aggregate Outstanding Balance</b>
University of Vermont	1,325	30.2%	\$5,237,362	18.9%
Vermont Law School	701	16.0	3,315,927	11.9
New England Culinary Institute	124	2.8	1,788,107	6.4
Champlain College	226	5.2	1,588,468	5.7
Norwich University	186	4.2	1,523,302	5.5
Castleton State College	191	4.4	1,135,912	4.1
Saint Michaels College	183	4.2	1,077,162	3.9
Vermont Technical College	166	3.8	987,254	3.6
Green Mountain College	86	2.0	653,256	2.4
Lyndon State College	86	2.0	521,399	1.9
Johnson State College	69	1.6	423,252	1.5
Southern Vermont College	34	0.8	304,756	1.1
Landmark College	14	0.3	291,015	1.0
Bennington College	30	0.7	280,608	1.0
Glasgow Caledonian University	14	0.3	225,912	0.8
Northeastern University	21	0.5	207,560	0.7
Keene State College	24	0.5	185,104	0.7
University of New England	14	0.3	162,963	0.6
University of New Hampshire	18	0.4	154,412	0.6
College of Saint Joseph	22	0.5	145,029	0.5
Other/Unknown	<u>850</u>	<u>19.4</u>	<u>7,569,008</u>	<u>27.2</u>
<b>Total</b>	<b><u>4,384</u></b>	<b><u>100.0%</u></b>	<b><u>\$27,777,766</u></b>	<b><u>100.0%</u></b>

For a description of periodic default and recovery information with respect to certain of the Private Financed Student Loans, see “APPENDIX H—PERIODIC DEFAULT AND RECOVERY PERCENTAGES FOR CERTAIN PRIVATE FINANCED STUDENT LOANS” hereto.



## THE CORPORATION

### General

The Corporation, a public nonprofit corporation, was created as an instrumentality and agency of the State of Vermont in 1965 and exists under the State Act for the purpose of ensuring that Vermont students and parents have the necessary information and financial resources to pursue their education goals beyond high school. The Corporation has carried out its mandate by guaranteeing, making, acquiring, financing and servicing loans to borrowers qualifying under the State Act and, where applicable, the Higher Education Act and the Public Health Service Act. 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 and adults 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 Notes, are not effective until the actions of the Corporation's Board of Directors authorizing the issuance of such obligations are approved in writing by the Governor of the State of Vermont. The actions of the Corporation's Board of Directors authorizing the issuance of the Notes were approved by the Governor on November 10, 2014.

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

<u>DIRECTORS</u>	<u>PRINCIPAL OCCUPATIONS OR AFFILIATIONS</u>
Dorothy R. Mitchell Chair	Higher Education and Community Volunteer Worcester, Vermont
Representative Martha P. Heath Vice-Chair	Vermont House of Representatives Westford, Vermont
David Larsen Secretary	Middle School Educator (Retired) Wilmington, Vermont
Michael K. Smith	Interim President, Burlington College Burlington, Vermont
Katherine B. Hutchinson	Director of Guidance, Bellows Free Academy St. Albans, Vermont
Senator Ann E. Cummings	Vermont State Senator Montpelier, Vermont
Elizabeth Pearce <i>Ex-officio</i>	Treasurer, State of Vermont Montpelier, Vermont
G. Dennis O’Brien	President Emeritus, University of Rochester Middlebury, Vermont
Pamela A. Chisholm	Associate Dean for Enrollment Services Community College of Vermont Montpelier, Vermont
Virginia Cole-Levesque	Educator (Retired), Bethel, 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](http://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:

<u>NAME</u>	<u>POSITION</u>
Dorothy R. Mitchell	Chair
Martha P. Heath	Vice Chair
David Larsen	Secretary
Scott A. Giles	President-CEO
Thomas A. Little	Vice President, General Counsel and Assistant Secretary
Michael R. Stuart	Vice President, CFO and Assistant Secretary
Marilyn J. Cargill	Vice President, Financial Aids Services & Research and Assistant Secretary
Patrick J. Leduc	Vice President, CIO & Career and Education Outreach and Assistant Secretary

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

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

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

## **Management**

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

Mr. Scott A. Giles, President - CEO of the Corporation, joined the Corporation in 2003. Mr. Giles previously served the Corporation as its Vice President of Operations, Social Marketing and Strategy. He previously he served as Deputy Chief of Staff of the Committee on Science of the U.S. House of Representatives and as senior professional staff member on the U.S. Senate Committee on Health, Education, Labor and Pensions where he authored the student loan provisions of the Higher Education Act of 1998. He was appointed by the Secretary of Education to serve on the Federal Advisory Committee on Student Financial Assistance and was elected Chair. A national expert in higher education policy, regulation and servicing, he has been designated by Secretary Spellings and Secretary Duncan to represent the non-profit student lenders and servicers in the past three rounds of negotiated rulemaking. Mr. Giles has a B.A. from St. Lawrence University and both an M.A. and a Ph.D. from the University of Virginia as well as certificates in finance and management from the Harvard Business School and the Kennedy School of Government.

Mr. Michael R. Stuart, Vice President and 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. 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. As Vice President, Mr. Little oversees the Corporation's risk management, internal audit, compliance and development programs. Mr. Little received his B.A. from Bowdoin College in 1976 and his J.D. from Cornell University in 1979.

Ms. Marilyn J. Cargill, Vice President, Financial Aids Services & Research and Assistant Secretary, joined the Corporation in 1984. She worked for 20 years in the grant program moving from counselor, to manager, to assistant director. Ms. Cargill became director of Financial Aid Delivery and Operations in 2004 with responsibility for grants, scholarships, loan account services, school services, and the administrative and imaging area. In 2010, the customer relations division was added to her responsibilities. She oversees most of VSAC's operational functions including servicing the direct loan portfolio as well as other federal and private loans. Marilyn is a past president of the National Association of State Student Grant and Aid Programs (NASSGAP) and a member of the NASSGAP executive committee. Ms. Cargill has also served as an officer for the Vermont Association of Financial Aid Administrators. Ms. Cargill received her BS from the University of Vermont in 1978.

Mr. Patrick J. Leduc, CIO and Vice President of Career and Education Outreach and Assistant Secretary, joined the corporation in 1995. Mr. Leduc held positions in Information Technology and Project Management before moving to VSAC's senior management team where he oversees Human Resources, IT, and state-based outreach services. Mr. Leduc holds a degree in computer science from Hesser College, has held positions on various nonprofit, community-based boards, and is active in the development of scholarships for underserved populations.

## **Origination and Acquisition of Loans**

The Corporation currently originates private education loans to increase the availability of funds to assist students in obtaining further education. Starting in the late 1980's, the Corporation's education loan acquisitions have occurred almost exclusively through loans originated directly by the Corporation with capital raised in the

public credit markets. While the Corporation has not originated education loans on behalf of or purchased education loans from other financial institutions since the mid-1980's, the Corporation retains the authority and ability to enter into loan origination agreements or purchase agreements with financial institutions and, pursuant to such agreements, originate and purchase education loans.

### **Borrower Benefits**

A Private Loan which is a law or medical school loan for which the application was received on or before May 15, 2006 is eligible for an annual rebate of interest equivalent to one and ½ percent (1.5%) while in school and one percent (1.0%) while in repayment if such loan did not have any payments that were more than 180 days delinquent during the preceding 12 months. A Private Loan which is a law or medical school loan for which the application was received after May 15, 2006, but prior to June 30, 2008, is eligible for an annual rebate of interest equivalent to one percent (1.0%) while in repayment if such loan did not have any payments that were more than 180 days delinquent during the preceding 12 months. Any such rebate amount reduces the principal amount of such Private Loan, is usually determined the second weekend of July in each year, and is determined on a year by year basis; thus a Private Loan is not disqualified from a future benefit even if it failed to qualify in any prior year (unless such loan becomes a defaulted loan). In addition, the interest rate on any Private Loan can be reduced by 25 basis points for student borrowers who elect to make the monthly recurring payments electronically (ACH); however, this program was discontinued for new enrollment in March 2007. Such borrower benefits may be modified, discontinued, or terminated by the Corporation in its discretion at any time. See the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—Private Financed Student Loans" herein and "EXHIBIT B—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto

Certain FFELP 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 certain reductions in interest rate or interest rate rebates on any such loan. The Vermont Value Program is subject to the availability of funds and modification (reduction) 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. The Program reduces the borrower's repayment cost by providing for rebates of interest, reductions in interest rates, or fees paid on the borrower's behalf as outlined below. See the last two tables under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—FFELP Financed Student Loans (including HEAL Financed Student Loans)" herein.

The rebate amounts described below are available for applicable FFELP Loans that do not have a payment that was more than 180 days delinquent the day the rebates were processed. Any such rebate amount reduces the principal amount of such FFELP Loans, is usually determined the second weekend of June in each year, and is determined on a year by year basis; thus a FFELP Loan is not disqualified from a future benefit even if it failed to qualify in any prior year (unless such loan becomes a defaulted loan).

- A rebate of interest equivalent to one percent of the principal balance of the loan annually for qualified FFELP Loans (except for FFEL Program consolidation loans funded on or after July 1, 2001 and Stafford loans applications received after May 15, 2006); or
- For Stafford loan applications received May 16, 2006 through June 30, 2008, a rebate of interest equivalent to one percent (1.0%) of the principal balance of the loan annually while in repayment; or
- For PLUS loans issued to graduate students June 30, 2006 through June 30, 2008, a rebate of interest equivalent to four and three-tenths of one percent (4.3%) of the principal balance of the loan its first year in repayment and one and three-tenths percent (1.3%) of the principal balance of the loan annually all other years in repayment; or
- For students attending a Corporation approved medical or law school whose application is received before May 15, 2006, a rebate of interest equivalent to one and one-half percent (1.5%) of the principal balance of the loan annually for qualified FFELP Loans; or

- For students attending a Corporation approved medical or law schools AND the application is received May 16, 2006 through June 30, 2008, a rebate of interest equivalent to one and three tenths percent (1.3%) of the principal balance of the loan annually in repayment for qualified FFELP Loans; or
- For students who attended a Corporation-approved medical or law school, on their FFEL Program consolidation loans application is received before June 30, 2008, a rebate of interest equivalent to three-quarters of one percent (.75%) of the principal balance of the loan annually.

Certain FFELP Loans may also qualify for the following interest rate reductions:

- For FFEL Program consolidation loan applications received July 1, 2005 through June 30, 2008, a one percent interest rate reduction after 36 consecutive on-time payments are made.
- For borrowers who elected to make payments with an automatic electronic deduction (ACH), a one-quarter percent (.25%) reduction in their loan interest rate. This reduction is available to all Private Loans and was available to all FFELP Loans who made such election before March 2007, and for Stafford and PLUS loans first disbursed after July 1, 2008.

### **Servicing of Education Loans**

The Corporation provides the personnel necessary to perform all origination and servicing of education loans (including FFELP Loans, HEAL Loans and private program loans). The Corporation uses third-party collection agencies to assist it in the collection of certain education 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 education loans with software licensed from Nelnet, Inc.

The Corporation reserves the right to outsource certain loan servicing functions in the future to achieve efficiencies and improvements in its loan servicing activities.

### **FFELP Default Claims Filed and Net Reject Rates**

The net reject rate with respect to FFELP Loans is the amount of claims submitted for payment that are rejected by the guaranty agency and are subsequently unable to be cured. The net reject rate of FFELP Loans owned and serviced by the Corporation for the last five fiscal years of the Corporation is as follows:

Fiscal Year (ending June 30)	Number of Claims Filed	Number of Claims Rejected	Number of Loans Not Cured	Number of Loans Cured in Same Fiscal Year	Number of Loans Cured in 2 <sup>nd</sup> or 3 <sup>rd</sup> Fiscal Year	Gross Rejects (Percentage)	Net Rejects (Percentage) <sup>(1)</sup>
2014	4,864	15	10	4	1	0.3084%	0.2056%
2013	4,292	9	9	0	0	0.2097	0.2097
2012	4,416	0	0	0	0	0.0000	0.000
2011	3,815	2	0	2	0	0.0524	0.000
2010	3,891	8	7	0	1	0.2056	0.1799

<sup>(1)</sup> Net rejects (claims rejected less the number of cured loans) divided by the total number of claims filed.

### **Role in Federal Programs**

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 “FFELP”) to help students borrow money for their education beyond the high school level. Acting in this capacity, the Corporation is referred to herein as the “State Guarantor.” The Eligible Loans will not be guaranteed by the

Corporation, as State Guarantor or otherwise, by the Secretary of Education or by any other person other than a co-signer.

The role of the Corporation as a Guaranty Agency under the FFEL Program is described herein under the caption “GUARANTY AGENCIES—Information Concerning the Guaranty Agencies; the Corporation as Guaranty Agency” herein.

Provisions of the Reconciliation Act provide that (1) eligible nonprofit organizations may apply to the Department of Education for authority to service Direct Loans under the Direct Loan Program, and (2) eligible nonprofit organizations with the ability to service such Direct Loans are to be given a minimum of 100,000 Direct Loan accounts to service. The Corporation received a servicing contract on October 31, 2012 to become a qualified non-profit servicer to service Direct Loans, and commenced servicing on November 1, 2012. There can be no assurance what impact the costs of compliance by the Corporation with its obligations under this servicing agreement and the associated revenues to be received by the Corporation will have on the Corporation’s financial condition.

### **Outstanding Debt of the Corporation**

The Corporation has previously issued revenue indebtedness in the form of bonds and notes in order to finance its existing student loan programs, and also has issued its general obligation bonds to finance its headquarters and principal office.

The revenue debt of the Corporation that is currently outstanding, proceeds of which have been issued to finance education loans, has been issued under and is secured by 8 separate trust instruments. All such indebtedness constitutes special, limited obligations of the Corporation payable solely from revenues derived from the student loans financed under such instruments and other assets specifically pledged therefor, does not constitute a general obligation of the Corporation and is not subject to or secured by the Indenture. The total amount of such indebtedness outstanding is approximately \$1.3 billion. The Notes are not payable from any of the loans or other assets that are pledged under such separate trust documents and the Eligible Loans and other assets pledged under the Indenture to secure the Notes are not available to pay any such separately secured indebtedness.

### **Permissible Activities; Limitations**

The Corporation was not formed as a “special purpose” entity and is legally authorized to and does operate as an active student loan lender and servicer and in related activities. The Corporation does not generally have any significant restrictions on its activities to serve as a student loan lender and servicer under the Authorizing Act, including with respect to issuing or investing in additional securities, borrowing money or making loans to other persons. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and such other documents may not be readily available or may be limited.

### **Administration**

The Corporation, as Administrator under the Indenture, is required to take all actions and do all things reasonably necessary to administer the Trust Estate and the duties of the Corporation and Administrator thereunder. The Corporation may also enter into an Administration Agreement with any sub-administrator it shall retain. The Corporation is responsible as Administrator under the Indenture for, among other things, causing the preparation of all reports, filings, instruments, certificates and opinions required by the Basic Documents, performing all duties with respect to the administration and collection of the Financed Student Loans and enforcement of the Servicing Agreements and monitoring the performance of the duties and obligations of any Servicer and the Trustee under its Servicing Agreement and the Indenture, respectively. Under the Indenture, the Administrator will be paid an Administration Fee. The Administration Fee is equal to (i) for each month, a fee equal to 1/12th of 0.05% of the then outstanding Pool Balance as of the end of the preceding month and (ii) no more than \$18,500 annually for certain Rating Agency surveillance fees and certain other fees relating to the administration of the Trust Estate.

## **Repurchase Requests**

The resolutions and indentures entered into in connection the Corporation's securitization transactions contain covenants requiring the Corporation to repurchase student loans in the case of an uncured breach of certain representations and warranties. In the past year, the Corporation has not received a demand to repurchase any student loan underlying a securitization of student loans for which Corporation has acted as sponsor.

## **STUDENT LOAN SERVICING**

### **General**

All of the Financed Student Loans are expected to be serviced by the Corporation. The Corporation will act as Servicer pursuant to the servicing provisions contained in the Indenture and pursuant to which all of the Financed Student Loans will be serviced. The Corporation reserves the right to contract with other Servicers to the extent permitted by applicable laws, regulations and contractual commitments and to the extent allowed under the Indenture. The Indenture contains provisions relating to the servicing of the Financed Student Loans, including provisions regarding recordkeeping, reporting, collection of loans, processing loan payments, making insurance or guarantee claims and maintaining promissory notes and related loan documentation. In addition, the Corporation under the Indenture has agreed to comply with the procedures manual or guidelines established by a Guaranty Agency. The Corporation or the Trustee may require a Servicer to change their procedures under the Indenture if a change is required to comply with the Higher Education Act, upon written advice from the Secretary of revised procedures, rules or regulations or upon changes in the criteria of a Guaranty Agency or, as applicable, similar changes with respect to the Public Health Service Act and any procedures, rules or regulations promulgated by the Secretary of Health and Human Services. Amounts, if received by the Servicer (including the Corporation), shall be remitted within two Business Days only to the Trustee and not to the Corporation.

The Corporation has entered into a Back-up Servicing Agreement for the FFELP Loans (the "FFELP Loan Back-up Servicing Agreement") with Nelnet Servicing, LLC and a Back-up Servicing Agreement for Private Loans (the "Private Loan Back-up Servicing Agreement") with Nelnet Servicing, LLC (d/b/a as Firstmark Services). The Back-up Servicing Agreements govern the appointment and acceptance of the Back-up Servicer as successor Servicer with respect to the Financed Student Loans after the occurrence of a Conversion Event specified therein and the removal of the Corporation as the Servicer. See the captions "Description of the FFELP Loan Back-up Servicing Agreement" and "Description of the Private Loan Back-up Servicing Agreement" below.

### **Servicing and Due Diligence**

We have covenanted in the Indenture to have the Financed Student Loans serviced and collected in accordance with all applicable requirements of the Higher Education Act, the Public Health Service Act, the Department, the Secretary of Health and Human Services, the Indenture and the Guaranty Agreements. The Higher Education Act requires that the originating lender, and their agents exercise due diligence in the making, servicing and collection of FFELP loans and that a Guaranty Agency exercise due diligence in collecting FFELP loans which it holds. The Higher Education Act defines "due diligence" as requiring the holder of a student loan to utilize servicing and collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans, and requires that certain specified collection actions be taken within certain specified time periods with respect to a delinquent loan or a defaulted loan. The Guaranty Agencies have established procedures and standards for due diligence to be exercised by each Guaranty Agency with regard to loans that are guaranteed by the respective Guaranty Agency.

If at any time the Corporation fails to perform its obligations as a Servicer under the Indenture or under the Higher Education Act or the Public Health Service Act, or if any other Servicer fails in any material respect to perform its obligations under its Servicing Agreement, the Higher Education Act or under the Public Health Service Act, including without limitation the failure of the Corporation or Servicer to comply with the due diligence requirements of the Higher Education Act or the Public Health Service Act, or if any servicing audit shows any material deficiency in the servicing of Financed Student Loans by the Corporation or any other Servicer, pursuant to the Indenture, the Corporation will, or will cause the Servicer to cure the failure to perform or the material deficiency or remove such Servicer and appoint another Servicer. Any such failure is a Conversion Event under the

FFELP Loan Back-up Servicing Agreement. See the caption “Description of the FFELP Loan Back-up Servicing Agreement” below.

### **The Back-up Servicer**

*Nelnet Servicing, LLC.* Nelnet Servicing, LLC is a wholly-owned subsidiary of Nelnet, Inc. Nelnet, Inc. began its education loan servicing operations on January 1, 1978, and Nelnet, Inc. and its subsidiary servicers provide student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing collections, payment processing, default aversion, claim filing and recovery/collection services. These activities are performed internally for Nelnet, Inc.’s and its affiliates’ portfolios and for third-party clients. Nelnet, Inc. and its subsidiary servicers have offices located in, among other cities, Aurora, Colorado, and Lincoln, Nebraska, and as of August 31, 2014 had approximately 3,300 employees and serviced approximately \$155.5 billion in FFELP and private student loans.

Doing business as Firstmark Services for third-party private loan servicing, Nelnet Servicing, LLC services over \$2.8 billion in private student loans for over 193,000 borrowers via 82 associates in Nelnet, Inc.’s offices in Woodbury, MN, Lincoln, NE, and Highlands Ranch, CO.

### **Description of the FFELP Loan Back-up Servicing Agreement**

**General.** Each of the parties to the FFELP Loan Back-up Servicing Agreement will undertake the necessary actions to enable a Portfolio Conversion (as hereafter defined) from Servicer’s loan servicing system to the servicing system of the Back-up Servicer upon the occurrence of a Conversion Event. A “Conversion Event” is defined under the FFELP Loan Back-up Servicing Agreement to include any one of the following events:

- (a) the Servicer defaults in the performance of any of its duties under the Indenture in connection with its servicing of the Financed Student Loans and, after written notice of such default, shall not cure such default within 90 days (or, if such default cannot be cured in such time, shall not give within 90 days such assurance of cure as shall be reasonably satisfactory to the Trustee);
- (b) to the extent permitted by applicable law, a court having jurisdiction in the premises shall enter a decree or order for relief, and such decree or order shall not have been vacated within 90 days, in respect of the Servicer in any involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Servicer or any substantial part of its property or order the winding-up or liquidation of its affairs;
- (c) to the extent permitted by applicable law, the Servicer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Servicer or any substantial part of its property, shall consent to the taking of possession by any such official of any substantial part of its property, shall make any general assignment for the benefit of creditors or shall fail generally to pay its debts as they become due;
- (d) the Servicer determines that it will no longer service any Financed Student Loans and provides 90 days’ written notice to the Back-up Servicer and the Trustee of such determination; or
- (e) the Corporation, as Servicer, has breached any representations or warranties made in the Indenture with respect to the Financed Student Loans, the result of which would have a material adverse effect on the Trust Estate.

During the term of the FFELP Loan Back-up Servicing Agreement, the Back-up Servicer will be the exclusive back-up servicer to Servicer with respect to the Financed Student Loans and agrees to stand ready to service the Financed Student Loans currently being serviced by Servicer following a Portfolio Conversion (and the



agreement to stand ready to service such Financed Student Loans is the Back-up Servicer's sole obligation prior to a Portfolio Conversion). "Portfolio Conversion" means the conversion of all Financed Student Loans being serviced by the Servicer to the Back-up Servicer's servicing system upon written notice from the Servicer, the Corporation or the Trustee and following the occurrence of a Conversion Event.

**Term and Termination.** The FFELP Loan Back-up Servicing Agreement has an initial term of three (3) years from June 25, 2013, unless sooner terminated pursuant to the terms thereof. Thereafter, the FFELP Loan Back-up Servicing Agreement will be extended for successive one (1) year periods, unless, prior to any Portfolio Conversion having occurred, any party thereto notifies the other parties by written notice of its intent to terminate the FFELP Loan Back-up Servicing Agreement, such notice to be delivered to the other parties at least ninety (90) days prior to the end of the then-current term. Notwithstanding the foregoing, however, in the event of one or more Portfolio Conversions, the term of the FFELP Loan Back-up Servicing Agreement will continue without any further act of the parties, until the payment in full of all the Financed Student Loans.

The FFELP Loan Back-up Servicing Agreement may be terminated at the option of the Corporation without charge, upon (i) the Back-up Servicer's failure to perform or observe any of the material provisions or covenants of the FFELP Loan Back-up Servicing Agreement which materially and adversely affects Servicer's ability to perform its obligations under the FFELP Loan Back-up Servicing Agreement (subject to cure rights); (ii) the Back-up Servicer (A) discontinuing its business, or (B) generally not paying its debts as such debts become due, or (C) making a general assignment for the benefit of creditors, or (D) admitting by answer, default or otherwise the material allegations of petitions filed against it in any bankruptcy, reorganization, insolvency or other proceedings (whether federal or state) relating to relief of debtors, or (E) suffering or permitting to continue unstayed and in effect for thirty (30) consecutive days, any judgment, decree or order, entered by a court of competent jurisdiction, which approves a petition seeking its reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator for itself or all or a substantial part of its assets, or take or omit any action in order thereby to affect any of the foregoing; (iii) the occurrence of an event or a change in circumstances that would have a material adverse effect on the ability of Back-up Servicer to perform its obligations under the FFELP Loan Back-up Servicing Agreement (subject to cure rights); (iv) the Back-up Servicer failing to remain eligible to service Higher Education Act Loans under the Higher Education Act, the Regulations, any applicable state and federal law and the terms and conditions of the FFELP Loan Back-up Servicing Agreement; or (v) providing the notice described in the first paragraph of this caption. Upon a termination of the FFELP Loan Back-up Servicing Agreement as a result of any of the foregoing, the Corporation has the right, in its discretion, to direct the Back-up Servicer to convert the Financed Student Loans to another back-up servicer's system in a commercially reasonable manner. The cost of this conversion shall be borne by the Corporation, provided, the Back-up Servicer shall absorb its internal costs associated with the removal of the Financed Student Loans from its servicing system. If the FFELP Loan Back-up Servicing Agreement is terminated by Corporation for any reason not identified above, then in addition to all servicing fees then due, all remaining annual maintenance fees for the term of the FFELP Loan Back-up Servicing Agreement shall be immediately due and payable to Back-up Servicer.

The FFELP Loan Back-up Servicing Agreement may be terminated at the option of Back-up Servicer upon (i) the Servicer's failure to perform or observe any of the material provisions or covenants of the FFELP Loan Back-up Servicing Agreement which materially and adversely affects Back-up Servicer's ability to perform its obligations under the FFELP Loan Back-up Servicing Agreement (subject to cure rights); (ii) the Back-up Servicer determining that it is no longer able to perform its obligations as a back-up third party servicer, upon one hundred eighty (180) days written notice to the Corporation, the Servicer and the Trustee; (iii) the Servicer discontinues utilizing the SLSS or another reasonably compatible system, a list of which will be provided by the Back-up Servicer to the Servicer upon request; (iv) providing the notice described in the first paragraph of this caption; or (v) upon nonpayment of fees to the Back-up Servicer (subject to cure rights). Upon a termination of the FFELP Loan Back-up Servicing Agreement by the Back-up Servicer, the Corporation has the right, in its discretion, to direct the Back-up Servicer to convert the Financed Student Loans to another back-up servicer's system in a commercially reasonable manner. The cost of this conversion shall be borne by the Corporation.

**Fees.** The Back-up Servicer's fees for acting as back-up servicer is a fixed annual fee and, after a Portfolio Conversion, its fees for acting as servicer are set for in a fee schedule to the FFELP Loan Back-up Servicing Agreement, which are based upon the number of accounts and the delinquency status of the each account. The servicing fees and other fees set forth in the FFELP Loan Back-up Servicing Agreement may not be modified during

the initial term, unless a Portfolio Conversion shall have occurred, in which case, at any time after the first twelve (12) months following the Portfolio Conversion (or at any time after the initial term), and on not less than thirty (30) days' advance written notice to Corporation and Servicer, the Back-up Servicer may increase the fees, provided, no such increase shall result in a percentage increase for any twelve month period that will exceed the greater of either (i) the percentage increase in the U. S. Department of Labor's Consumer Price Index for Urban Wage Earners and Clerical Workers, U.S. City Average (1982-84=100) (the "CPI") for the most recent twelve (12)-month period available at the time of each annual adjustment, or (ii) three percent (3%) per annum. In addition, the Back-up Servicer may increase fees in the amount of any increase in rates charged by the United States Postal Service to Back-up Servicer.

Further, if the Back-up Servicer is required to make material changes to its services or its servicing system due to changes to Applicable Requirements (as defined in the FFELP Loan Back-up Servicing Agreement), or other changes or increased costs beyond Back-up Servicer's reasonable control, including changes in the business environment, Back-up Servicer may renegotiate the fees with the Corporation and the Servicer to reasonably reflect those increased costs.

**Conversion.** The Servicer agrees that it will maintain all relevant computer and information systems to be reasonably consistent and compatible with Back-up Servicer's electronic conversion processes or exchange file formats in anticipation of a Portfolio Conversion. Within one-hundred fifty (150) days of the Back-up Servicer's receipt of notice of a Conversion Event and in accordance with the schedule provided by Back-up Servicer, Servicer is required to transmit the necessary electronic files, copies and/or records (or such other format acceptable to Back-up Servicer) to the Back-up Servicer to enable the Back-up Servicer to convert each Financed Student Loan currently serviced by Servicer to the Back-up Servicer's system for Servicing. The Servicer shall be responsible for the continued servicing of the Financed Student Loans until such Portfolio Conversion is completed. Prior to such Portfolio Conversion, the Servicer is responsible for the payment of the Federal default fee required to be collected by the Guaranty Agency and deposited into the Federal Student Loan Reserve Fund for said Guaranty Agency pursuant to the Higher Education Act, and the Back-up Servicer has no liability if a Financed Student Loan loses its guaranty due to the nonpayment of this Federal default fee.

**Indemnification.** The Back-up Servicer shall have no liability whatsoever for, and the Servicer agrees to hold Back-up Servicer harmless from and against, any and all errors with respect to the origination, disbursement or servicing of Financed Student Loans at all times prior to a Portfolio Conversion of such Financed Student Loans pursuant to the FFELP Loan Back-up Servicing Agreement.

If the Back-up Servicer takes or fails to take any action in connection with servicing (whether or not such action or inaction amounts to negligence) which causes any Financed Student Loan to be denied the benefit of any applicable Interest Subsidy Payment, Special Allowance Payment or Guaranty, the Back-up Servicer shall have a reasonable time to cause such benefits to be reinstated. If such benefits are not reinstated within twelve (12) months of denial by the Guaranty Agency or the Secretary, the Back-up Servicer will purchase or arrange for the purchase of the applicable Financed Student Loan(s) at an amount equal to the amount the Guaranty Agency would otherwise have paid but for Back-up Servicer's error or omission.

The foregoing is the Corporation's sole remedy for servicing errors by Back-up Servicer, and notwithstanding the foregoing remedy, in no event shall Back-up Servicer liability of any kind under the Back-up Servicing Agreement exceed the servicing fees paid to Back-up Servicer thereunder during the twelve (12) months immediately preceding the event giving rise to such liability. In no event will the Back-up Servicer be liable under any theory of tort, contract, strict liability or other legal or equitable theory for any lost profits or exemplary, punitive, special, incidental, indirect or consequential. Any action for the breach of any provisions of the FFELP Loan Back-up Servicing Agreement are required to be commenced within one (1) year after the Financed Student Loan leaves the Back-up Servicer's servicing system.

In the Indenture, the Corporation covenants that the FFELP Financed Student Loans not serviced by one of the Department's Title IV Additional Servicers (currently those Financed Student Loans serviced by the Corporation) will always be covered by a Back-up Servicing Agreement with a servicer that is one of the Department's Title IV Additional Servicers. Pursuant to the Indenture, the definition of Conversion Event included in the FFELP Loan Back-up Servicing Agreement as of the Issue Date is not permitted to be amended unless the

requirements of a Rating Notification (as defined in “EXHIBIT C—GLOSSARY OF CERTAIN DEFINED TERMS” hereto) have been satisfied.

### **Description of the Private Loan Back-up Servicing Agreement**

**General.** Each of the parties to the Private Loan Back-up Servicing Agreement will undertake the necessary actions to enable a Portfolio Conversion from Servicer’s loan servicing system to the servicing system of the Back-up Servicer upon the occurrence of a Conversion Event. A “Conversion Event” is defined under the Private Loan Back-up Servicing Agreement as the occurrence any of the following: (a) the Servicer defaults in the performance of any of its duties under the Indenture in connection with its servicing of the Financed Student Loans and, after written notice of such default, shall not cure such default within 90 days (or, if such default cannot be cured in such time, does not give within 90 days such assurance of cure as shall be reasonably satisfactory to the Trustee); (b) to the extent permitted by applicable law, a court having jurisdiction in the premises shall enter a decree or order for relief, and such decree or order shall not have been vacated within 90 days, in respect of the Servicer in any involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Servicer or any substantial part of its property or order the winding-up or liquidation of its affairs; (c) to the extent permitted by applicable law, the Servicer commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, consents to the entry of an order for relief in an involuntary case under any such law, or consents to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the Servicer or any substantial part of its property, consents to the taking of possession by any such official of any substantial part of its property, makes any general assignment for the benefit of creditors or shall fail generally to pay its debts as they become due; (d) the Servicer determines that it will no longer service any Financed Student Loans and provides 90 days’ written notice to the Back-up Servicer and the Trustee of such determination; or (e) the Servicer has breached any representations or warranties made in the Indenture with respect to the Financed Student Loans, the result of which would have a material adverse effect on the Trust Estate.

During the term of the Private Loan Back-up Servicing Agreement, the Back-up Servicer will be the exclusive back-up servicer to Servicer with respect to the Financed Student Loans and agrees to stand ready to service the Financed Student Loans currently being serviced by Servicer following a Portfolio Conversion. “Portfolio Conversion” means the conversion of all Financed Student Loans being serviced by the Servicer to the Back-up Servicer’s servicing system upon written notice from the Servicer, the Corporation or the Trustee and following the occurrence of a Conversion Event.

**Term and Termination.** The Private Loan Back-up Servicing Agreement has an initial term of three (3) years from November 28, 2012, unless sooner terminated. Thereafter, the Private Loan Back-up Servicing Agreement will be extended for successive one (1) year periods, unless, prior to any Portfolio Conversion having occurred, any party thereto notifies the other parties by written notice of its intent to terminate the Private Loan Back-up Servicing Agreement, such notice to be delivered to the other parties at least ninety (90) days prior to the end of the then-current term. Notwithstanding the foregoing, however, in the event of a Portfolio Conversions, the term of the Private Loan Back-up Servicing Agreement will continue without any further act of the parties, until the payment in full of all the Financed Student Loans.

The Private Loan Back-up Servicing Agreement may be terminated at the option of the Corporation without charge, upon (i) the Back-up Servicer’s failure to perform or observe any of the material provisions or covenants of the Private Loan Back-up Servicing Agreement which materially and adversely affects Servicer’s ability to perform its obligations under the Private Loan Back-up Servicing Agreement (subject to cure rights); (ii) the Back-up Servicer (A) discontinuing its business, or (B) generally not paying its debts as such debts become due, or (C) making a general assignment for the benefit of creditors, or (D) admitting by answer, default or otherwise the material allegations of petitions filed against it in any bankruptcy, reorganization, insolvency or other proceedings (whether federal or state) relating to relief of debtors, or (E) suffering or permitting to continue unstayed and in effect for thirty (30) consecutive days, any judgment, decree or order, entered by a court of competent jurisdiction, which approves a petition seeking its reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator for itself or all or a substantial part of its assets, or take or omit any action in order thereby to affect any of the foregoing; (iii) the occurrence of an event or a change in circumstances that would

have a material adverse effect on the ability of the Back-up Servicer to perform its obligations under the Private Loan Back-up Servicing Agreement (subject to cure rights); (iv) the Back-up Servicer failing to remain eligible to service Student Loans under any applicable state and federal law and the terms and conditions of the Private Loan Back-up Servicing Agreement; or (v) providing the notice described in the first paragraph of this caption. Upon a termination of the Private Loan Back-up Servicing Agreement, the Corporation has the right, in its discretion, to direct the Back-up Servicer to convert the Financed Student Loans to another back-up servicer's system in a commercially reasonable manner. The cost of this conversion shall be borne by the Corporation, provided, the Back-up Servicer shall absorb its internal costs associated with the removal of the Financed Student Loans from its servicing system. If the Private Loan Back-up Servicing Agreement is terminated by Corporation for any reason not identified above, then in addition to all servicing fees then due, all remaining annual maintenance fees for the term of the Private Loan Back-up Servicing Agreement shall be immediately due and payable to the Back-up Servicer.

The Private Loan Back-up Servicing Agreement may be terminated at the option of the Back-up Servicer upon (i) the Servicer's failure to perform or observe any of the material provisions or covenants of the Private Loan Back-up Servicing Agreement which materially and adversely affects the Back-up Servicer's ability to perform its obligations under the Private Loan Back-up Servicing Agreement (subject to cure rights); (ii) the Back-up Servicer determining that it is no longer able to perform its obligations as a back-up third party servicer, upon one hundred eighty (180) days written notice to the Corporation, the Servicer and the Trustee; (iii) the Servicer discontinues utilizing the SLSS or another reasonably compatible system; (iv) providing the notice described in the first paragraph of this caption; or (v) nonpayment of its fees. Upon a termination of the Private Loan Back-up Servicing Agreement by the Back-up Servicer, the Corporation has the right, in its discretion, to direct the Back-up Servicer to convert the Financed Student Loans to another back-up servicer's system in a commercially reasonable manner. The cost of this conversion shall be borne by the Corporation.

**Fees.** The Back-up Servicer's fees for acting as back-up servicer is a fixed annual fee and, after a Portfolio Conversion, its fees for acting as servicer are set for in a fee schedule to the Private Loan Back-up Servicing Agreement, which are based upon the number of accounts and the delinquency status of the each account. The servicing fees and other fees set forth in the Private Loan Back-up Servicing Agreement may not be modified during the initial term, unless a Portfolio Conversion shall have occurred, in which case, at any time after the first twelve (12) months following the Portfolio Conversion (or at any time after the Initial Term), and on not less than thirty (30) days' advance written notice to Corporation and Servicer, the Back-up Servicer may increase the fees, provided, no such increase shall result in a percentage increase for any twelve month period that will exceed the greater of either (i) the percentage increase in the U. S. Department of Labor's Consumer Price Index for Urban Wage Earners and Clerical Workers, U.S. City Average (1982-84=100) (the "CPI") for the most recent twelve (12)-month period available at the time of each annual adjustment, or (ii) three percent (3%) per annum. In addition, the Back-up Servicer may increase fees in the amount of any increase in rates charged by the United States Postal Service to the Back-up Servicer.

Further, if the Back-up Servicer is required to make material changes to its services or its servicing system due to changes to Applicable Requirements (as defined in the Private Loan Back-up Servicing Agreement), or other changes or increased costs beyond the Back-up Servicer's reasonable control, including changes in the business environment, the Back-up Servicer may renegotiate the fees with the Corporation and the Servicer to reasonably reflect those increased costs.

**Conversion.** The Servicer agrees that it will maintain all relevant computer and information systems to be reasonably consistent and compatible with the Back-up Servicer's electronic conversion processes or exchange file formats in anticipation of a Portfolio Conversion. Within one-hundred fifty (150) days of the Back-up Servicer's receipt of notice of a Conversion Event and in accordance with the schedule provided by the Back-up Servicer, Servicer is required to transmit the necessary electronic files, copies and/or records (or such other format acceptable to the Back-up Servicer) to the Back-up Servicer to enable the Back-up Servicer to convert each Financed Student Loan currently serviced by Servicer to the Back-up Servicer's system for Servicing. The Servicer shall be responsible for the continued servicing of the Financed Student Loans until such Portfolio Conversion is completed.

**Indemnification.** The Back-up Servicer shall have no liability whatsoever for, and the Servicer agrees to hold the Back-up Servicer harmless from and against, any and all errors with respect to the origination, disbursement

or servicing of Financed Student Loans at all times prior to a Portfolio Conversion of such Financed Student Loans pursuant to the Private Loan Back-up Servicing Agreement.

If the Back-up Servicer commits an error in connection with its servicing obligations, which error results in a Financed Student Loan becoming unenforceable or uncollectable, the Back-up Servicer shall have a reasonable time to cure such any Financed Student Loan. If such cure does not provide sufficient enforceability of the Financed Student Loan within twelve (12) months, the Back-up Servicer will purchase or arrange for the purchase of the applicable Financed Student Loan at an amount equal to the outstanding principal balance and accrued but unpaid interest thereon. If the Student Loan is thereafter cured within twelve (12) months after the date of purchase, the Corporation is required to repurchase such Student Loan from the Back-up Servicer or its designee, at a price equal to the outstanding principal amount thereof plus accrued but unpaid interest thereon, such sum to be payable as an additional servicing fee under this Agreement.

The foregoing is the Corporation's sole remedy for servicing errors by the Back-up Servicer, and notwithstanding the foregoing remedy, in no event will the Back-up Servicer's liability of any kind under the Private Loan Back-up Servicing Agreement exceed the servicing fees paid to the Back-up Servicer under the Private Loan Back-up Servicing Agreement during the twelve (12) months immediately preceding the event giving rise to such liability. In no event will the Back-up Servicer be liable under any theory of tort, contract, strict liability or other legal or equitable theory for any lost profits or exemplary, punitive, special, incidental, indirect or consequential. Any action for the breach of any provisions of the Private Loan Back-up Servicing Agreement is required to be commenced within one (1) year after the Financed Student Loan leaves the Backup Servicer's servicing system.

## **GUARANTY AGENCIES**

### **General**

The FFELP Financed Student Loans will be guaranteed as to principal and interest by a Guaranty Agency to at least the minimum percentage of the principal of and accrued interest on such FFELP Financed Student Loan allowed by the terms of the Higher Education Act and reinsured by the Secretary under the Higher Education Act, and in all cases other than unsubsidized loans, must be eligible for Interest Subsidy Payments paid by the Secretary. The following discussion of Guaranty Agencies is inapplicable to the Financed Student Loans that are Private Loans or HEAL Loans.

If a FFELP Loan is guaranteed by a Guaranty Agency in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the Guaranty Agency for 98% for Student Loans first disbursed on or after November 1, 1993 through June 30, 2006 and 97% for Student Loans first disbursed on or after July 1, 2006 through June 30, 2010. The eligible lender is reimbursed 100% of the unpaid principal balance of the FFELP Loan plus accrued unpaid interest on any defaulted FFELP Loan so long as the eligible lender has properly originated and serviced such FFELP Loan for (i) FFELP Loans first disbursed before November 1, 1993; (ii) any filing by or against the borrower thereof of a petition in bankruptcy pursuant to any chapter of the Federal bankruptcy code, as amended; (iii) the death of the borrower thereof; (iv) the total and permanent disability of the borrower, as certified by a qualified physician; and (v) lender of last resort FFELP Loans. The Guaranty Agency's guaranty obligation is unaffected by its particular recovery rate or claims rate experience. To the extent, however, that the Guaranty Agency is financially unable to pay claims under its guarantee, whether due to reductions in reimbursement from the Department or for other reasons, and to the extent the Department does not step in and perform the Guaranty Agency's obligations as they become due but instead requires holders of defaulted FFELP Loans to first make claims against the Guaranty Agency and thereafter to make claims directly against the Department, payment to holders of FFELP Loans may be delayed.

There can be no assurance that the claims rate experience of any of the Guaranty Agencies for which information is provided below for any future year will be similar to the historical claims rate experience set forth below. See "RISK FACTORS—The FFELP Financed Student Loans and HEAL Financed Student Loans are Unsecured and the Ability of a Guaranty Agency to Honor its Guarantee May Become Impaired" herein.

## **Federal Reinsurance**

The Higher Education Act establishes a program of federal reimbursement to certain state agencies or other private nonprofit corporations administering student loan insurance programs of losses sustained in the operation of their student loan guarantee programs. These Guaranty Agencies are reimbursed by the Secretary pursuant to certain agreements between the Secretary and the state agency or organization for amounts expended in discharging their student loan guarantee obligations. See “EXHIBIT A—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” hereto.

Pursuant to its respective Guaranty Agreement, each of the Guaranty Agencies guarantees payment of 100% of the principal (including any interest capitalized from time to time) and accrued interest for each FFELP Loan guaranteed by it as to which any one of the following events has occurred:

- (a) failure by the borrower thereof to make monthly principal or interest payments on such FFELP Loan when due, provided such failure continues for a period of 270 days (except that such guarantee against such failures will be 98% of principal and accrued interest for FFELP Loans first disbursed on or after November 1, 1993 through June 30, 2006 and 97% of principal and accrued interest for FFELP Loans first disbursed on or after July 1, 2006 through June 30, 2010);
- (b) any filing by or against the borrower thereof of a petition in bankruptcy pursuant to any chapter of the Federal bankruptcy code, as amended;
- (c) the death of the borrower thereof; or
- (d) the total and permanent disability of the borrower, as certified by a qualified physician.

When the conditions in clause (b) or (d) above are satisfied, the Higher Education Act requires the Guaranty Agencies generally to pay the claim within forty-five (45) days of its submission by the lender, and within ninety (90) days when the conditions in clause (a) or (c) are satisfied. The obligations of the Guaranty Agencies pursuant to their respective Guaranty Agreements are obligations solely of the Guaranty Agencies, respectively, and are not supported by the full faith and credit of any state government.

Each of the Guaranty Agencies’ guarantee obligations with respect to any FFELP Loan are conditioned upon the satisfaction of all the conditions set forth in the applicable Guaranty Agreement. These conditions include, but are not limited to, the following: (i) the origination and servicing of such FFELP Loan being performed in accordance with the Higher Education Act and other applicable requirements, (ii) the timely payment to the Guaranty Agencies of any guarantee fee charged with respect to such FFELP Loan, (iii) the timely submission to the Guaranty Agencies of all required pre-claim delinquency status notifications and of the claim with respect to such Student Loan and (iv) the transfer and endorsement of the promissory note evidencing such Student Loan to the Guaranty Agencies, upon and in connection with making a claim to receive Guaranty Payments thereon. Failure to comply with any of the applicable conditions, including the foregoing, may result in the refusal of the Guaranty Agencies to honor their Guaranty Agreements with respect to such FFELP Loan, in the denial of guarantee coverage with respect to certain accrued interest amounts with respect thereto or in the loss of certain Interest Subsidy Payments and Special Allowance Payments with respect thereto. In such event, the Corporation may have recourse under the applicable Servicing Agreement or may be required to repurchase such loan under the Indenture as described under the caption “THE FINANCED STUDENT LOANS—Rights and Remedies Relating to Acquisition or Purchase; Limitations” herein.

## **Information Concerning the Guaranty Agencies; the Corporation as Guaranty Agency**

The Corporation serves as the Guaranty Agency for all of the FFELP Financed Student Loans and that are expected to be included in the Trust Estate as of the Statistical Cut-off Date. There are no other entities that are expected to initially serve as Guaranty Agencies for the FFELP Financed Student Loans expected to be included in the Trust Estate.

**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 the 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 Guaranty Agency 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 of Vermont or of any of its political subdivisions is pledged to any such payments required to be made. The State Act requires the Corporation to establish and maintain the Guarantee Reserve Fund at a level using historical loan delinquency and default rates and other relevant information. As of August 31, 2014, the Guarantee Reserve Fund was funded based on the requirements of the State Act, and as of such date the Corporation’s Federal Loan Reserve Fund complied with the requirements of the Higher Education Act.

The Corporation, in its capacity as Guaranty Agency, currently receives funding from several sources, including reimbursement from the Secretary in the form of default aversion assistance pursuant to Section 428(1)(2) of the Higher Education Act, federal advances and other federal payments, including account maintenance fees authorized pursuant to Section 458(b) of the Higher Education Act. The Higher Education Act, as amended, requires that any guaranty agency, including the Corporation, in its capacity as a Guaranty Agency, return certain advances and not accumulate cash reserves in excess of an amount determined by the Secretary.

**Guaranty Volume.** The following table sets forth the approximate aggregate principal amount of FFELP loans (including PLUS Loans but excluding Consolidation Loans) that have first become guaranteed by the Corporation as Guaranty Agency in the five federal fiscal years indicated:

<u>Fiscal Year</u> <u>(ending September 30)</u>	<u>FFELP Loan Volume</u> <u>(Dollars in millions)</u>
2013	\$0.0
2012	\$0.0
2011	\$0.0
2010	\$0.0
2009	\$42.5

**Reserve Ratio.** The Corporation's reserve ratio is determined 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. The table below sets forth the Corporation's reserve ratios as of the end of the five federal fiscal years indicated:

<u>Fiscal Year</u> <u>(ending September 30)</u>	<u>Reserve Ratio</u>
2013	0.906%
2012	0.841%
2011	0.811%
2010	0.802%
2009	0.647%

**Default Trigger Claims Rates.** For the most recent five federal fiscal years, the default trigger claims rates for the Corporation listed below did not exceed 5%, and as a result, all claims of the Corporation have been fully reimbursed at the maximum allowable level by the Department of Education. The following table sets forth the Corporation's claims rates for the federal fiscal years indicated:

<u>Fiscal Year</u> <u>(ending September 30)</u>	<u>Default Trigger Claims Rate</u>
2013	1.32%
2012	1.50%
2011	0.98%
2010	1.05%
2009	1.46%

**Recovery Rates.** The Corporation's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined by dividing the amount recovered from borrowers during a federal fiscal year by the guarantee agency's outstanding default loan portfolio at the end of the prior federal fiscal year. The table below sets forth the Corporation's recovery rates for the five federal fiscal years indicated:

<u>Fiscal Year</u> <u>(ending September 30)</u>	<u>Recovery Rate</u>
2013	25.80%
2012	28.37%
2011	30.46%
2010	27.57%
2009	30.29%

**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 September 30, 2014.

<u>School Type</u>	<u>Outstanding Principal</u>	<u>Percentage of Guaranteed Loans</u> <u>Outstanding</u>
Four-Year	\$683,001,947.16	72.20%
Two-Year	60,477,411.32	6.39
Proprietary	59,934,508.85	6.34
Other <sup>(1)</sup>	<u>142,521,220.03</u>	<u>15.07</u>
Total	<u>\$945,935,087.36</u>	<u>100.00%</u>

<sup>(1)</sup>This category includes primarily Consolidation Loans. A breakdown of school types within this category is not available to the Corporation.



## **THE TRUSTEE**

People's United Bank will serve as Trustee for the Notes. People's United Bank 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 shall be delivered by mail delivery/overnight mail to: People's United Bank, Corporate Trust Department, Two Burlington Square, Burlington, Vermont 05401. Other than this paragraph, People's United Bank has not participated in the preparation of, and is not responsible for, any other information contained in this Official Statement.

## **REPORTS TO NOTEHOLDERS**

Not later than four Business Days prior to each Distribution Date, the Corporation will prepare and deliver to the Trustee a certificate which will specify the amounts to be deposited or distributed by the Trustee on the next Distribution Date (the "Distribution Date Certificate"). Upon receipt of the Distribution Date Certificate from the Corporation, the Trustee will prepare a certificate which will include the information described below (the "Distribution Date Information Form"). The Trustee may conclusively rely and accept the information described in the Distribution Date Certificate from the Corporation, with no further duty to know, determine or examine such reports. Once completed, and in any case, on the date that is two Business Days preceding such Distribution Date, the Trustee will provide the Distribution Date Information Form to the Corporation. Upon receiving the completed Distribution Date Information Form from the Trustee, the Corporation will post and provide electronic access to the form on the Corporation's website at [www.vsac.org](http://www.vsac.org). The website is not incorporated into and shall not be deemed to be a part of this Official Statement. Any Noteholder requesting a copy of the Distribution Date Information Form from the Trustee will be directed to the electronic form posted on the Corporation's website or such other location from which copies of the Distribution Date Information Form may be obtained. Such reports will not be audited and will not constitute financial statements prepared in accordance with generally adopted accounting principles. The Corporation has authorized the execution, delivery and distribution of this Official Statement in connection with the offering and sale of the Notes.

The Distribution Date Information Form prepared by the Trustee and posted by the Corporation on its website will include the following information:

- the amount of the distribution allocable to interest on the Notes with respect to such Distribution Date;
- the amount of the distribution allocable to principal of the Notes with respect to such Distribution Date;
- the amount of Available Funds from the immediately preceding Collection Period, and, if required, the amount of other Available Funds on deposit in the Collection Fund;
- the Pool Balance as of the close of business on the last day of the preceding Collection Period;
- the Parity Ratio with respect to such Distribution Date;
- the amount of the Servicing Fees paid to the Corporation with respect to such Distribution Date and the amount of any unpaid Servicing Fees from prior Distribution Dates;
- the amount of any Administration Fees to be paid to the Administrator with respect to such Distribution Date and the amount of any unpaid Administration Fees from prior Distribution Dates;
- the amount of the annual Trustee Fee (to the extent not previously paid in full) then due and to be paid to the Trustee;
- the amount to be deposited to the Debt Service Reserve Fund (to reinstate the balance of the Debt Service Reserve Fund up to the Debt Service Reserve Fund Requirement);

- the amounts required to be deposited in the Tax-Exempt Rebate Fund;
- the total amount of distributions with respect to such Distribution Date; and
- information concerning LIBOR and the interest rates applicable to the Notes;

In the event the Corporation no longer maintains, or is no longer able to maintain, its website for this purpose, the Trustee will post and provide electronic access to the Distribution Date Information Form on a website, currently [www.peoples.com/absinvestor\\_reporting](http://www.peoples.com/absinvestor_reporting). The website is not incorporated into and shall not be deemed to be part of this Official Statement.

## TAX MATTERS

### General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Notes 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 Notes. Failure to comply with such requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the Issue Date of the Notes. The Corporation has covenanted to comply with such requirements. Bond Counsel is further of the opinion that interest on the Notes is a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Notes.

Bond Counsel is also of the opinion that, under existing laws of the State of Vermont, the Notes and the interest thereon are exempt from all taxation, franchise taxes, fees or special assessment of whatever kind imposed by the State of Vermont, except for transfer, inheritance and estate taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Notes under the laws of Vermont or any other State or jurisdiction.

The accrual or receipt of interest on the Notes may otherwise affect the federal income tax liability of the owners of the Notes. 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 Notes, 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, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan and 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 Notes.

*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 Notes is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments 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 reporting requirement does not in and of itself affect or alter the excludability of interest on the Notes 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 under this caption “TAX MATTERS” or adversely affect the market value of the Notes. 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 Notes. 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 Notes or the market value thereof would be impacted thereby. Purchasers of the Notes 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 Issue Date of the Notes and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

### **AGREEMENT BY THE STATE**

Under the State Act, the State of Vermont pledges and agrees with the holders of the bonds, notes and obligations of the Corporation, including the Notes, that the State of Vermont 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 Notes. Neither will the State of Vermont in any way impair the rights nor remedies of the holders until the bonds, notes and other obligations of the Corporation, including the Notes, 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 of Vermont 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 Registered Owners of the Notes.

### **LEGAL INVESTMENT**

The State Act provides that, notwithstanding any other law, the State of Vermont and all public officers, governmental units and agencies of the State of Vermont, 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 Notes) and such obligations (including the Notes) are authorized security for any and all public deposits.

### **PLAN OF DISTRIBUTION**

#### **General**

The Notes are being offered by Morgan Stanley & Co. LLC (the "Underwriter") to prospective purchasers from time to time in individually negotiated transactions at varying prices and other terms to be determined in each case at the time of sale, within the United States.

Subject to the terms and conditions set forth in a Note Purchase Agreement (the "Note Purchase Agreement") between the Corporation and the Underwriter, the Corporation will agree to sell the Notes to the Underwriter, and the Underwriter will agree to purchase the Notes from the Corporation, at a price of \$59,700,000. The Underwriter shall receive an underwriting fee in connection with the sale of the Notes equal to \$347,210.33.

It is expected that delivery of the Notes will be made only in book-entry form through the same day funds settlement system of DTC on or about the Issue Date, against payment therefor in immediately available funds.

In the Note Purchase Agreement, the Underwriter has agreed, subject to the terms and conditions set forth therein, to purchase the Notes. The Note Purchase Agreement provides that the obligation of the Underwriter to pay for and accept delivery of its Notes is subject to, among other things, the receipt of certain legal opinions and the satisfaction of other conditions.

The sale of the Notes by the Underwriter may be effected from time to time in one or more negotiated transactions, or otherwise, at varying prices to be determined at the time of sale. The Underwriter may effect such transactions by selling their Notes to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the Underwriter for whom it acts as agent.

The Note Purchase Agreement provides that the Corporation will indemnify, to the extent permitted by law, the Underwriter, and that under limited circumstances the Underwriter will indemnify the Corporation against certain civil liabilities under federal or state securities laws.

The Notes are a new class of securities with no established trading market. Although the Underwriter has advised that it may from time to time make a market in the Notes, the Underwriter is under no obligation to do so, a market may fail to develop despite some degree of market-making activities and the Underwriter may discontinue market-marking activities at any time without prior notice. There can be no assurance that a secondary market for the Notes will develop or, if it does develop, that it will continue or that the prices at which the Notes will sell in the market after this offering will not be lower or higher than the initial offering price. The primary source of ongoing information available to investors concerning the Notes will be the statements described under the caption "REPORTS TO NOTEHOLDERS" herein. There can be no assurance that any additional information regarding the Notes will be available through any other source. In addition, the Corporation is not aware of any source through which price information about the Notes will be generally available on an ongoing basis. The limited nature of such information regarding the Notes may adversely affect the liquidity of the Notes, even if a secondary market for the Notes becomes available.

The Underwriter and some of its respective affiliates have in the past engaged, and may in the future engage, in commercial or investment banking activities with the Corporation and may trade in its securities. The Corporation may, from time to time, invest the funds in the accounts in eligible investments acquired from the Underwriter.

Morgan Stanley & Co. LLC may be contacted at its principal office at 1585 Broadway, New York, New York 10036, telephone (212) 761-1545, Attention: Managing Director, Municipal Securities Division.

## **RATINGS**

It is a condition to the issuance of the Notes that the Notes be rated "Asf" by Fitch and "A (sf)" by S&P. The Corporation has furnished Fitch and S&P with certain information and materials concerning the Notes and the Corporation, some of which is not included in this Official Statement. Generally, a Rating Agency bases its rating on such information and materials and also on such investigations, studies, and assumptions as each may undertake or establish independently.

A rating is not a recommendation to buy, sell or hold the Notes and any such rating should be evaluated independently. Each rating is subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Notes. Neither the Corporation nor the Underwriter has undertaken any responsibility either to bring to the attention of the Noteholders any proposed change in or withdrawal of the rating of the Notes or to oppose any such change or withdrawal.

## **LEGAL MATTERS**

Certain legal matters, including certain income tax matters, will be passed upon for the Corporation by Kutak Rock LLP, certain other legal matters will be passed upon for the Corporation by its in-house General Counsel and certain legal matters will be passed upon for the Underwriter by Stroock & Stroock & Lavan LLP.

## **CERTAIN INVESTMENT COMPANY ACT CONSIDERATIONS**

The Corporation is not registered or required to be registered as an "investment company" under the Investment Company Act. In determining that the Corporation is not required to be registered as an investment

company, the Corporation does not rely solely on the exemption from the definition of “investment company” set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act.

## ACCOUNTING CONSIDERATIONS

Various factors may influence the accounting treatment applicable to an investor’s acquisition and holding of asset-backed securities. Accounting standards, and the application and interpretation of such standards, are subject to change from time to time. Before making an investment in the Notes, potential investors are strongly encouraged to consult their own accountants for advice as to the appropriate accounting treatment for their Notes.

## LITIGATION

### General

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 Notes, or in any way contesting or affecting the validity of the Notes, any proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any Financed Student Loans, moneys or other security provided for the payment of the Notes or the due existence or powers of the Corporation.

### Federal False Claims Act Lawsuit

On September 28, 2009, the Corporation was served with a First Amended Complaint (the “Complaint”) in a qui tam lawsuit filed against it and nine other student loan lenders. A qui tam lawsuit is a civil case brought by one or more individuals (a “Plaintiff”) on behalf of the federal government for an alleged submission to the government of a false claim for payment. The Complaint alleged that the defendants knowingly presented and caused to be presented to the Department of Education false and fraudulent claims, records and statements in order to obtain illegal special allowance payments on FFELP loans in violation of the Federal False Claims Act. The Complaint alleged that from 2002 through 2006, defendants submitted claims to the Department of Education for special allowance payments on certain FFELP loans at a rate of 9.5% (“9.5% Loans”), which the Plaintiff alleged is higher than that allowed under applicable law. The original Complaint was filed in the United States District Court for the Eastern District of Virginia on September 21, 2007 under seal. Following the government’s decision not to intervene, the Complaint was unsealed on August 24, 2009. The Plaintiff thereafter pursued the case at its own expense on behalf of the government. The Complaint alleged that the Corporation unlawfully increased its balance of 9.5% Loans and submitted 9.5% special allowance payment claims on an unlawfully inflated balance in the amount of approximately \$22.6 million. The Complaint alleges that while certain repayments were made, the repayments appeared to be inadequate. The Complaint seeks civil penalties and treble the amount of damages sustained by the federal government in connection with the alleged overbilling. The Corporation believes that it had fully complied with the Higher Education Act, the regulations promulgated thereunder and the guidance provided by the Department of Education in its billing for special allowance payments and is vigorously defending against the lawsuit and the appeal; however, it cannot predict the ultimate outcome of this qui tam case or any liability that may result.

On December 1, 2009, the District Court granted motions to dismiss filed by the Corporation and three other state agencies on the basis that, as state agencies, they are not “persons” subject to suit under the False Claims Act. The plaintiff appealed this dismissal to the Federal Court of Appeals for the Fourth Circuit. On June 18, 2012, the Court of Appeals vacated the District Court’s dismissal and remanded the case to the District Court for the District Court to apply a different legal analysis to the question whether the Corporation is amenable to suit under the False Claims Act. On September 20, 2012, the Corporation filed a renewed motion to dismiss; and on October 24, 2012, the District Court granted the Corporation’s renewed motion to dismiss. The motion to dismiss was appealed by the Plaintiff and the Fourth Circuit Court of Appeals, on March 13, 2014, remanded the action to the District Court for limited discovery on the state agency question. Discovery has concluded. The Corporation has filed a Motion for Summary Judgment and is waiting for the District Court to hear and decide that Motion. The Corporation denies any liability under the Complaint and continues to vigorously defend against the case; however, it cannot predict the ultimate outcome of the case or any liability that may result. See the caption “RISK FACTORS—Litigation and Other Matters Potentially Affecting the Corporation” herein.

## CONTINUING DISCLOSURE

The Corporation will agree, for the benefit of the owners of the Notes, to provide certain financial information and operating data relating to the Corporation by not later than 180 days following the end of the Corporation's fiscal year (which currently is June 30), commencing with the report for the Fiscal Year ending June 30, 2015 (the "Annual Financial Information"), and to provide notices of the occurrence of certain enumerated events. The Annual Financial Information has been and is to be filed by the Corporation with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. The notices of material events are to be filed by the Corporation with the Municipal Securities Rulemaking Board ("MSRB"). The specific nature of the information to be contained in the Annual Financial Information or the notices of material events is summarized under "EXHIBIT G—PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants were made in order to assist the Underwriter in complying with Securities Exchange Commission ("SEC") Rule 15c2-12(b)(5). The Corporation has generally filed Annual Financial Information when due, although certain of that information was posted to the Corporation's website rather than filed with EMMA. That information has since been filed with EMMA and will continue to be filed with EMMA even if posted on the Corporation's website.

## FINANCIAL ADVISOR

Student Loan Capital Strategies LLC (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 Notes 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 Notes 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.

Use of this Official Statement in connection with the sale of the Notes has been authorized by the Corporation.

VERMONT STUDENT ASSISTANCE CORPORATION

By: /s/ Scott A. Giles  
Scott A. Giles, President/CEO

## EXHIBIT A

### SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

*Beginning on July 1, 2010, FFELP Loans made pursuant to the Higher Education Act were no longer originated, and all new federal student loans as of such date are originated solely under the Federal Direct Student Loan Program (the “Direct Loan Program”). However, FFELP Loans originated under the Higher Education Act prior to July 1, 2010 which have been acquired or are anticipated to be acquired by the Corporation (including the loans described in this Official Statement under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOANS—FFELP Financed Student Loans (including HEAL Financed Student Loans)”) continue to be subject to the provisions of the FFEL Program. The following description of the FFEL Program has been provided solely to explain certain of the provisions of the FFEL Program applicable to FFELP Loans made on or after July 1, 1998 and prior to July 1, 2010.*

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

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

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

#### **Federal Family Education Loans**

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

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

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

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

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

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

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

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

## **PLUS Loan Program**

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

## **Federal Direct Student Loan Program**

The Student Loan Reform Act of 1993 established the Direct Loan Program. The first loans under the Direct Loan Program were made available for the 1994-1995 academic year. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the United States Department of Education (the "Department of Education"), make loans to students or parents without application to or funding from outside lenders or Guaranty Agencies. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including extended, graduated and income contingent repayment plans, forbearance of payments during periods of national service and consolidation under the Direct Loan Program of existing student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the Direct Loan Program. The Direct Loan Program also provides certain programs under which principal may be forgiven or interest rates may be reduced. Direct Loan Program repayment plans, other than income contingent plans, must be consistent with the requirements under the Higher Education Act for repayment plans under the FFEL Program. Due to the enactment



of the Reconciliation Act, FFELP Loans made pursuant to the Higher Education Act are no longer originated, and as of July 1, 2010, new federal student loans are originated solely under the Direct Loan Program.

## **The Consolidation Loan Program**

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

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

## **Interest Rates**

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

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

2008 but before July 1, 2009 bear interest at a rate equal to 6.00% per annum. Subsidized Stafford Loans made on or after July 1, 2009 but before July 1, 2010 bear interest at a rate equal to 5.60% per annum.

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

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

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

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

## **Loan Disbursements**

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

## **Loan Limits**

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

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

## Repayment

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

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

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

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed, subject to deferral. For parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible, upon the request of the parent, to begin repayment on the later of (a) six months and one day after the student for whom the loan is borrowed ceases to carry at least one-half of the normal full-time academic

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

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

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

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

## **Master Promissory Notes**

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

## **Interest Benefit Payments**

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

## **Special Allowance Payments**

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

Public Law 112-74, dated December 23, 2011, amended the Higher Education Act, reflecting financial market conditions, to allow FFELP lenders to make an affirmative election to permanently change the index for Special Allowance Payment calculations on all FFELP loans in the lender’s portfolio (with certain limited exceptions) disbursed after January 1, 2000 from the Three Month Commercial Paper Rate (as hereafter defined) to the One Month LIBOR Rate (as hereafter defined), commencing with the Special Allowance Payment calculations for the calendar quarter beginning on April 1, 2012. Such election to permanently change the index for Special Allowance Payment calculations was required to be made by April 1, 2012 and required a waiver of all contractual, statutory or other legal rights to the Special Allowance Payment calculation formula in effect at the time the loans were first disbursed.

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

Rate” means the one-month London Interbank Offered Rate for United States dollars in effect for each of the days in such quarter as compiled and released by the IntercontinentalExchange Group (ICE).

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

\*Substitute “One Month LIBOR Rate” for “Three Month Commercial Paper Rate” in this formula where lenders made the affirmative election by no later than April 1, 2012 under Public Law 112-74, dated December 23, 2011, to permanently change the index for Special Allowance Payment calculations for all loans in the lender’s portfolio.

<sup>1</sup> Substitute 2.50% in this formula while such loans are in the in-school or grace period.

<sup>2</sup> Substitute 2.20% in this formula while such loans are in the in-school or grace period.

<sup>3</sup> Substitute 1.74% in this formula while such loans are in the in-school or grace period.

<sup>4</sup> Substitute 1.34% in this formula while such loans are in the in-school or grace period.

<sup>5</sup> Substitute 1.19% in this formula while such loans are in the in-school or grace period.

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

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

\*Substitute “One Month LIBOR Rate” for “Three Month Commercial Paper Rate” in this formula where lenders made the affirmative election by no later than April 1, 2012 under Public Law 112-74, dated December 23, 2011, to permanently change the index for Special Allowance Payment calculations for all loans in the lender’s portfolio.

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

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

\*Substitute "One Month LIBOR Rate" for "Three Month Commercial Paper Rate" in this formula where lenders made the affirmative election by no later than April 1, 2012 under Public Law 112-74, dated December 23, 2011, to permanently change the index for Special Allowance Payment calculations for all loans in the lender's portfolio.

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

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

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

## **Loan Fees**

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

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

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

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

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

**Rebate Fee on Consolidation Loans.** The holder of any Consolidation Loan for which the first disbursement was made on or after October 1, 1993, is required to pay to the Secretary a monthly fee equal to 0.0875% (1.05% per annum) of the principal amount plus accrued unpaid interest on the loan. However, for Consolidation Loans for which applications were received from October 1, 1998 to January 31, 1999, inclusive, the monthly rebate fee is approximately equal to 0.0517% (0.62% per annum) of the principal amount plus accrued interest on the loan.

## **Insurance and Guarantees**

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

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

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



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

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

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

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

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

Claims Rate	Guarantor Reinsurance Rate for Loans made prior to October 1, 1993	Guarantor Reinsurance Rate for Loans made between October 1, 1993 and September 30, 1998	Guarantor Reinsurance Rate for Loans made on or after October 1, 1998 and prior to July 1, 2010 <sup>1</sup>
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

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

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

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

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

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

of loans may receive higher reimbursements from Guarantors. For example, lenders of last resort may receive reimbursement at a rate of 100% from Guarantors.

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

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

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

A Guaranty Agency repays the Secretary an amount equal to 100% of the amount of the principal balance outstanding at the time of the sale of such student loan, multiplied by the reinsurance percentage in effect when payment under the guaranty agreement was made with respect to the student loan, and may charge to the borrower an amount not to exceed 16% of the outstanding principal and interest at the time of the loan sale. The amount of such repayment is deducted from the amount of federal reimbursement payments for the fiscal year in which such repayment occurs, for purposes of determining the reimbursement rate for that fiscal year.

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

## **Guarantor Reserves**

Each Guarantor is required to establish a Federal Fund which, together with any earnings thereon, are deemed to be property of the United States. Each Guarantor is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, a certain percentage of default collections equal to the complement of the reinsurance percentage in effect when payment under the Guarantee Agreement was made, insurance premiums, 70% of payments received after October 7, 1998 from the Secretary for administrative cost

allowances for loans insured prior to that date, and other receipts as specified in regulations. A Guarantor is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A Guarantor is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the Guarantor. A Guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year for loans originated on or after October 1, 2003 and first disbursed before July 1, 2010, 30% of payments received after October 7, 1998 for the administrative cost allowances for loans insured prior to that date, the account maintenance fee paid by the Secretary for Direct Loan Program loans in the amount of 0.06% of the original principal amount of the outstanding loans insured, any default aversion fee that is paid, the Guarantor's 16% retention on collections of defaulted loans and other receipts as specified in the regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans guaranteed on or after July 1, 2006 and first disbursed before July 1, 2010, Guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1.00% of the principal amount of the loan.

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

### **Lender-of-Last-Resort Program**

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

### **Education Loans Generally Not Subject to Discharge in Bankruptcy**

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

## **EXHIBIT B**

### **DESCRIPTION OF THE PRIVATE LOAN PROGRAMS**

The Corporation originated private education loans with the proceeds of the Refunded Bonds and other monies available for such purposes under the Refunded Resolution. This Exhibit A provides a description of the Corporation's Advantage Loan Program and law and medical school loan programs. Substantially all of the Private Financed Student Loans securing the notes were originated pursuant to those loan programs. Less than 1% of the Private Financed Student Loans were originated by the Corporation pursuant to its Extra "Choice" Loan program, its VSAC Extra Loan program (Classic) and its VAST program. The Financed Student Loans originated pursuant to the Extra "Choice" Loan program and the VSAC Extra Loan program (Classic) were made to undergraduate and graduate students and have terms similar to those originated pursuant to the VSAC Extra Advantage Loan program. The VAST program was made to the parent or guardian of a high school student taking tech courses to gain vocational skills.

#### **VSAC EXTRA ADVANTAGE LOANS**

##### **General**

The Corporation established the VSAC Extra Advantage Loan program in 2004 to originate non-guaranteed, private, variable rate, education loans to creditworthy undergraduate and graduate borrowers. The Corporation ended financing VSAC Extra Advantage Loan under the Refunded Resolution in March of 2010. The VSAC Extra Advantage Loans represent approximately 75% of outstanding principal amounts of the Private Financed Student Loans. See the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—Private Financed Student Loans" in this Official Statement.

##### **Borrowers**

Under the VSAC Extra Advantage Loan program, the student was required to be the borrower (the "Student Borrower"). The Student Borrower was required to be either (a) a Vermont resident attending an out-of-state educational institutions eligible to receive Title IV funds or (b) attending a Vermont-based educational institution; provided, however, between July 1, 2005 and June 30, 2006, a Student Borrower with an existing VSAC Extra Advantage Loan could obtain additional VSAC Extra Advantage Loans without having to meet the requirements described in clause (a) or (b) above or any increased credit standards. For applications approved for new borrowers after May 14, 2006, a minimum FICO score of 700 was required. For applications approved prior to June 1, 2009, if the Student Borrower failed to meet the credit standards established by the Corporation, a parent, legal guardian, or any other Vermont resident meeting such credit standards may be a co-signer (each, a "Co-Signer" for a VSAC Extra Advantage Loan). For applications approved after May 31, 2009, a Co-Signer was required for a VSAC Extra Advantage Loan. A Co-Signer may be released from its payment obligations on a VSAC Extra Advantage Loan if (a) 48 on-time payments have been made on the loan and (b) the Student Borrower has no negative credit (defined under "Credit Evaluation by the Corporation" below) and a FICO score of 680 (700 for applications approved after May 14, 2006) or greater. Each of the Student Borrower and the Co-Signer was required to be a U.S. citizen or eligible non-citizen of the United States (as defined under the Higher Education Act). The Student Borrower must have been enrolled at least half-time in a degree granting program.

##### **Loan Terms**

The annual amount that was permitted to be borrowed under a VSAC Extra Advantage Loan was limited to the Student Borrower's educational cost after deducting any financial aid (which may include past due amounts required to be paid for the Student Borrower to re-enroll) and the Borrower Student must have borrowed the maximum amount of Title IV loans.

VSAC Extra Advantage Loans carry interest rates based upon an index defined as the average of the three-month London Interbank Offered Rate ("LIBOR") as published by the ICE Benchmark Administration on the

first business day of the month for each of the preceding three months. The margin added to LIBOR on the VSAC Extra Advantage Loan depended upon the date on which the loan application was approved. For applications approved prior to May 15, 2006, a margin of 2.70% was added to LIBOR prior to the beginning of the repayment period, which margin increased to 2.90% during the repayment period. For applications approved on or after May 15, 2006, the margins added to LIBOR were additionally dependent upon the FICO score assigned to the Student Borrower or, if applicable, the Co-Signer. Such margins ranged from 2.25% to 7.25%. There is no specified maximum rate on a VSAC Extra Advantage Loan loans; however, the loan rate may not exceed the Vermont usury rate of 18%.

A Student Borrower under a VSAC Extra Advantage Loan must begin repaying such loan within 6 months after graduating or dropping to less than half-time enrollment. VSAC Extra Advantage Loans are initially scheduled for repayment in level monthly installments within fifteen years, however, such loans may be extended up to thirty years at the request of the Student Borrower. The VSAC Extra Advantage Loans have minimum monthly payments equal to \$50 (subject to certain exceptions).

Interest on a VSAC Extra Advantage Loan accrues from the date of first disbursement until the loan is paid in full, provided, that such interest may be capitalized prior to the beginning of the repayment period and during any forbearance periods. Forbearance on a VSAC Extra Advantage Loan during times of financial hardship may be granted at the discretion of the Corporation. Such a forbearance period extends the repayment term of the loan.

Beginning in 2010, the Corporation established the following policies to limit forbearances in its private loan programs, including the VSAC Extra Advantage Loans: (a) a three (3) year (36 installments) cumulative maximum forbearance period when no principal payments will be made and payments of interest will be capitalized; (b) a five (5) year (60 installments) cumulative maximum forbearance period when reduced payments will be made (the guideline for such reduced payment amount is the amount of the monthly interest accrual), (c) recommend that each specific forbearance period not exceed 3 months (or 6 months under more extenuating circumstances), (d) each instance of forbearance cannot exceed 12 consecutive months (including any past due months) and (e) any outstanding interest is capitalized at the end of the forbearance period.

VSAC Extra Advantage Loans may be prepaid in full or in part at any time without penalty. The Corporation does not currently assess late fees; however, the Corporation regularly reports the status of each VSAC Extra Advantage Loan to the credit bureaus. A VSAC Extra Advantage Loan is considered in default if (a) any payment due on such loan is more than 270 days delinquent or the Student Borrower fails to keep promises made in the promissory note, (b) the Student Borrower fails to notify the Corporation of any changes, (c) any bankruptcy proceeding or assignment of assets or (d) any false statement pertaining to the loan.

Depending upon the credit level determination, the Student Borrowers paid an origination fee ranging from 0% to 6% of the principal amount of the VSAC Extra Advantage Loan. Such origination fees were deducted from the loan amount prior to disbursement and used by the Corporation to originate additional student loans under the 1995 Bond Resolution.

The interest rate on certain VSAC Extra Advantage Loans could be reduced by 25 basis points for Student Borrowers who elect to make the monthly recurring payments electronically (ACH); however, this program was discontinued for new enrollment in March 2007. This borrower benefit may be modified, discontinued, or terminated by the Corporation in its discretion at any time.

VSAC Extra Advantage Loans are eligible for loan write-off if the Student Borrower dies or becomes permanently disabled. The Corporation uses the eligibility and documentation requirements outlined in the Higher Education Act to determine if a Student Borrower has died or has become permanently disabled. If the Student Borrower meets these requirements, the Student Borrower's and any Co-Signer's obligations to repay such loan will be cancelled.

## **Credit Evaluation by the Corporation**

Applications for VSAC Extra Advantage Loans are submitted to the Corporation, which conducts the loan application review activities and credit evaluation. The Student Borrower must not have any defaulted education loans with the Corporation. Each VSAC Extra Advantage Loan was given a credit score depending upon the FICO Score of the Student Borrower and/or the Co-Signer, and whether the Student Borrower or the Co-Signer had negative credit. Absence of negative credit was defined as follows: (a) no active bankruptcy; (b) no unsatisfied court judgment or federal or state tax lien or government claim over \$100; (c) no education loan default with more than a \$0 balance (any prior default required a written explanation from the Student Borrower); (d) no real estate foreclosure or deed in lieu thereof and (e) no record of a collection account, profit and loss write off, charge off, or repossession for more than \$500 which has not been satisfied. Accounts with less than \$500 balance or medical collection accounts were subject to credit committee judgment. The loan officer in charge of the VSAC Extra Advantage Loan program made the initial credit evaluations. In the case of questions or an unclear decision, the application was referred to a credit committee. The Corporation could also deny an application for other reasons, provided that the Corporation's denial was in accordance with applicable law. The Corporation requested one or more credit bureau reports on the Student Borrower and, if applicable, the Co-Signer. Credit reports that were more than one-hundred twenty (120) days old were not used for underwriting purposes.

## **Certification by the Educational Institution**

After credit evaluation, the Corporation notified the appropriate educational institution that an applicant had been received and requests the educational institution to certify that the Student Borrower was currently enrolled and the Student Borrower's cost of attendance less other financial aid (including other student loans). VSAC Extra Advantage Loans were approved for the lessor of cost minus aid as approved by the educational institution or the loan amount requested by the Student Borrower.

## **Loan Disbursement**

VSAC Extra Advantage Loans were disbursed directly to the educational institutions.

## **Servicing**

The VSAC Extra Advantage Loans will be serviced by the Corporation; however, the Corporation reserves the right to use other servicers.

## **Delinquencies and Defaults**

Upon a VSAC Extra Advantage Loan becoming delinquent, the Corporation begins a proactive default aversion program consisting of letters, phone calls and autodialer calls to the Student Borrower and any Co-Signer. Such letters and calls are mailed or made at regular intervals, not exceeding thirty days, beginning once a payment on such VSAC Extra Advantage Loan is 5 or more days delinquent. The Corporation performs active skip tracing procedures if a Student Borrower or Co-Signer is unable to be contacted. Delinquencies of greater than 60 days are reported to national credit bureaus. Collection procedures are initiated when the VSAC Extra Advantage Loan becomes 190 days delinquent. The Corporation engages outside third party collection agencies to collect on all defaulted loans and currently expects to continue such practice. The Corporation retains responsibility for enforcement and settlement decisions related to defaulted accounts, including the commencement of legal action against the Student Borrower or the Co-Signer to collect on such loans.

## **Eligible Institutions**

Any Title IV eligible institution in the United States or an authorized program may participate in the VSAC Extra Advantage Loan program. Authorized programs are authorized or approved by a U.S. public entity or state agency, or are accredited by a U.S. accrediting agency recognized by the Department of Education or by a

professional accrediting body. The following Vermont institutions have been participating in the VSAC Extra Advantage Loan Program:

Bennington College  
Burlington College  
Castleton State College  
Champlain College  
College of St. Joseph  
Community College of Vermont  
Fanny Allen Memorial School of Practical Nursing  
Fletcher Allen Health Care School of Cytotechnology  
Goddard College  
Green Mountain College  
Johnson State College  
Landmark College  
Lyndon State College  
Marlboro College  
Middlebury College  
New England Culinary Institute

Norwich University  
O'Brien's Aveda Training Institute  
Putnam Memorial School of Nursing  
Rutland Hospital of X-ray Technology  
Saint Michael's College  
School for International Training  
Southern Vermont College  
Sterling College  
The Salon Professional Academy  
Thompson School for Practical Nursing  
Trinity College  
University of Vermont and State Agricultural College  
Vermont Law School  
Vermont Technical College  
Woodbury College

## **LAW AND MEDICAL SCHOOL LOANS**

### **General**

The Corporation established its law and medical loan programs in 1994 to originate non-guaranteed, private, variable rate, education loans to creditworthy borrowers attending law and medical schools eligible to receive Title IV funds and approved by the Ambac Assurance Corporation, the insurer of the Refunded Bonds. The proceeds of such law and medical school loans could also be used to pay legitimate education-related expenses in connection with preparing for and taking the Bar Exam, and legitimate education-related expenses in connection with such Student Borrower's medical residency. These law and medical school loans were made pursuant to the Corporation's programs known as VSAC Law Loans, VSAC Bar Loans, VSAC EXTRA Law Loans, VSAC EXTRA Bar Loans, VSAC Medical Loans, VSAC Residency Loans, VSAC EXTRA Medical Loans and VSAC EXTRA Residency Loans. The Corporation terminated such law and medical school loan programs in 2010. The law and medical school loans represent approximately 15% of outstanding principal amounts of the Private Financed Student Loans. See the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO—Private Financed Student Loans" in this Official Statement.

### **Borrowers**

Under the law and medical school loan programs, the Student Borrower was required to be the borrower. In addition, if the Student Borrower failed to meet the credit standards established by the Corporation, a parent, legal guardian, or any other individual meeting such credit standards was permitted to be a co-signer (each, a "Co-Signer" for the law and medical school loans). Each of the Student Borrower and the Co-Signer was required to be a U.S. citizen or eligible non-citizen of the United States (as defined under the Higher Education Act). The Student Borrower must have been enrolled at least half-time in a professional degree program at an approved law or medical school. To obtain a law or medical school loan for Bar Exam expenses or expenses for medical residency, the Student Borrower must have been in good standing with respect to all existing loans such Student Borrower had with the Corporation, and an additional credit review was performed.

### **Loan Terms**

The annual amount that was permitted to be borrowed under a law or medical school loan was limited to the Student Borrower's educational cost after deducting any financial aid and the Borrower Student must have borrowed the maximum amount of Title IV loans (subject to certain limited exceptions). Law and medical school



loans were also permitted to be used to pay off existing private educational loans. Loans for Bar Exam and medical residency expenses were limited to \$10,000. The amount of a law or medical school loan, other than a loan for Bar Exam expenses or medical residency, was required to be certified by the educational institution. Multiple law and medical school loans could be evidenced by a single promissory note of the Student Borrower.

The law and medical school loans approved before July 2004 carry interest rates that adjust quarterly based on the 91-day United States Treasury bill plus margins varying from 2.50% to 3.0%. Law and medical school loans approved after July 2004, approved based on FICO scores, carry interest rates based upon LIBOR as published by the British Banker's Association on the first business day of the month for each of the preceding three months. The margin added to LIBOR on the law and medical school loan depended upon the date on which the loan application was approved. For applications approved on or prior to May 15, 2006, a margin of 2.50% was added to LIBOR prior to the beginning of the repayment period, which margin increased to 2.70% during the repayment period. For applications approved after May 15, 2006, the following margins were added to LIBOR:

<b>Date of Application Approval</b>	<b>Margin added to LIBOR</b>
<i><b>VSAC Law and VSAC Bar Loans</b></i>	
May 16, 2006 through May 18, 2008	3.65%
May 19, 2008 through May 31, 2009	4.00
On or after June 1, 2009	6.00
<i><b>VSAC Medical and VSAC Residency Loans</b></i>	
May 16, 2006 through May 18, 2008	2.70%
May 19, 2008 through May 31, 2009	3.00
On or after June 1, 2009	5.00

There are no specified maximum rates on the law and medical school loans; however, the loan rate may not exceed the Vermont usury rate of 18%

A Student Borrower under a law or medical school loan must begin repaying such loan within 9 months after graduating or dropping to less than half-time enrollment, or 9 months after ending a medical residency program. Law and medical school loans are initially scheduled for repayment in level monthly installments within fifteen years, however, such loans may be extended up to thirty years at the request of the Student Borrower. The law and medical school loans have minimum monthly payments equal to the greater of the interest accrued during such month and \$50.

Interest on a law or medical school loan accrues from the date of first disbursement until the loan is paid in full, provided, that such interest may be capitalized prior to the beginning of the repayment period and during any forbearance periods. Forbearance on a law or medical school loan during times of financial hardship may be granted at the discretion of the Corporation. Such a forbearance period extends the repayment term of the loan.

Beginning in 2010, the Corporation established the following policies to limit forbearances in its private loan programs, including the law and medical school loans: (a) a three (3) year (36 installments) cumulative maximum forbearance period when no principal payments will be made and payments of interest will be capitalized; (b) a five (5) year (60 installments) cumulative maximum forbearance period when reduced payments will be made (the guideline for such reduced payment amount is the amount of the monthly interest accrual), (c) recommend that each specific forbearance period not exceed 3 months (or 6 months under more extenuating circumstances), (d) each instance of forbearance cannot exceed 12 consecutive months (including any past due months) and (e) any outstanding interest is capitalized at the end of the forbearance period.

Law and medical school loans may be prepaid in full or in part at any time without penalty. The Corporation does not currently assess late fees; however, the Corporation regularly reports the status of each law and medical school loan to the credit bureaus. A law or medical school loan is considered in default if (a) any payment due on such loan is more than 270 days delinquent or the Student Borrower fails to keep promises made in the

promissory note, (b) the Student Borrower fails to notify the Corporation of any changes, (c) any bankruptcy proceeding or assignment of assets or (d) any false statement pertaining to the loan.

Depending upon the credit level determination, the Student Borrowers paid an origination fee ranging from 0% to 6% of the principal amount of the law or medical school loan. Such origination fees were where deducted from the loan amount prior to disbursement and used by the Corporation to originate additional student loans under the Refunded Resolution.

An approved law or medical school loan for which the application was received on or before May 15, 2006 is eligible for an annual rebate of interest equivalent to one and ½ percent (1.5%) while in school and one percent (1.0%) while in repayment if such loan did not have a payment that was more than 180 days delinquent the day the rebates were processed. An approved law or medical school for which the application was received after May 15, 2006, but prior to June 30, 2008, is eligible for an annual rebate of interest equivalent to one percent (1.0%) while in repayment if such loan did not have a payment that was more than 180 days delinquent the day the rebates were processed. Any such rebate amount reduces the principal amount of such loan, is usually determined the second weekend of June in each year, and is determined on a year-by-year basis; thus a loan is not disqualified from a future benefit even if it failed to qualify in any prior year (unless such loan becomes a defaulted loan). In addition, the interest rate on certain law or medical school loans can be reduced by 25 basis points for Student Borrowers who elected to make the monthly recurring payments electronically before March 2007. Such borrower benefits may be modified, discontinued, or terminated by the Corporation in its discretion at any time.

Law and medical school loan are eligible for loan write-off if the Student Borrower dies or becomes permanently disabled. The Corporation uses the eligibility and documentation requirements outlined in the Higher Education Act to determine if a Student Borrower has died or has become permanently disabled. If the Student Borrower meets these requirements, the Student Borrower's and any Co-Signer's obligations to repay such loan will be cancelled.

### **Credit Evaluation by the Corporation**

Applications for law and medical school loans are submitted to the Corporation, which conducts the loan application review activities and credit evaluation. The Student Borrower must not have any defaulted education loans with the Corporation. A law and medical school loan was given a credit score depending upon the FICO Score of the Student Borrower and/or the Co-Signer, and whether the Student Borrower or the Co-Signer had negative credit. Absence of negative credit was defined as follows: (a) no active bankruptcy; (b) no unsatisfied court judgment or federal or state tax lien or government claim over \$100; (c) no education loan default with more than a \$0 balance (any prior default required a written explanation from the Student Borrower); (d) no real estate foreclosure or deed in lieu thereof and (e) no record of a collection account, profit and loss write off, charge off, or repossession for more than \$500 which has not been satisfied. Accounts with less than \$500 balance or medical collection accounts were subject to credit committee judgment. The loan officer in charge of the law and medical school loan program made the initial credit evaluations. In the case of questions or an unclear decision, the application was referred to a credit committee. The Corporation could also deny an application for other reasons, provided that the Corporation's denial was in accordance with applicable law. The Corporation requested one or more credit bureau reports on the Student Borrower and, if applicable, the Co-Signer. Credit reports that were more than one-hundred twenty (120) days old were not used for underwriting purposes.

### **Certification by the Educational Institution**

After credit evaluation, except for VSAC Bar Loans, VSAC EXTRA Bar Loans, VSAC Residency Loans and VSAC EXTRA Residency Loans, the Corporation notified the appropriate educational institution that an applicant had been approved or denied, and in the case of approvals required that the educational institution certify that the Student Borrower was currently enrolled and that the loan amount, before fees, did not exceed the Student Borrower's cost of attendance less other financial aid (including other student loans).

## **Loan Disbursement**

Other than the VSAC Bar Loans, VSAC EXTRA Bar Loans, VSAC Residency Loans and VSAC EXTRA Residency Loans, the law and medical school loans were disbursed directly to the educational institutions. VSAC Bar Loans, VSAC Residency Loans and VSAC EXTRA Residency Loans were disbursed directly to the Student Borrower.

## **Servicing**

The law and medical school loans will be serviced by the Corporation; however, the Corporation reserves the right to use other servicers.

## **Delinquencies and Defaults**

Upon a law and medical school loan becoming delinquent, the Corporation begins a proactive default aversion program consisting of letters, phone calls and autodialer calls to the Student Borrower and any Co-Signer. Such letters and calls are mailed or made at regular intervals, not exceeding thirty days, beginning once a payment on such law and medical school loan is 5 or more days delinquent. The Corporation performs active skip tracing procedures if a Student Borrower or Co-Signer is unable to be contacted. Delinquencies of greater than 60 days are reported to national credit bureaus. Collection procedures are initiated when the law and medical school loan becomes 190 days delinquent. The Corporation engages outside third party collection agencies to collect on all defaulted loans and currently expects to continue such practice. The Corporation retains responsibility for enforcement and settlement decisions related to defaulted accounts, including the commencement of legal action against the Student Borrower or the Co-Signer to collect on such loans.

## EXHIBIT C

### GLOSSARY OF CERTAIN DEFINED TERMS

“*Account*” shall mean any of the accounts created and established within any Fund pursuant to the Indenture.

“*Acquisition Fund*” shall mean the Fund by that name created under the Indenture, including the Temporary Costs of Issuance Account created therein and any other additional Accounts and Subaccounts created therein.

“*Adjusted Pool Balance*” shall mean (a) for the December 2014 Distribution Date, the sum of the Initial Pool Balance and the amount of cash deposited in the Debt Service Reserve Fund on the Issue Date and (b) for any other Distribution Date, the sum of the Pool Balance as of the last day of the related Collection Period and the amount of cash then on deposit in the Debt Service Reserve Fund as of the last day of the related Collection Period.

“*Administration Agreement*” shall mean any agreement between the Corporation and any sub-administrator engaged by the Corporation or successor to the Corporation performing any administrative duties of the Corporation under the Indenture, as amended and supplemented pursuant to the terms thereof.

“*Administration Fee*” shall mean (a) a fee payable monthly equal to 1/12th of 0.05% of the Pool Balance as of the last day of the previous month plus (b) no more than \$18,500 annually for certain surveillance Rating Agency fees and certain other fees relating to the administration of the Trust Estate.

“*Administrator*” shall mean the Corporation or, as the context may require, any sub-administrator engaged by the Corporation to the extent such engagement is made pursuant to and in accordance with the terms of the Indenture, or any successor to the Corporation performing any administrative duties of the Corporation under the Indenture, including, without limitation, any financial, reporting or other calculations with respect to the Trust Estate required to be made by the Corporation under the Indenture. The Corporation shall provide each Rating Agency with notice of any removal or replacement of the Administrator or the appointment of a new Administrator.

“*Affiliate*” shall mean, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Applicable Rating Criteria for Investment Securities*” shall mean:

(a) for as long as S&P is a Rating Agency maintaining a Rating on Notes Outstanding, a rating by S&P of no lower than “AA-” (or the equivalent), if a long term rating is applicable to such Investment Securities, or a rating by S&P of no lower than “A-1+” or “AAAm” (or the equivalent of such ratings), if a short term rating is applicable to such Investment Securities; and

(b) for as long as Fitch is a Rating Agency maintaining a Rating on Notes Outstanding, a rating by Fitch of no lower than “AA-” (or the equivalent), if a long term rating is applicable to such Investment Securities, or a rating by Fitch of no lower than “F1+” (or the equivalent of such ratings), if a short term rating is applicable to such Investment Securities.

“*Authorized Denominations*” shall mean \$100,000 and integral multiples of \$1,000 in excess thereof.

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

“*Authorized Representative*” shall mean, when used with reference to the Corporation, (a) an Authorized Officer, (b) the Administrator (if different than the Corporation) or (c) an individual designated in writing by an Authorized Officer of the Corporation to act on the Corporation’s behalf under the Indenture.

“*Authorizing Act*” shall mean the Vermont Statutes Annotated, Title 16, Chapter 87, as the same may be amended from time to time.

“*Available Funds*” means, as to a Distribution Date, the sum of the following amounts received with respect to the related Collection Period:

(a) all collections on the Financed Student Loans received by a Servicer on the Financed Student Loans, including any Guaranty and Insurance Payments received on the Financed Student Loans, but net of:

(i) any collections in respect of principal on the Financed Student Loans applied to repurchase Guaranteed student loans (to the extent such student loans were previously Financed Student Loans) from a Guaranty Agency under the applicable Guaranty Agreement or from a Servicer pursuant to the applicable Servicing Agreement,

(ii) amounts required by applicable law, if any, to be repaid to borrowers, whether or not in the form of a principal reduction of the applicable Financed Student Loan, on the Financed Student Loans for that Collection Period or prior Collection Periods, if any;

(iii) amounts required to be paid pursuant to any Joint Sharing Agreement, and

(iv) amounts required by the Higher Education Act to be paid to the Department (including, but not limited to, any Monthly Consolidation Loan Rebate Fees and any Department Rebate Interest Amounts to be deposited into the Department Reserve Fund or paid directly to the Department), any Guaranty Agency (other than as set forth in clause (i) above) or to be repaid to borrowers, whether or not in the form of a principal reduction of the applicable FFELP Financed Student Loan, on the FFELP Financed Student Loans for that Collection Period or prior Collection Periods, if any;

(b) any Interest Subsidy Payments and Special Allowance Payments received by the Trustee or the Corporation with respect to the FFELP Financed Student Loans;

(c) all Liquidation Proceeds of any Financed Student Loans which became Liquidated Student Loans during that Collection Period in accordance with the applicable Servicer’s customary servicing procedures, and all recoveries (whether principal or otherwise) which were written off in prior Collection Periods or during that Collection Period;

(d) the aggregate amounts, if any, received on the Financed Student Loans from (i) the Servicers as reimbursement of non-guaranteed interest amounts, or lost Interest Subsidy Payments and Special Allowance Payments pursuant to the Servicing Agreements, and (ii) the Corporation (or on behalf of the Corporation) or from any other Person in connection with the optional release of the Financed Student Loans pursuant to the Indenture;

(e) the aggregate Purchase Amounts, if any, received for the repurchase of Financed Student Loans from the Corporation and the Servicer under the Indenture and the Servicing Agreement, respectively;

(f) amounts received pursuant to the Servicing Agreements during that Collection Period as yield or principal adjustments or any other amounts payable to the Trust Estate by a Servicer pursuant to its Servicing Agreement;

- (g) investment earnings or gains realized from the investment of amounts on deposit in each Trust Fund;
- (h) any amount received pursuant to a Joint Sharing Agreement; and
- (i) amounts transferred from the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement as of that Distribution Date pursuant to the Indenture;

provided that if on any Distribution Date there would not be sufficient funds, after application of Available Funds, as defined above, to pay certain items specified in the Indenture, relating to such distributions, after application of amounts available from the Debt Service Reserve Fund pursuant to the Indenture, then Available Funds for that Distribution Date will include amounts held by the Trustee, or which the Trustee reasonably estimates to be held by it, for deposit into the Collection Fund on the date that is two Business Days preceding such Distribution Date which would have constituted Available Funds for the Distribution Date following that Distribution Date, up to the amount necessary to pay such items, and the Available Funds for the following Distribution Date will be adjusted accordingly.

“*Back-up Servicer*” shall mean (a) with respect to FFELP Financed Student Loans and HEAL Financed Student Loans, Nelnet Servicing, LLC, (b) with respect to Private Financed Student Loans, Nelnet Servicing, LLC (d/b/a as Firstmark Services) or (c) any other additional or successor Servicer (which, with respect to the FFELP Loans, is one of the Department’s Title IV Additional Servicers) and which has entered into a Back-up Servicing Agreement with the Corporation.

“*Back-up Servicing Agreement*” shall mean (a) with respect to the Private Financed Student Loans, the Back-up Third Party Servicing Agreement, dated November 28, 2012, among the Corporation, as issuer, the Corporation, as servicer, and Nelnet Servicing, LLC (d/b/a as Firstmark Services), as back-up servicer, as amended, (b) with respect to the FFELP Financed Student Loans and the HEAL Financed Student Loan the Amended and Restated Backup Third Party Servicing Agreement, dated as of June 25, 2013, among the Corporation, as issuer and as servicer and Nelnet Servicing, LLC, as back-up servicer, as agreed to and acknowledged by the Trustee, as amended, and (c) any additional or successor back-up servicing agreement entered into between the Corporation and a Back-up Servicer.

“*Basic Documents*” means the Indenture and any Servicing Agreements, Custodian Agreements, Administration Agreements, Joint Sharing Agreement, the Guaranty Agreements and any other documents signed by the Corporation or required by the Higher Education Act or the Public Health Service Act with respect to the Financed Student Loans.

“*Beneficial Owner*” shall mean a Person who has an ownership interest in the Notes Outstanding in book-entry form.

“*Board*” shall mean the Board of Directors of the Corporation.

“*Book-Entry System*” shall mean the system maintained by the Securities Depository described in the Indenture.

“*Business Day*” shall mean (i) for purposes of calculating the One-Month LIBOR Rate, any day on which banks in New York, New York and London, England are open for the transaction of international business; and (ii) for all other purposes, any day other than a Saturday, Sunday, legal holiday or any other day on which banks located in New York, New York or the city in which the Principal Office of the Trustee is located are authorized or permitted by law, regulation or executive order to close.

“*Certificate of Insurance*” shall mean any certificate evidencing a FFELP Financed Student Loan or a HEAL Financed Student Loan is Insured pursuant to a Contract of Insurance.

“Code” shall mean the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations, including applicable temporary and proposed regulations, relating to such section. A reference to any specific section of the Code shall 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.

“Collection Fund” shall mean the Fund by that name created under the Indenture.

“Collection Period” shall mean (a) with respect to each Distribution Date occurring in June, the six month period commencing on and including the preceding November 1 through and including the immediately preceding April 30, and (b) with respect to each Distribution Date occurring in December, the six month period commencing on and including the immediately preceding May 1 through and including the immediately preceding October 31; provided, however, the initial Collection Period will be the period from the Issue Date through April 30, 2015.

“Computation Date” shall mean each date described as such in any Tax Document.

“Consolidation Loan” shall mean a FFELP Loan originated pursuant to Section 428C of the Higher Education Act.

“Continuing Disclosure Agreement” shall mean any Continuing Disclosure Agreement or Continuing Disclosure Certificate entered into or executed by the Corporation pursuant Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act, as such rule may be amended from time to time.

“Contract of Insurance” means, with respect to a FFELP Loan or a HEAL Loan, an agreement between the Corporation and the Secretary or the Secretary of Health and Human Services providing for Insurance on such FFELP Loan or HEAL Loan, as applicable.

“Conversion Event” shall have the meaning ascribed thereto in the applicable Back-up Servicing Agreement; provided, that the meaning of such term in the applicable Back-up Servicing Agreement as of the Issue Date shall not be amended unless the requirements of a Rating Notification have been satisfied.

“Corporation” shall mean 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 shall hereafter succeed to the powers, duties and functions of the Corporation.

“Corporation Order” shall mean a written order signed in the name of the Corporation by an Authorized Representative.

“Custodian Agreement” shall mean any custodian agreement among the Corporation, the Trustee and a Servicer or other custodian or bailee related to the Financed Student Loans.

“Cut-Off Date” shall mean, with respect to any Student Loans that are Financed and pledged to the Trustee under the Indenture, the date on which such Student Loan is pledged to the Trustee under the Indenture.

“Debt Service Reserve Fund” shall mean the Fund by that name created under the Indenture.

“Debt Service Reserve Fund Requirement” shall mean, with respect to the Issue Date, \$165,413, and thereafter with respect to any Distribution Date, the greater of (a) 0.25% of the Pool Balance as of the end of the preceding Collection Period and (b) \$99,248 (which is 0.15% of the expected Pool Balance as of the Issue Date), provided that in no event will such balance exceed the Outstanding Amount of the Notes. The Debt Service Reserve Fund Requirement shall be calculated by the Corporation and certified to the Trustee, upon which calculation the Trustee may conclusively rely with no duty to further examine or determine such information.

“Department” shall mean the United States Department of Education, an agency of the federal government.

“*Department Rebate Interest Amount*” shall mean, with respect to any date of determination, the greater of (a)(i) the amount of interest paid by borrowers on the FFELP Financed Student Loans first disbursed on or after April 1, 2006 that exceeds the Special Allowance Payment support levels applicable to such Financed Student Loans under the Higher Education Act since the prior Department Rebate Payment Date less (ii) the amount of accrued Interest Subsidy Payments or Special Allowance Payments due to the Corporation since the prior Department Rebate Payment Date and (b) \$0.00.

“*Department Rebate Payment Date*” shall mean the quarterly date that (a) the Department Rebate Interest Amount is due and payable to the Department or (b) the Department offsets the Department Rebate Interest Amount from Interest Subsidy Payments or Special Allowance Payments due to the Corporation.

“*Department Reserve Fund*” shall mean the Fund so designated which is created by the Indenture.

“*Department Reserve Fund Requirement*” shall mean as of any Distribute Date, an amount necessary to bring the balance of the Department Reserve Fund up to an amount equal to the sum of: (a) the expected Department Rebate Interest Amount accrued through the last day of the related Collection Period; (b) any Monthly Consolidation Loan Rebate Fees accrued through the last day of the related Collection Period; (c) any other accrued payments that are payable to the Department as accrued through the last day of the related Collection Period; (d) any payment then due and payable to a Guaranty Agency relating to its Guaranty of Financed Student Loans; and (e) any other such payment then accrued to the Corporation, another entity or trust estate, if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the Financed Student Loans were paid by the Corporation or such other entity or trust estate, pursuant to any Joint Sharing Agreement, in each case together with any amounts unpaid from prior periods and as evidenced by a Certificate of the Corporation.

“*Distribution Date*” shall mean each June 1 and December 1 or, if such day is not a Business Day, then the Distribution Date shall be the next succeeding Business Day, commencing on December 1, 2014.

“*Eligible Borrower*” means a borrower who is eligible under the Higher Education Act to be the obligor of a loan for financing a program of education at an Eligible Institution, including a borrower who is eligible under the Higher Education Act to be an obligor of a loan made pursuant to Section 428A, 428B and 428C of the Higher Education Act.

“*Eligible Institution*” means (a) an institution of higher education, (b) a vocational school or (c) any other institution which, in all of the above cases, has been approved by the Department and the applicable Guaranty Agency.

“*Eligible Lender*” shall mean (a) the Corporation, (b) with respect to FFELP Loans, any “eligible lender,” as defined in the Higher Education Act, and which has received an eligible lender number or other designation from the Secretary with respect to Student Loans made under the Higher Education Act and (c) with respect to HEAL Loans, any “eligible lender,” as defined in the Public Health Service Act, and which has received such designation from the Secretary of Health and Human Services with respect to loans insured under the Public Health Service Act.

“*Eligible Loan*” means (i) any Student Loan that is a FFELP Loan:

- (a) which was originated or acquired by the Corporation;
- (b) which complies with all applicable provisions of the Higher Education Act;
- (c) which has been fully disbursed;
- (d) the Obligor for which is an Eligible Borrower;
- (e) which, if such Student Loan is a subsidized Stafford Loan, qualifies the holder thereof to receive Interest Subsidy Payments and Special Allowance Payments from the Department of Education; if such Student Loan is a Consolidation Loan, such Student Loan qualifies the holder thereof to receive



Interest Subsidy Payments and Special Allowance Payments from the Department of Education to the extent applicable; and if such Student Loan is a “PLUS Loans” or “SLS Loans,” as defined, under the Higher Education Act, or an unsubsidized Stafford Loan, such Student Loan qualifies the holder thereof to receive Special Allowance Payments from the Department to the extent applicable;

(f) which provides or, when the payment schedule with respect thereto is determined, will provide for payments on a periodic basis that will fully amortize the Principal Balance thereof by its maturity, as such maturity may be modified in accordance with applicable deferral and forbearance periods granted in accordance with applicable laws, including the Higher Education Act and any Guaranty Agreements, as applicable;

(g) which is denominated and payable only in United States dollars in the United States or one of its territories;

(h) which, together with the related promissory note therefor, represents the genuine, legal, valid and binding payment obligation of the related Obligor, enforceable by or on behalf of the holder thereof against such Obligor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and similar laws relating to creditors’ rights generally and subject to general principles of equity; and which has not been satisfied, subordinated or rescinded and as to which no right of rescission, setoff, counterclaim or defense has been asserted or, to the knowledge of the Corporation, overtly threatened in writing;

(i) which, together with the promissory note related thereto, does not contravene in any material respect any laws, rules, or regulations applicable thereto;

(j) which is assignable without the consent of, or notice to, any related Obligor;

(k) which is evidenced by a promissory note which is held by the Servicer or its custodian;

(l) which is Insured, or is Guaranteed (at a level no less than 97% of principal and accrued interest) under, and the subject of, a valid Guaranty Agreement with a Guaranty Agency;

(m) which does not carry a rate of interest less than, or in excess of, the applicable rate of interest required by the Higher Education Act (if the Higher Education Act permits the Corporation to charge an interest rate less than the applicable rate of interest, such Student Loan will not bear interest at a rate lower than the applicable rate of interest, provided, however, such Eligible Loan may be subject to borrower benefits as described in the Indenture);

(n) which immediately prior to its being Financed under the Indenture, is owned by the Corporation free and clear of any lien, security interest, charge, encumbrance or other right or claim or restriction in favor of any other Person; and

(o) the payment terms of which have not been altered or amended except in accordance with the Higher Education Act;

(ii) any Student Loan that is a HEAL Loan:

(a) which was originated or acquired by the Corporation;

(b) which complies with all applicable provisions of the Public Health Service Act;

(c) which has been fully disbursed;

(d) on which all fees have been paid to the Secretary of Health and Human Services;

(e) which is denominated and payable only in United States dollars in the United States or one of its territories;

(f) which, together with the related promissory note therefor, represents the genuine, legal, valid and binding payment obligation of the related borrower, enforceable by or on behalf of the holder thereof against such borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and similar laws relating to creditors' rights generally and subject to general principles of equity; and which has not been satisfied, subordinated or rescinded and as to which no right of rescission, setoff, counterclaim or defense has been asserted or, to the knowledge of the Corporation, overtly threatened in writing;

(g) which, together with the promissory note related thereto, does not contravene in any material respect any laws, rules, or regulations applicable thereto;

(h) which is assignable without the consent of, or notice to, any Person obligated to make payments with respect thereto;

(i) which is evidenced by a promissory note which is held by the Servicer or its custodian;

(j) which is insured by the Secretary of Health and Human Services;

(k) which carries the maximum applicable rate of interest permitted by the Public Health Service Act; provided, that such Eligible Loan may be subject to borrower benefits as described in the Indenture;

(l) which immediately prior to its being Financed under the Indenture, is owned by the Corporation free and clear of any lien, security interest, charge, encumbrance or other right or claim or restriction in favor of any other Person; and

(m) the payment terms of which have not been altered or amended except in accordance with the Public Health Service Act;

and (iii) any Student Loan that is a Private Loan:

(a) which was originated or acquired by the Corporation;

(b) which is denominated and payable only in United States dollars in the United States or one of its territories;

(c) which, together with the related promissory note therefor, represents the genuine, legal, valid and binding payment obligation of the related Obligor, enforceable by or on behalf of the holder thereof against such Obligor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance and similar laws relating to creditors' rights generally and subject to general principles of equity; and which has not been satisfied, subordinated or rescinded and as to which no right of rescission, setoff, counterclaim or defense has been asserted or, to the knowledge of the Corporation, overtly threatened in writing;

(d) which, together with the promissory note related thereto, does not contravene in any material respect any laws, rules, or regulations applicable thereto;

(e) which is assignable without the consent of, or notice to, any related Obligor;

(f) which is evidenced by a promissory note which is held by the Servicer or its custodian;  
and

(g) which immediately prior to its being Financed under the Indenture, is owned by the Corporation free and clear of any lien, security interest, charge, encumbrance or other right or claim or restriction in favor of any other Person.

“*E-loans*” shall mean Eligible Loans which are electronically signed.

“*Event of Bankruptcy*” shall mean to the extent permitted by applicable law (a) the Corporation shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding shall have been commenced against the 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*” shall mean:

- (a) default in the due and punctual payment of the principal of any of the Notes when due and payable on the related Stated Maturity Date;
- (b) default in the due and punctual payment of the Interest Distribution Amount when due and such default shall continue for a period of five (5) Business Days;
- (c) 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 Notes, 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 Authorized Representative of the Corporation; or
- (d) the occurrence of an Event of Bankruptcy.

“*Excess Earnings*” shall mean, with respect to Financed Student Loans held in the Acquisition Fund and Financed with proceeds of the Notes, the amount by which the earnings on such Financed Student Loans exceeds the applicable materially higher spread pursuant to § 1.148-2(d)(2) of the Treasury Regulations.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Favorable Opinion*” means an opinion of Note 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 the Notes.

“*FFELP Financed Student Loan*” means a Financed Student Loan which is a FFELP Loan.

“*FFELP Loan*” means any Higher Education Act, Title IV, Part B loan made to finance post-secondary education that is made under the Higher Education Act.

“*Financed*” or “*Financing*,” when used with respect to Student Loans, shall mean or refer to Student Loans (a) acquired or transferred by the Corporation and deposited in, or otherwise constituting a part of, the Trust Estate and (b) substituted or exchanged as permitted by the Indenture for Financed Student Loans but, in any event shall not include Student Loans released from the lien of the Indenture pursuant to the terms of the Indenture.

“*Fiscal Year*” shall mean 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*” shall mean Fitch Inc., Fitch Ratings Ltd., its subsidiaries and its successors and assigns.

“*Funds*” shall mean each of the funds created pursuant to the Indenture.

“*Guaranty*” or “*Guaranteed*” shall mean with respect to a FFELP Financed Student Loan, the insurance or guaranty by a Guaranty Agency pursuant to such Guaranty Agency’s Guaranty Agreement of the maximum percentage of the principal of and accrued interest on such Student Loan allowed by the terms of the Higher Education Act with respect to such Student Loan at the time it was originated and the coverage of such Student Loan by the federal reimbursement contracts, providing, among other things, for reimbursement to such Guaranty Agency for payments made by it on defaulted Student Loans insured or guaranteed by such Guaranty Agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular Student Loan.

“*Guaranty Agency*” shall mean any entity authorized to guaranty student loans under the Higher Education Act and reinsured by the Department.

“*Guaranty Agreement*” shall mean a guaranty or lender agreement between any Guaranty Agency and the Corporation or another Eligible Lender under the Higher Education Act, and any amendments thereto.

“*Guaranty and Insurance Payments*” shall mean (a) with respect to any FFELP Financed Student Loan, any payment made by a Guaranty Agency pursuant to a Guaranty Agreement or any payment made by the Secretary pursuant to the Insurance provided by it under the Higher Education Act, in respect of such FFELP Financed Student Loan; and (b) with respect to any HEAL Financed Student Loan, any insurance payment made by the Secretary of Health and Human Services with respect thereto.

“*HEAL Financed Student Loan*” means a Financed Student Loan which is a HEAL Loan.

“*HEAL Loan*” means any loan made to finance education that is insured by the Secretary of Health and Human Services pursuant to the Public Health Services Act.

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

“*Indenture*” shall mean the Indenture of Trust, dated as of November 1, 2014, between the Corporation and the Trustee relating to the Notes, including all supplements and amendments thereto.

“*Independent*” shall mean, when used with respect to any specified Person, that the Person (a) is in fact independent of the Corporation, any other obligor of the Notes, and any Affiliate of any of the foregoing Persons; (b) does not have any direct financial interest or any material indirect financial interest in the Corporation, any such other obligor, or any Affiliate of any of the foregoing Persons; and (c) is not connected with the Corporation, any such other obligor, or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, placement agent, trustee, partner, director or person performing similar functions.

“*Initial Interest Period*” shall mean the period beginning on the Issue Date and ending on the day before the first Distribution Date for the Notes.

“*Initial Pool Balance*” shall mean the Pool Balance as of the Issue Date.

“*Insurance*” or “*Insured*” or “*Insuring*” shall mean (a) with respect to a FFELP Loan, the insuring by the Secretary (as evidenced by a Certificate of Insurance or other document or certification issued under the provisions of the Higher Education Act) under the Higher Education Act of all or a portion of the principal of and accrued

interest on such FFELP Loan; and (b) with respect to a HEAL Loan, the insuring by the Secretary of Health and Human Services of a portion of the principal of and accrued interest on such HEAL Loan.

*“Interest Accrual Amount”* shall mean, for any Monthly Period, the aggregate amount of interest accrued at the related LIBOR Indexed Rate during such Monthly Period on the Outstanding Amount as of the immediately preceding Distribution Date (based on the actual number of days in such Monthly Period divided by 360 and rounding the resultant figure to the fifth decimal place) after giving effect to all principal distributions to the related Noteholders on that preceding Distribution Date, or in the case of the first Distribution Date, on the Issue Date.

*“Interest Distribution Amount”* shall mean, for any Distribution Date, the sum of (a) the Interest Accrual Amounts for each Monthly Period within the preceding Interest Period and (b) the Interest Shortfall for that Distribution Date.

*“Interest Period”* shall mean, with respect to the initial Distribution Date, the Initial Interest Period and with respect to each subsequent Distribution Date shall mean the period commencing on and including the prior Distribution Date and ending on and including the day before such current Distribution Date.

*“Interest Rate Determination Date”* shall mean, with respect to each Monthly Period within an Interest Period, the second Business Day immediately preceding each Monthly Period within such Interest Period or, with respect to the first Interest Rate Determination Date, the date the Note Purchase Agreement is signed.

*“Interest Shortfall”* shall mean, for any Distribution Date, the excess of (a) the Interest Distribution Amount on the preceding Distribution Date, over (b) the amount of interest actually distributed to the Noteholders on that preceding Distribution Date, plus interest on the amount of that excess, to the extent permitted by law, at the applicable LIBOR Indexed Rate for each Monthly Period from that preceding Distribution Date to the current Distribution Date.

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

*“Investment Securities”* shall mean the following; provided, however, that whenever this definition requires a Rating on an investment, such Rating is required only from those Rating Agencies then maintaining a Rating on Notes Outstanding under the Indenture:

(a) direct obligations of, or obligations on which the timely payment of the principal of and interest on which are unconditionally and fully guaranteed by, the United States of America with a maturity of 12 months or less that is rated no lower than “A-1+” or “AAAm” by S&P, if rated by S&P;

(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 ratings meeting the Applicable Rating Criteria for Investment Securities;

(c) bonds, debentures, notes, discount notes, short-term obligations or other evidences of indebtedness issued or guaranteed by (1) any of the following agencies: Farm Credit System; Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; Federal Home Loan Banks provided that such obligations, or the issuer or guarantor of such obligations, meet the Applicable Rating Criteria for Investment Securities; or (2) any agency or instrumentality of the United States of America which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor;

(d) 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 Security Investors Protection Corporation, in each case whose outstanding, unsecured debt securities meet the Applicable Rating Criteria for Investment Securities;

(e) overnight repurchase agreements and overnight reverse repurchase agreements with respect to securities issued or guaranteed by the United States government or its agencies as well as debt obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation which may include mortgage-backed and mortgage pass through securities but may not include derivative instruments, which overnight repurchase agreements or overnight reverse repurchase agreements are executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York which transferor of such securities continuously meets the Applicable Rating Criteria for Investment Securities, if:

(i) the obligations that are subject to such overnight repurchase agreements or overnight reverse repurchase agreements are delivered (in physical or in book-entry form) to the Trustee, or any financial institution serving as custodian for the Trustee, provided that such overnight repurchase agreements or overnight reverse repurchase agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least weekly, of not less than one hundred and two percent (102%) of the repurchase price, and, provided further, that the financial institution serving either as Trustee or as custodian shall not be the provider of the overnight repurchase agreements or overnight reverse repurchase agreements;

(ii) a valid and perfected first security interest in the obligations which are the subject of such overnight repurchase agreements or overnight reverse repurchase agreements has been granted to the Trustee; and

(iii) such securities are free and clear of any adverse third party claims; provided, further, that the Rating Agencies shall be given prior written notice describing such overnight repurchase agreements or overnight reverse repurchase agreements;

(f) investment agreements, which may be entered into by and among the Corporation and/or the Trustee and any bank, bank holding company, corporation or any other financial institution, including the Trustee and any of its Affiliates, whose outstanding (i) unsecured long-term debt is rated no lower than two subcategories below the highest rating on the Notes Outstanding by S&P and Fitch and, if such Person has commercial paper outstanding, such commercial paper is rated no lower than "A-1+" by S&P and "AA-/F1+" by Fitch for agreements or contracts with a maturity of 24 months or less, or with an insurance company whose claims-paying ability is so rated, or (ii) unsecured long-term debt is rated no lower than two subcategories below the highest rating on the Notes Outstanding by S&P and Fitch, and, if such Person has commercial paper outstanding, such commercial paper is rated no lower than "A-1+" by S&P and "AA-/F1+" by Fitch for agreements or contracts with a maturity of more than 24 months, or with an insurance company whose claims-paying ability is so rated;

(g) commercial paper, including that of the Trustee and any of its Affiliates, provided that such obligations meet the Applicable Rating Criteria for Investment Securities;

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

(i) general obligations of any state of the United States provided that such obligations meet the Applicable Rating Criteria for Investment Securities;

(j) general obligations of cities, counties and special purpose districts in any state of the United States provided that such obligations meet the Applicable Rating Criteria for Investment Securities;

(k) obligations of any company, other organization or legal entity incorporated or otherwise created or located within or without the United States if such obligations meet the Applicable Rating Criteria for Investment Securities;

(l) asset-backed securities (whether considered debt or equity) that bear the highest rating of each Rating Agency; and

(m) any other investment after the requirements of a Rating Notification have been satisfied, to the extent such Rating Agency is then maintaining a Rating on any Outstanding Notes.

“*Issue Date*” shall mean the date of original issuance and delivery of the Notes.

“*Joint Sharing Agreement*” shall mean any joint sharing agreement, as amended and supplemented from time to time, by and among the Corporation, the Trustee and any other party thereto.

“*LIBOR Indexed Rate*” shall mean the interest rate established by the Trustee on each Interest Rate Determination Date and equal to the applicable One-Month LIBOR Rate plus the Spread.

“*Liquidated Student Loan*” shall mean any Financed Student Loan liquidated by a Servicer or which such Servicer (which shall not include any FFELP Financed Student Loan on which payments are received from a Guaranty Agency) has, after using all reasonable efforts to realize upon such Financed Student Loan, determined to charge off.

“*Liquidation Proceeds*” shall mean, with respect to any Liquidated Student Loan which became a Liquidated Student Loan during the current Collection Period in accordance with the Servicer’s customary servicing procedures, the moneys collected in respect of the liquidation thereof from whatever source, other than moneys collected with respect to any Liquidated Student Loan which was written off in prior Collection Periods or during the current Collection Period, net of the sum of any amounts expended by such Servicer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such Liquidated Student Loan.

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

“*Maturity*” shall mean 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 Date, by earlier redemption, by declaration of acceleration, or otherwise.

“*Minimum Purchase Amount*” shall mean, for any Distribution Date, that amount which, when added to all moneys in the Debt Service Reserve Fund, would be sufficient to (a) reduce the Outstanding Amount of the Notes on such Distribution Date to zero, (b) pay to the Noteholders the Interest Distribution Amount on the Notes payable on such Distribution Date, (c) pay all Rebate Amounts and Excess Earnings (provided, however, that if all the information necessary to calculate such Tax-Exempt Rebate Amounts and Excess Earnings is not yet then available, the calculation of the Tax-Exempt Rebate Amounts and Excess Earnings may be based upon such reasonable assumptions as the Corporation shall determine), (d) pay any accrued and unpaid fees and expenses due and owing under the Indenture, (e) pay any rebate fees or other amounts payable to the Department with respect to the FFELP Financed Student Loans and (f) pay amounts payable under any Joint Sharing Agreement or otherwise remove amounts deposited in the Trust Estate which represent amounts that are allocable to Student Loans that are not Financed Student Loans.

“*Monthly Consolidation Loan Rebate Fee*” shall mean the monthly consolidation loan rebate fee payable to the Department on the Consolidation Loans within the Trust Estate.

“*Monthly Period*” shall mean the period of time from and including the first Business Day of a calendar month to, but not including, the first Business Day of the immediately succeeding calendar month; provided, however, that the initial Monthly Period shall commence on the Issue Date.

“*MPN Loan*” shall mean any single loan made pursuant to a Master Promissory Note.

“*Note Counsel*” shall mean counsel of nationally recognized standing in the field of public finance law selected by the Corporation and reasonably acceptable to the Trustee, which counsel may be the Corporation’s counsel.

“*Noteholder*” shall mean a Registered Owner of a Note.

“*Note Purchase Agreement*” shall mean the Note Purchase Agreement by and between the Corporation and the Underwriter.

“*Notes*” shall mean the \$59,700,000 Education Loan Revenue Notes, Series 2014-B (Tax-Exempt LIBOR Floating Rate Notes) issued by the Corporation pursuant to the Indenture.

“*Obligor*” means a Person obligated to make payments with respect to a Student Loan including the student, any co-signor, the applicable Guaranty Agency and the Department.

“*One-Month LIBOR Rate*” shall mean, with respect to any Monthly Period, the London interbank offered rate for deposits in U.S. dollars having a maturity of one month as it appears on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related Interest Rate Determination Date as obtained by the Trustee from such source. If this rate does not appear on Reuters Screen LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having a maturity of one month and in a principal amount of not less than \$1,000,000, are offered at approximately 11:00 a.m., London time, on that Interest Rate Determination Date, to prime banks in the London interbank market by the Reference Banks. The Trustee will request the principal London office of each Reference Bank to provide a quotation of its rate. If at least two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the quotations. If fewer than two Reference Banks provide quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Administrator at approximately 11:00 a.m., Eastern time, on that Interest Rate Determination Date, for loans in U.S. dollars to leading European banks having a maturity of one month and in a principal amount of not less than \$1,000,000. If the banks selected as described above do not provide such quotations, the One-Month LIBOR in effect for the applicable Monthly Period will be One-Month LIBOR, in effect for the previous Monthly Period.

“*Outstanding*” shall mean, when used in connection with any Note, a Note which has been executed and delivered pursuant to the Indenture which at such time remains unpaid as to principal or interest, excluding Notes which have been replaced pursuant to the Indenture.

“*Outstanding Amount*” shall mean, as of any date of determination, the aggregate principal amount of all Notes Outstanding at such date of determination.

“*Participant*” shall mean a participant in the electronic, computerized book-entry system of transferring beneficial ownership interests in the Notes administered by the Securities Depository.

“*Paying Agent*” shall mean the Trustee.

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



“*Pool Balance*” shall mean, for any date, the aggregate Principal Balance of the Financed Student Loans contained in the Trust Estate on that date, including accrued interest thereon that is expected to be capitalized, after giving effect to the following, without duplication: (a) all payments allocable to principal received by the Corporation through that date from or on behalf of borrowers, Guaranty Agencies, the Secretary of Health and Human Services and the Department; (b) all amounts allocable to principal received by the Trustee through that date from sales (or other releases from the lien of the Indenture permitted thereunder) of Financed Student Loans permitted under the Indenture and the Servicing Agreements; (c) all amounts in respect of principal received in connection with Liquidation Proceeds and Realized Losses on the Financed Student Loans liquidated through that date; (d) the amount of any adjustment to the outstanding Principal Balances of the Financed Student Loans that the Servicers make and that are permitted to be made under the Servicing Agreements through that date; and (e) the aggregate amount by which (i) reimbursements by Guaranty Agencies of the unpaid principal balances of defaulted FFELP Financed Student Loans loans through that date are reduced from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act and (ii) reimbursements by the Secretary of Health and Human Services of the unpaid principal balances of defaulted HEAL Financed Student Loans through that date are less than 100%, as provided by the Public Health Service Act.

“*Portfolio Yield*” shall mean, with respect to the Financed Student Loans allocable to the Notes, the composite yield on the date of calculation of the portfolio of the Financed Student Loans computed in accordance with the Code, assuming no additional Student Loans are financed and allocable to the Notes.

“*Principal Balance*” when used with respect to a Financed Student Loan, shall mean the unpaid principal balance thereof as of a given date.

“*Principal Distribution Amount*” shall mean for any Distribution Date, the amount, not less than zero, by which the Outstanding Amount of the Notes immediately prior to such Distribution Date exceeds the Adjusted Pool Balance for that Distribution Date less the Specified Overcollateralization Amount. Notwithstanding the foregoing, (a) on or after the Stated Maturity Date, the Principal Distribution Amount shall equal the amount that is necessary to reduce the Outstanding Amount to zero and (b) the Principal Distribution Amount shall not exceed the Outstanding Amount as of any Distribution Date (before giving effect to any distributions on such Distribution Date).

“*Principal Office*” shall mean the office of the party indicated, as provided in the Indenture.

“*Private Financed Student Loan*” means a Financed Student Loan which is a Private Loan.

“*Private Loan*” means an Eligible Loan made pursuant to the Corporation’s private, or alternative, loan programs.

“*Program*” shall mean the Corporation’s program with respect to Eligible Loans pursuant to the Indenture, as the same may be modified from time to time.

“*Program Documentation*” shall mean the administrative rules, policies and procedures of the Corporation relating to the Program, and all documentation adopted or used by the Corporation for the Program, and the Corporation’s established origination and servicing standards for the Program as in effect on the date of execution of the Indenture and as revised, amended, altered or supplemented from time to time.

“*Public Health Service Act*” means the Public Health Service Act of 1944, 42 U.S.C. § 201 *et seq.*

“*Purchase Amount*” with respect to any Financed Student Loan shall mean the amount required to prepay in full such Financed Student Loan under the terms thereof including all accrued interest thereon and any unamortized premium.

“*Rating*” shall mean one of the rating categories of a Rating Agency, provided such Rating Agency is then rating any of the Notes.

“*Rating Agency*” shall mean any one or more nationally recognized statistical rating organizations or other comparable Persons, designated by the Corporation to assign Ratings to any of the Notes, notice of which designation shall be given to the Trustee, which shall initially include S&P and Fitch with respect to the Notes.

“*Rating Notification*” shall mean, with respect to a proposed action, failure to act, or other event specified in the notice (a “Proposed Action”), that the Corporation shall have given written notice of such Proposed Action to each Rating Agency at least twenty Business Days prior to the proposed effective date thereof.

“*Realized Loss*” shall mean the excess of the Principal Balance, including any interest that had been, or had been expected to be, capitalized of any Liquidated Student Loan over Liquidation Proceeds for such Liquidated Student Loan to the extent allocable to principal, including any interest that had been, or had been expected to be, capitalized.

“*Rebate Amount*” shall mean the amount with respect to the Notes described in Section 148(f)(2) of the Code computed as of a Computation Date in accordance with the provisions of said Section 148(f)(2).

“*Record Date*” shall mean, with respect to any Distribution Date, the Business Day prior to the Distribution Date or upon the occurrence of an Event of Default under the Indenture, the date fixed by the Trustee in accordance with the Indenture.

“*Reference Banks*” shall mean, with respect to a determination of the One-Month LIBOR Rate for any Monthly Period by the Trustee, the four largest United States banks with an office in London by total consolidated assets, as listed by the Federal Reserve in its most current statistical release on its website with respect thereto.

“*Refunded Resolution*” means the 1995 Education Loan Revenue Bond Resolution of the Corporation adopted June 16, 1995, as supplemented and amended.

“*Registered Owner*” shall mean the Person in whose name a Note is registered on the Note registration books maintained by the Registrar.

“*Registrar*” shall mean the Trustee.

“*Regulations*” shall mean (a) with respect to FFELP Financed Student Loans, the Regulations promulgated from time to time by the Secretary or any Guaranty Agency guaranteeing FFELP Financed Student Loans and (b) with respect to HEAL Financed Student Loans, the Regulations promulgated from time to time by the Secretary of Health and Human Services.

“*S&P*” shall mean Standard & Poor’s Ratings Services, a division of Standard & Poor’s Financial Services LLC, a subsidiary of McGraw-Hill Financial, Inc., its successors and assigns.

“*Secretary*” shall mean the Secretary of the United States Department of Education or any successor to the pertinent functions thereof under the Higher Education Act.

“*Secretary of Health and Human Services*” shall mean the Secretary of the United States Department of Health and Human Services or any successor to the pertinent functions thereof under the Public Health Service Act.

“*Securities Act*” shall mean the Securities Act of 1933, as amended.

“*Securities Depository*” shall mean an organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act. The initial Securities Depository shall be The Depository Trust Company and its successors and assigns and the initial nominee for the Securities Depository shall be Cede & Co. If, however, (a) the Securities Depository resigns from its functions as depository of any of the Notes or (b) the Corporation discontinues use of the Securities Depository, the Securities Depository shall mean any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Notes and which is selected by the Corporation with the consent of the Trustee.

“*Servicer*” shall mean the Corporation, the Back-up Servicer and any other additional Servicer or successor Servicer with which the Corporation has entered into a Servicing Agreement with respect to the Financed Student Loans. Any additional Servicer or successor Servicer (a) with respect to FFELP Financed Student Loans and HEAL Financed Student Loans shall (i) be one of the Department’s Title IV Additional Servicers or (ii) if such additional Servicer or successor Servicer is not one of the Department’s Title IV Additional Servicers, (A) such additional Servicer or successor shall have entered into a Back-up Servicing Agreement with the Corporation and a Back-up Servicer and (B) the requirements of a Rating Notification shall have been satisfied as to such additional Servicer or successor, and (b) with respect to Private Financed Student Loans, shall have satisfied the requirements of a Rating Notification. The Corporation shall provide each Rating Agency with notice of any removal or replacement of a Servicer or the appointment of a new Servicer whether or not a Rating Notification shall be required to be satisfied.

“*Servicing Agreement*” shall mean the servicing agreements with any third party Servicer relating to the Financed Student Loans, including each Back-up Servicing Agreement, as such servicing agreements may be amended and supplemented pursuant to the terms thereof.

“*Servicing Fee Floor*” shall mean the product of (a) \$2.50, (b) the total number of borrowers outstanding, and (c) commencing November 2015, and each successive one year anniversary thereafter, a per annum increase of 3.00%.

“*Servicing Fees*” shall mean the amounts payable to the Corporation, or with respect to any other Servicer, amounts payable by the Corporation to each third-party Servicer to cover the Servicer’s fees under the related Servicing Agreement and expenses reimbursable to the Servicer thereunder for the servicing (or back-up servicing, as applicable). The Servicing Fees shall be paid monthly to the Corporation in an amount equal to the greater of (a) the Servicing Fee Floor and (b)  $1/12^{\text{th}}$  of 0.45% per annum of the Pool Balance as of the end of the preceding month (plus in each case of both clause (a) and (b), no more than \$15,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement (which annual amount specified for payment due to the Back-up Servicer can be paid in full when due)). The Corporation shall pay out of the Servicing Fees received by it to any third-party Servicer (including the Back-up Servicer) the Servicer’s fees under the related Servicing Agreement and expenses reimbursable to the Servicer thereunder for servicing (or back-up servicing) in the amounts owed thereunder (up to the amounts actually received by the Corporation as Servicing Fees for that period). In no event shall any additional amounts be payable to a Servicer as Custodian under a Custodian Agreement.

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

“*Specified Overcollateralization Amount*” shall mean for any Distribution Date, the greater of (a) 17.84% of the Adjusted Pool Balance for that Distribution Date; and (b) \$1,400,000.

“*Spread*” shall mean 1.00% per annum.

“*Stafford Loan*” shall mean an originated loan that is designated as such that is made under the Robert T. Stafford Student Loan Program in accordance with the Higher Education Act or originated under the authority set forth in Section 428A or B (or a predecessor section thereto) of the Higher Education Act and shall include student loans designated as “PLUS Loans” or “SLS Loans,” as defined, under the Higher Education Act, as applicable.

“*Stated Maturity Date*” shall mean the June 2042 Distribution Date.

“*Student Loan*” shall mean any loan made to finance post-secondary education that is made by the Corporation pursuant to the Higher Education Act, the Public Health Service Act or the Program Documentation.

“*Subaccount*” shall mean any of the subaccounts created and established within any Fund or Account by the Indenture.

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

“*Tax Document*” shall mean the Tax Certificate and Agreement, dated the Issue Date, by and between the Corporation and the Trustee, relating to the use of proceeds of the Notes and which sets forth the grounds for the Corporation’s belief that the Notes are not “arbitrage bonds” within the meaning of the Code, including the exhibits and schedules attached thereto.

“*Tax-Exempt Rebate Fund*” shall mean the Fund by that name created under the Indenture, including any Accounts and Subaccounts created therein.

“*Temporary Costs of Issuance Account*” shall mean the Account by that name created under the Indenture.

“*Treasury Regulations*” shall mean such regulations (including final, temporary and proposed) promulgated by the United States Department of the Treasury including Treasury Regulations issued pursuant to Section 103 of the Internal Revenue Code of 1954, as amended, and Sections 103 and 141 through 150, inclusive, of the Code.

“*Trust Estate*” shall mean:

- (a) the Financed Student Loans;
- (b) the rights of the Corporation under any Servicing Agreements, Custodian Agreements, Administration Agreements, as the same relate to Financed Student Loans;
- (c) interest payments, proceeds, charges and other income received by the Trustee or the Corporation with respect to Financed Student Loans made by or on behalf of borrowers accrued and paid on or after the applicable Cut-Off Date;
- (d) all amounts received on or after the applicable Cut-Off Date in respect of payment of principal of Financed Student Loans, and all other obligations of the borrowers thereunder, including, without limitation, scheduled, delinquent and advance payments, payouts or prepayments, and proceeds from the guarantee, or from the sale, assignment or other disposition, of Financed Student Loans;
- (e) Available Funds (other than moneys deposited in the Tax-Exempt Rebate Fund and moneys released from the lien of the Indenture as provided in the Indenture), together with all moneys and investments held in the Funds described in the Indenture (other than the moneys and investments held in the Tax-Exempt Rebate Fund), including all proceeds thereof and all income thereon; and
- (f) any proceeds from any property described in the above clauses (a)-(e), and any and all other property, rights and interests of every kind or description that from time to time hereafter is granted, conveyed, pledged, assigned, or transferred or delivered to the Trustee as and for additional security under the Indenture.

“*Trust Funds*” shall mean the Acquisition Fund, the Collection Fund and the Debt Service Reserve Fund and shall not in any event include the Department Reserve Fund or the Tax-Exempt Rebate Fund.

“*Trustee*” shall mean People’s United Bank, acting in its capacity as Trustee under the Indenture, or any successor Trustee designated pursuant to the Indenture.

“*Trustee Fee*” shall mean the fees agreed to be paid to the Trustee for its services under the Indenture as described in a separate agreement between the Corporation and the Trustee, which Trustee Fee shall be 0.007% per annum payable semi-annually on each Distribution Date as a percentage of the Outstanding Amount of the Notes as of the preceding Distribution Date, with the first payment to be made on the June 2015 Distribution Date as a percentage of the Outstanding Amount of the Notes as of the Issue Date.

*“Underwriter”* shall mean Morgan Stanley & Co. LLC, the Underwriter of the Notes.

## EXHIBIT D

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

#### Note Details

**Issuance of Notes.** The Corporation shall have the authority, upon complying with the provisions of the Indenture, to issue, and the Trustee shall have the authority, upon complying with the provisions of the Indenture, to authenticate and deliver the Notes, which shall be secured by the Trust Estate.

No Notes shall be authenticated and delivered pursuant to the Indenture until the Trustee shall have received:

- (i) a Corporation Order as to the delivery of such Notes and describing such Notes to be authenticated and delivered, designating the purchaser or purchasers to whom such Notes are to be delivered, and stating the purchase price of such Notes;
- (ii) an approving opinion of Note Counsel;
- (iii) a Certificate of an Authorized Officer of the Corporation stating that upon issuance of the Notes the Corporation is not in default with respect to any provision contained in the Indenture; and
- (iv) evidence of ratings, if any, by each Rating Agency on the Notes to be issued.

#### Provisions Applicable to the Notes; Duties of the Corporation

**Payment of Notes.** The Corporation covenants that it will promptly pay, but solely from the Trust Estate, the principal of and interest, if any, on each and every Note issued under the provisions of the Indenture at the places, on the dates and in the manner specified in the Indenture and in said Notes and any premium required for the retirement of said Notes by purchase or redemption according to the true intent and meaning thereof.

**Covenant to Perform Obligations under the Indenture.** The Corporation covenants 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 Note 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 Notes authorized by the Indenture and to enter into the Indenture and to perform its obligations thereunder and that all action on its part for the issuance of the Notes issued under the Indenture and the execution and delivery of the Indenture has been duly and effectively taken; and that such Notes in the hands of the owners thereof are and the Indenture is and each 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 Notes by those who shall hold the same from time to time, the provisions of the Indenture shall be a part of the contract of the Corporation with the owners of the Notes and shall be deemed to be and shall constitute a contract among the Corporation, the Trustee and the Registered Owners from time to time.

**Administration.** The Corporation shall administer, operate and maintain (a) the FFELP Financed Student Loans in such manner as to ensure that such FFELP Financed Student Loans will benefit from the benefits available under the Higher Education Act and the federal program of reimbursement for student loans pursuant to the Higher Education Act, or from any other federal statute providing for such federal program and (b) the HEAL Financed Student Loans in such manner as to ensure that such HEAL Financed Student Loans will benefit from the benefits available under the Public Health Service Act and the federal program of reimbursement for student loans pursuant to the Public Health Service Act, or from any other federal statute providing for such federal program. The Corporation shall maintain any Administration Agreements in full force and effect. The Corporation agrees to

notify each Rating Agency if (i) the Administrator is replaced, resigns or is removed; or (ii) if there is any material change in the terms of any Administration Agreements.

The Corporation covenants that (i) it will cause the Trustee to be, or replace the Trustee with, an entity meeting the criteria for a successor Trustee contained in the Indenture, (ii) acquire or cause to be acquired FFELP Loans or HEAL Loans originated and held only by an Eligible Lender and (iii) not dispose of or deliver any FFELP Loans or HEAL Loans or any security interest in any such FFELP Loans or HEAL Loans to any party who is not an Eligible Lender so long as the Higher Education Act, the Public Health Service Act or Regulations adopted thereunder, as applicable, require an Eligible Lender to be the owner or holder of FFELP Loans or HEAL Loans; provided, however, that nothing above shall prevent the Corporation from delivering a FFELP Financed Student Loan or a HEAL Financed Student Loan to a Servicer or a Guaranty Agency. The Registered Owners of the Notes shall not in any circumstances be deemed to be the owner or holder of the Financed Student Loans.

***Enforcement and Amendment of Guaranty Agreements.*** So long as any Notes are Outstanding and any FFELP Loans remain in the Trust Estate, the Corporation (a) will, from and after the date on which it shall have entered into any Guaranty Agreement, maintain such Guaranty Agreement and diligently enforce its rights thereunder; (b) will enter into such other similar or supplemental agreements as shall be required to maintain benefits for all FFELP Financed Student Loans covered thereby; and (c) will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with any Guaranty Agreement or any similar or supplemental agreement or engage any other guarantor of the FFELP Financed Student Loans which in any manner will materially adversely affect the rights of the Registered Owners under the Indenture.

***Enforcement and Amendment of Certificates of Insurance.*** So long as any Notes are Outstanding, the Corporation (a) will maintain all Certificates of Insurance and diligently enforce, its rights thereunder; (b) will enter into such other similar or supplemental agreements as shall be required to maintain benefits for all FFELP Financed Student Loans or HEAL Financed Student Loans covered thereby; and (c) will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with any such Certificates of Insurance or any similar or supplemental agreement which in any manner will materially adversely affect the rights of the Registered Owners under the Indenture.

***Financing, Collection and Assignment of Student Loans.*** All loans held under the Indenture shall only be Financed Student Loans. The Corporation shall diligently cause to be collected all principal and interest payments (subject to the Indenture) on all the Financed Student Loans and other sums to which the Corporation is entitled pursuant to all grants, subsidies, donations, Insurance payments, Special Allowance Payments, Interest Subsidy Payments, and all defaulted payments Guaranteed by a Guaranty Agency or Insured by the Secretary or the Secretary of Health and Human Services which relate to such Financed Student Loans. The Corporation will also make, or cause to be made by the applicable Servicer, every effort to perfect the Corporation's or such Servicer's claims for payment from the Secretary or such Guaranty Agency or the Secretary of Health and Human Services, of all payments related to such Financed Student Loans, no later than required by the Higher Education Act, the applicable Guaranty Agreement or, as applicable, the Public Health Service Act. The Corporation will assign such Financed Student Loans for payment of Guaranty or Insurance benefits within the required period under applicable law and regulations. The Corporation will comply with all United States federal and state statutes, rules and regulations which apply to such Financed Student Loans.

***Enforcement of Financed Student Loans.*** The Corporation shall, subject to the provisions of 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 Student 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 shall not permit the release of the obligations of any borrower under any Financed Student Loan or consent or agree to permit any amendment or modification of any Financed Student Loan and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Corporation and the Trustee under the Indenture or with respect to each Financed Student Loan and agreement in connection therewith. Notwithstanding the foregoing, nothing in the Indenture shall be construed to prevent the Corporation from (i) granting a reasonable forbearance to a borrower pursuant to the terms of the Program and Program Documentation, the Higher Education Act or the Public Health Service Act, as

applicable; (ii) settling a default or curing a delinquency on any Financed Student Loan on such terms as shall be permitted by law; (iii) charging interest at a lower rate than is required by the Program and Program Documentation, the Higher Education Act or the Public Health Service Act, as applicable, or establishing discounts or granting forgiveness of principal or interest on Financed Student Loans (including paying for such discounts or forgiveness with cash released from the Trust Estate) to the extent the same is part of a borrower benefit program in effect with respect to such Financed Student Loans on the Date of Issue as described in the Indenture; or (iv) allowing a borrower to repay a FFELP Financed Student Loan or a HEAL Financed Student Loan under an income-based repayment plan pursuant to the Higher Education Act or the Public Health Service Act, as applicable.

***Servicing and Enforcement of Servicing Agreements.***

(a) The Corporation shall duly and properly service (or cause to be duly and properly serviced) all Financed Student Loans and enforce the payment and collection of all payments of principal and interest payments which relate to any Financed Student Loans, or, shall cause such servicing to be done by a third party servicer meeting the criteria in the definition of Servicer in the Indenture. The Corporation agrees that, and shall cause each Servicer other than the Corporation to enter into a Servicing Agreement providing that, the Servicer will administer and collect all Financed Student Loans in the manner consistent with the Indenture and perform any duties, obligations and functions imposed upon the Servicer by the Corporation. The Corporation shall cause to be diligently enforced, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all material terms, covenants and conditions of all Servicing Agreements, including without limitation the prompt payment of all principal and interest payments and all other amounts due the Corporation thereunder, including all grants, subsidies, donations, Insurance payments, Special Allowance Payments, Interest Subsidy Payments, and all payments Guaranteed by a Guaranty Agency and/or Insured by the Secretary which relate to any Financed Student Loans. Except as authorized below, the Corporation:

(i) shall not permit the release of any material obligations of any Servicer under any Servicing Agreement;

(ii) shall at all times, to the extent permitted by law, cause the material rights of the Corporation and, to the extent applicable, of the Trustee, under or with respect to each Servicing Agreement, to be defended, enforced, preserved and protected;

(iii) shall not consent or agree to or permit any amendment or modification of any Servicing Agreement which will materially adversely affect the rights or security of the Trustee or any Registered Owner and in the event the Corporation determines any amendment or modification of any Servicing Agreement will not materially adversely affect the rights or security of the Trustee or any Registered Owner, the Corporation will provide to the Trustee, a certificate of an Authorized Officer to that effect;

(iv) shall at its own expense, duly and punctually perform and observe each of its obligations to each Servicer under the related Servicing Agreement in accordance with the terms thereof;

(v) agrees to give the Trustee and each Rating Agency prompt written notice of each default on the part of a Servicer of its material obligations under its Servicing Agreement coming to the Corporation's attention;

(vi) shall not waive any default by a Servicer of its material obligations under its Servicing Agreement without first receiving the approval of the Registered Owners of at least a majority of the collective aggregate principal amount of the then Outstanding Notes;

(vii) shall not consent or agree to permit any amendment or modification of any Servicing Agreement, if such amendment or modification specifies Servicing Fees in excess of the amount specified in the definition thereof unless the requirements of a Rating Notification have been satisfied (for the avoidance of doubt, in no event shall the Servicing Fees be less than the Servicing Fee Floor plus no more than \$15,000 per annum for payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement); and



(viii) shall provide written notice to the Trustee of any increase in the Servicing Fees in an amount in excess of the increases permitted under the Indenture.

(b) The foregoing notwithstanding, nothing in the Indenture shall be construed to prevent the Corporation:

(i) from taking actions to replace any Servicer if the Corporation reasonably believes it prudent to do so in light of all circumstances then known to the Corporation to exist and such action will not materially adversely affect either the ability of the Corporation to pay or perform, as the case may be, all of its material obligations under the Indenture or the security pledged under the Indenture for the Notes and the Registered Owners; or

(ii) from consenting or agreeing to, or permitting, any amendments, modifications to, or waivers with respect to, any Servicing Agreement if the Corporation determines in good faith that it is reasonably prudent to do so in light of all circumstances then known by the Corporation to exist and such action will not materially adversely affect the ability of the Corporation to pay or perform, as the case may be, its material obligations under the Indenture or the security pledged under the Indenture for the Notes and the Registered Owners.

(c) Any Servicing Agreement shall require the Servicer to administer and collect all payments on all Financed Student Loans in the manner consistent with the Indenture and to perform any duties, obligations and functions imposed upon the Servicer by any Guaranty Agreement.

(d) If at any time the Corporation fails to perform its obligations as a Servicer under the Indenture or under the Higher Education Act or the Public Health Service Act, or if any other Servicer fails in any material respect to perform its obligations under its Servicing Agreement, the Higher Education Act or under the Public Health Service Act, including without limitation the failure of the Corporation or Servicer to comply with the due diligence requirements of the Higher Education Act or the Public Health Service Act, or if any servicing audit shows any material deficiency in the servicing of Financed Student Loans by the Corporation or any other Servicer, the Corporation shall, or cause the Servicer to, cure the failure to perform or the material deficiency or remove such Servicer and appoint another Servicer; provided, however, that any such failure by the Corporation or by another Servicer under the Servicing Agreement shall be a Conversion Event under the applicable Back-up Servicing Agreement.

(d) If a Guaranty or Insurance claim with respect to any FFELP Financed Student Loan or HEAL Financed Student Loan is rejected by the applicable Guaranty Agency, the Secretary or the Secretary of Health and Human Services, as the case may be, and is not cured within 180 days after such rejection, then the Corporation shall either: (i) sell or otherwise purchase or release such FFELP Financed Student Loan or HEAL Financed Student Loan from the Trust Estate for a price equal to its principal amount plus unamortized premium, if any, and interest accrued thereon or (ii) replace such FFELP Financed Student Loan or HEAL Financed Student Loan with another Financed Student Loan with substantially identical characteristics.

(e) The Corporation shall (i) unless it is the Servicer, retain a replacement Servicer or, with respect to the FFELP Financed Student Loans, to the extent that a replacement Servicer is not one of the Department's Title IV Additional Servicers, a replacement Back-up Servicer in the event that an existing Servicing Agreement expires or terminates and is not renewed and (ii) ensure that the aggregate principal amount of Student Loans subject to the applicable Back-up Servicing Agreement is sufficient to cover the Financed Student Loans.

***Administration and Collection of Financed Student Loans.***

(a) All Financed Student Loans which are part of the Trust Estate shall be administered and collected either by or on behalf of 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 Authorizing Act, the Program Documentation, the Higher Education Act, the Public Health Service Act, the Regulations, the Secretary, each Guaranty Agency, the Secretary of Health and Human Services and the Indenture.

(b) In all events, promissory notes evidencing Financed Student Loans shall be held by the Trustee or its custodial agent or bailee (which shall initially be the Corporation pursuant to the terms of the Indenture, but may be any other Servicer) on behalf of the Trustee unless release of such promissory notes to a Servicer is necessary to the enforcement thereof. To the extent that the Servicer, in the ordinary course of its servicing duties, shall require reference to the text or other similar document of any such promissory note, the Servicer shall refer to a photocopy of such promissory note in its files and not to the original thereof. Subject to the foregoing, the Corporation as the Servicer covenants and agrees to comply with the following provisions with respect to all Financed Student Loans and agrees to include the following provisions in any Servicing Agreement or Custodian Agreement binding upon the Corporation, the Servicer and the Trustee:

(i) In the event any such Servicer holds promissory notes evidencing Financed Student Loans and related documentation, such Servicer holds such promissory notes and related documentation as bailee for and on behalf of the Trustee for purposes of perfecting the interests of the Trustee therein; provided, however, that the Trustee upon advice of counsel may require that it hold possession of such promissory notes and/or related documentation as deemed necessary to protect its security interests in the Financed Student Loans.

(ii) All sums received by any Servicer with respect to Financed Student Loans shall be held on behalf of the Trustee including, but not limited to, all payments of principal and interest, Special Allowance Payments, Interest Subsidy Payments, Insurance or Guaranty Payments and proceeds of the sale or release thereof. All such amounts shall be held in a segregated account (which may, however, include the funds of other customers of the Servicer) and shall not be commingled with any of the Servicer's funds and shall be accounted for such that all such funds are identified separately from all other payments received in respect of the servicing of loans. Any such amounts, if received by the Servicer (including the Corporation), shall be remitted within two Business Days only to the Trustee and not to the Corporation.

(iii) The Corporation is required to, or shall cause the Servicer to, promptly after each Distribution Date, furnish to the Trustee and each Rating Agency then maintaining a Rating on any Outstanding Notes a report set forth in the Indenture.

(iv) No amendment, modification or addition to any Servicing Agreement shall be effective with respect to the Trustee regarding servicing of Financed Student Loans on behalf of the Trustee without the written consent, at the request of the Corporation, of the Trustee.

(v) Each Servicer waives any lien that the Servicer might have pursuant to statute or otherwise available at law or in equity on the promissory notes evidencing Financed Student Loans held by the Servicer on behalf of the Trustee and on related documentation, including all moneys and proceeds derived therefrom or relating thereto.

Additionally, subject to the foregoing, with respect to each MPN Loan, the Corporation covenants and agrees to cause the holder of the original Master Promissory Note to indicate by book entry on its books and records that the Corporation is the legal and beneficial owner of the MPN Loan.

***Administration and Enforcement of Administration Agreements.*** The Corporation shall take all actions and do all things reasonably necessary to administer the Trust Estate and the duties of the Corporation and Administrator under the Indenture, and shall enter into an Administration Agreement with any sub-administrator it shall retain. The Corporation shall cause to be diligently enforced, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all material terms, covenants and conditions of any Administration Agreements, including without limitation causing the preparation of all reports, filings, instruments, certificates and opinions required by the Basic Documents, performing all duties with respect to the administration and collection of the Financed Student Loans and enforcement of the Servicing Agreements, monitoring the performance of the duties and obligations of the Servicers and the Trustee under the Servicing Agreements and the Indenture, respectively and taking all non-ministerial actions as directed by the Corporation or the Trustee. To the extent the Corporation is the Administrator, the Corporation shall perform such duties enumerated above. The Corporation will not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in

connection with the Administration Agreements or any similar or supplemental agreement which in any manner will materially adversely affect the rights of the Registered Owners under the Indenture.

***Books of Account; Annual Audit; Inspection Rights.*** The Corporation shall be operated on the basis of its Fiscal Year. The Corporation shall cause to be kept and maintained proper books of account relating to the Financed Student Loans in which full, true and correct entries will be made, in accordance with generally accepted accounting principles, of all dealings or transactions of or in relation to the business and affairs of the Corporation, and within 180 days after the end of each Fiscal Year shall receive an audit of such books of account by an independent certified public accountant. A copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Corporation as at the close of each Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transactions relating to the Funds and Accounts, Outstanding Amount of the Notes by Stated Maturity Date and principal reduction history (date, amount, source of funds and distribution of funds), shall be filed with the Trustee within 30 days after it is received by the Corporation and shall be available for inspection by any Registered Owner.

The Corporation, upon written request of the Trustee, will permit at all reasonable times the Trustee or its agents, accountants and attorneys, to examine and inspect the property, books of account, records, reports and other data relating to the Financed Student Loans, and will furnish the Trustee such other information as it may reasonably request. The Trustee shall be under no duty to make any such examination and inspection unless requested in writing to do so by the Registered Owners of 66-2/3% in Outstanding Amount of the Notes, and unless such Registered Owners shall have offered the Trustee security and indemnity satisfactory to it against any costs, expenses and liabilities which might be incurred thereby.

***Statement as to Compliance by Corporation.*** The Corporation will deliver to the Trustee, within 180 days after the end of each Fiscal Year, a brief certificate from an Authorized Representative including (a) a current list of the Authorized Representatives, and (b) a statement indicating whether or not to the knowledge of the signer thereof the Corporation is in compliance with all conditions and covenants under the Indenture and, in the event of any noncompliance, specifying such noncompliance and the nature and status thereof. For purposes of the provisions of the Indenture described in this paragraph, such compliance shall be determined without regard to any period of grace or requirement of notice under the Indenture.

***Continuing Existence and Qualification.*** The Corporation is and will maintain its existence in good standing as a nonprofit public corporation under the laws of the State of Vermont and will take no action and suffer no action to be taken by others which will alter, change or destroy, and will take all affirmative action necessary to maintain, its status as a nonprofit public corporation. The Corporation is or will remain duly qualified to do business in the State of Vermont or any other state in which it is qualified, has obtained and will use its best efforts to maintain, such licenses and approvals as may be necessary to undertake the obligations under the Indenture and will not dispose of all or substantially all of its assets (by sale, lease or otherwise), except as otherwise specifically authorized under the Indenture, or consolidate with, merge into or transfer to another entity or permit any other entity to consolidate with, merge into or transfer to it.

***Other Corporation Obligations.*** The Corporation shall not commingle the Funds, Accounts and Subaccounts established by the Indenture with any other funds, proceeds, or investment of funds.

The moneys, Financed Student Loans, securities, evidences of indebtedness, interests, rights and properties pledged under the Indenture are and will be owned by the Corporation free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with or subordinate to the respective pledges created by the Indenture, except as otherwise expressly provided in the Indenture, and all action on the part of the Corporation to that end has been duly and validly taken. The Corporation shall hold legal title and be the beneficial owner of the Financed Student Loans. If any Financed Student Loan is found to have been subject to a lien at the time such Financed Student Loan was acquired, the Corporation shall cause such lien to be released, shall sell or otherwise release such Financed Student Loan from the Trust Estate for a purchase price equal to its principal amount plus any unamortized premium, if any, and interest accrued thereon or shall replace such Financed Student Loan with another Student Loan with substantially identical characteristics which replacement Student Loan shall be free and clear of liens at the time of such replacement. Except as otherwise provided in the Indenture, the Corporation shall not create or voluntarily permit to be created any debt, lien, or charge on the Financed Student

Loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture; shall not do or omit to do or suffer to be done or omitted to be done any matter or things whatsoever whereby the lien of the Indenture or the priority of such lien for the Notes secured by the Indenture might or could be lost or impaired; and will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the Financed Student Loans; provided, however, that nothing in the Indenture provisions described in this paragraph shall require the Corporation to pay, discharge, or make provision for any such lien, charge, claim, or demand so long as the validity thereof shall be contested by it in good faith, unless thereby, in the opinion of the Trustee, the same will endanger the security for the Notes.

***Tax Covenants.***

(a) The Corporation shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Notes shall, 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.

(b) The Corporation shall not permit at any time or times any of the proceeds of the Notes 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 Note to be or become an “arbitrage bond” as defined in Section 148 of the Code.

(c) The Corporation shall take such action as may be necessary to assure that the Portfolio Yield as of the date of final payment of the Notes does not exceed the Note 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 Student Loans upon any such payment date.

(d) The Program documents shall include the requirement that no borrower on a Financed Student Loan nor any “related person,” as defined in Section 144(a)(3) of the Code, shall pursuant to any arrangement, formal or informal, purchase the Corporation’s obligations in an amount related to the amount of such borrower’s Financed Student Loans.

(e) The foregoing covenants shall remain in full force and effect notwithstanding the defeasance of the Notes pursuant to the Indenture or any other provision of the Indenture, and notwithstanding any provision of the Indenture, the Corporation shall observe its covenants and agreements contained in the Tax Document, to the extent that, and for so long as, such covenants and agreements are required by law.

***Eligible Loans.*** The Corporation represents and warrants that each Student Loan Financed under the Indenture shall constitute an Eligible Loan and shall satisfy the representations and warranties made with respect thereto in the definition of Eligible Loans.

***Recordation of the Indenture and Filing of Security Instruments; Financing Statements.***

(a) The Corporation shall take, and shall cause the Servicers and the Trustee to take, all steps necessary and appropriate to cause the Indenture and all supplements thereto, together with all other security instruments, financing statements, continuation statements and amendments thereto, to be recorded and filed, as the case may be, if required by law for perfection of the security interests created in the Indenture or therein to the extent permitted by applicable law, in such manner and in such places as may be required by law in order to perfect the lien of, and the security interests created by, the Indenture.

(b) The Corporation shall promptly notify the Trustee of any change in its name or in the address of its principal place of business.

***No Waiver of Laws.*** The Corporation shall not at any time insist upon or plead in any manner whatsoever, or claim to take the benefit or advantage of any stay or extension of law now or at any time hereafter in force which may affect the covenants and agreements contained in the Indenture or in the Notes and all benefit or advantage of any such law or laws is expressly waived by the Corporation pursuant to the Indenture.

***Representations and Covenants of the Corporation Regarding the Trustee's Security Interest.*** Pursuant to the Indenture, the Corporation represents, warrants and covenants for the benefit of the Trustee and the Registered Owners as follows:

(a) The Corporation's chief executive office and chief place of business, including the office where the Corporation keeps its records concerning the Trust Estate, including the Financed Student Loans (collectively referred to below as the "Records"), is located at 10 East Allen Street, 4th Floor; Winooski, Vermont 05404. The Corporation shall give the Trustee not less than 30 days' prior written notice of any change in its name or in the location of its chief executive office, its chief place of business and/or the location at which it keeps the Records.

(b) The Corporation shall, at its own expense, execute and deliver such instruments and documents as may be required or may reasonably be requested by the Trustee in order to maintain in favor of the Trustee what would be a perfected, first priority security interest in the Trust Estate, including the Financed Student Loans, as if the Uniform Commercial Code of the State of Vermont were applicable thereto (which it is not). Without limiting the generality of the foregoing, the Corporation shall execute, deliver and file all such financing and continuation statements and amendments thereto and such other instruments, endorsements and notices as may be necessary or as the Trustee may reasonably request in order to perfect and preserve the lien and pledge of the Indenture.

(c) The Corporation authorizes the Trustee under the Indenture from time to time to file financing statements, continuation statements and amendments thereto, relative to all or any part of the Trust Estate, including the Financed Student Loans, without the signature of the Corporation (where permitted by law). Copies of any such statement or amendment shall be promptly delivered to the Corporation. The Trustee agrees to prepare, request that the Corporation execute (if such execution is necessary for any such filing) and file in a timely manner the continuation statements referred to herein in accordance with the Indenture.

(d) The Corporation shall timely pay any and all filing, registration and recording fees (and any refiling, re-registration and re-recording fees) and all expenses incident to the execution, delivery and/or performance of the Indenture and any agreement or instrument of further assurance furnished under the Indenture.

(e) The Corporation shall warrant and defend its title to the Trust Estate, including the Financed Student Loans, against the claims and demands of all Persons other than the Trustee and the Registered Owners of the Notes.

(f) Except for the lien and pledge of the Indenture, and any other liens expressly authorized under the Indenture, the Corporation will not cause or permit all or any part of the Trust Estate, including but not limited to the Financed Student Loans, to become subject to any consensual or non-consensual lien or encumbrance.

(g) Except for the lien and pledge of the Indenture, (i) the Corporation has no knowledge, and has not received any notice, that any party other than the Trustee, on behalf of the Registered Owners of the Notes, has or claims to have any security interest or other lien on all or any part of the Trust Estate; and (ii) no party, other than the Corporation and the Trustee, on behalf of the Registered Owners of the Notes, has or claims to have any interest whatsoever in all or any part of the Trust Estate.

(h) The Corporation represents and warrants under the Indenture for the benefit of the Trustee and the Registered Owners of the Notes as follows:

(i) Notwithstanding any other provision of the Indenture, pursuant to the Authorizing Act, the pledge made by the Corporation in the granting clauses of the Indenture shall be valid and binding from the time when the pledge is made, and the Trust Estate so pledged and thereafter received by the Corporation shall immediately be subject to the lien of the pledge of the Indenture without any physical

delivery of it or further act; and as further provided in the Authorizing Act, the pledge contained in the Indenture shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation, irrespective of whether those parties have notice of it.

(ii) The Financed Student Loans are promissory notes or payment intangibles within the meaning of the Uniform Commercial Code of the State of Vermont.

(iii) The Corporation (or the Trustee on behalf of the Corporation) owns and has good and marketable title to the Financed Student Loans free and clear of any lien, charge, security interest or other encumbrance of any Person, other than those granted pursuant to the Indenture.

(iv) The Corporation has caused or will have caused, within 10 days after the date of initial issuance of the Notes, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Financed Student Loans granted to the Trustee under the Indenture if the Uniform Commercial Code of the State of Vermont were applicable thereto (which it is not).

(v) Other than the pledge to the Trustee pursuant to the Indenture, the Corporation has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Financed Student Loans. The Corporation has not authorized the filing of and is not aware of any financing statements against the Corporation that include a description of collateral covering the Financed Student Loans other than any financing statement relating to the pledge granted to the Trustee under the Indenture and such financing statements that have been terminated. The Corporation is not aware of any judgment or tax lien filings against the Corporation.

(i) The Corporation shall assure that its electronic loan processes comply with applicable law.

(j) For the purposes of the Indenture, any Financed Student Loans, including E-loans, in which the Trustee has received a pledge, shall be accounted for in the Acquisition Fund.

(k) The transactions described in the Indenture may be conducted and related documents may be stored by electronic means as provided in the Indenture. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

***Further Covenants of the Corporation Regarding the Trustee's Security Interest.*** Pursuant to the Indenture, the Corporation covenants for the benefit of the Trustee and the Registered Owners as follows:

(a) The representations and warranties set forth in the Indenture and described herein under the caption "*Representations and Covenants of the Corporation Regarding the Trustee's Security Interest*" above shall survive the termination of the Indenture, and the Trustee shall not waive any of such representations or warranties.

(b) The Corporation shall take all steps necessary, and shall cause the Servicers and the Trustee to take all steps necessary and appropriate, to maintain the pledge and priority of the Trustee's interest in the Financed Student Loans.

***Certain Reports.***

Not later than four Business Days prior to a Distribution Date, the Corporation will prepare and forward to the Trustee a Distribution Date Certificate, at which time the Trustee shall prepare, based on the information in the Distribution Date Certificate, a Distribution Date Information Form. The Trustee shall provide the Corporation with the Distribution Date Information Form once the Trustee shall complete such form, which shall be on the date that is two Business Days preceding such Distribution Date. Upon receiving the completed Distribution Date Information Form from the Trustee, the Corporation shall post and provide electronic access to the Distribution Date Information Form on the Corporation's website. The Trustee shall direct any Noteholder who requests a copy of the Distribution

Date Information Form to (i) the electronic form of such Distribution Date Information Form posted on the Corporation's website or (ii) to such other location from which copies of the Distribution Date Information Form may be obtained. In the event the Corporation no longer maintains a website, the Trustee shall post and provide electronic access to the Distribution Date Information Form on a website accessible to all Noteholders. The Corporation shall provide the Distribution Date Information Form to the Securities Depository at [Lenotices@dtcc.com](mailto:Lenotices@dtcc.com) for distribution to the beneficial owners of the Notes. The Trustee may conclusively rely and accept the information described in the Distribution Date Certificate from the Corporation, with no further duty to know, determine or examine such reports. In addition, the Corporation shall provide to the Rating Agencies such regular reports in the form and at the times requested by such Rating Agencies as is necessary to maintain the Rating on the Notes.

On or before January 31 of each calendar year, beginning with January 31, 2015, the Trustee or any other paying agent appointed under the Indenture shall furnish to each Person who at any time during the preceding calendar year was a Noteholder the information for the preceding calendar year, or the applicable portion thereof during which the Person was a Noteholder, any information that is required to be provided by the Corporation under the Code to the holders of the Notes and such other customary information as is necessary to enable each Noteholder to prepare its federal income tax returns.

The Corporation is required to prepare the periodic servicing reports at the times as and in the manner described under the caption "*Administration and Collection of Financed Student Loans*" above.

***Parity and Priority of Lien.*** The provisions, covenants and agreements within the Indenture set forth to be performed by or on behalf of the Corporation shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Notes, all of which, regardless of the times of their Maturity, shall be of equal rank without preference, priority or distinction of any of the Notes over any other thereof, except as expressly provided in the Indenture with respect to certain payment and other priorities.

***Not an Investment Company.*** The Corporation is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or is exempt from all provisions of such Investment Company Act.

***Continuing Disclosure.*** The Corporation and the Trustee covenant and agree under the Indenture that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Corporation or the Trustee to comply with this covenant or the Continuing Disclosure Agreement shall not be considered an Event of Default; however, subject to the provisions of the Indenture, and if the Trustee shall have been indemnified as provided in the Indenture, then the Trustee may (and, at the request of any "participating underwriter" as defined in Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act (which shall include the Underwriter) or the Registered Owners of least a majority of the aggregate principal amount of the Notes then Outstanding, shall) or any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation or the Trustee, as the case may be, to comply with its continuing disclosure obligations under the Indenture.

***State Covenant.*** The laws of the State of Vermont provide 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 covenants under the Indenture to include such pledge and agreement for the benefit of the Registered Owners of the Notes in the Indenture 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 Notes. 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 Notes, together with interest on them and interest on any unpaid installments of interest, are fully met, paid and discharged."

## Funds

***Creation and Continuation of Funds and Accounts.*** Pursuant to the Indenture, the following Funds will be created and will be held and maintained by the Trustee for the benefit of the Registered Owners:

- (a) Acquisition Fund;
- (b) Collection Fund; and
- (c) Debt Service Reserve Fund.

Pursuant to the Indenture, there will also be created and established within the Acquisition Fund, a Temporary Costs of Issuance Account, to be held and maintained by the Trustee for the benefit of the Registered Owners.

Pursuant to the Indenture, there will also be created and established the Department Rebate Fund and the Tax-Exempt Rebate Fund, each to be held and maintained by the Trustee, in which neither the Corporation nor the Registered Owners have any right, title or interest.

Pursuant to the Indenture, the Trustee is hereby authorized, upon notice to the Corporation, for the purpose of facilitating the administration of the Trust Estate and its duties under the Indenture and for the administration of any Notes issued thereunder to create further Accounts and Subaccounts in any of the various Funds established thereunder which are deemed necessary or desirable, or to close any Trust Fund (other than those enumerated in clauses (a), (b) and (c) above which shall be closed as provided in the Indenture) which the Trustee deems no longer necessary or appropriate for the proper administration of such duties.

Funds on deposit in each fund specified in clauses (a), (b) and (c) above (collectively, the “Trust Funds,” which definition, for avoidance of doubt, specifically excludes the Department Rebate Fund and the Tax-Exempt Rebate Fund), shall be invested by the Trustee (or any custodian or designated agent with respect to any amounts on deposit in such accounts) in Investment Securities pursuant to written instructions from the Corporation as provided in the Indenture. All Trust Funds shall be held and maintained by the Trustee, and shall be identified by the Trustee according to the designations provided in the Indenture in such manner as to distinguish such Trust Funds from the funds and accounts established by the Corporation for any of its other obligations.

All moneys or securities held by the Trustee pursuant to the Indenture shall be held in trust and applied only in accordance with the provisions of the Indenture. On the second Business Day preceding each Distribution Date, all interest and other investment income (net of losses and investment expenses) in the Trust Funds shall be deemed to constitute a portion of the Available Funds for each Distribution Date. For the avoidance of doubt, Available Funds for each Distribution Date shall include the maturity value of Investment Securities that mature on the Business Day preceding the Distribution Date.

***Tax-Exempt Rebate Fund.*** The Trustee shall, upon receipt of a Corporation Order and in accordance with the Indenture, withdraw from the Collection Fund and deposit to the Tax-Exempt Rebate Fund an amount such that the balance held in the Tax-Exempt 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 shall 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. Amounts in the Tax-Exempt Rebate Fund are not part of the Trust Estate and are not subject to a security interest, lien or charge in favor of the Trustee.

The Trustee, upon receipt of a Corporation Order in accordance with any Tax Document, shall pay to the United States of America from the Tax-Exempt Rebate Fund the Rebate Amount as of the end of any applicable Computation Date.

The Trustee shall, upon receipt of a Corporation Order and in accordance with the Indenture, withdraw from the Collection Fund and deposit to the Tax-Exempt Rebate Fund such amount as shall be required to be paid to



the federal government as Excess Earnings. The Trustee shall, 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 Student 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 Tax-Exempt Rebate Fund exceeds the Rebate Amount, the Trustee, upon the receipt of written instructions from an Authorized Representative specifying the amount of the excess, shall withdraw such excess amount and deposit it in the Collection Fund.

Notwithstanding anything in the Indenture to the contrary, in the event the Corporation and the Trustee shall 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 the Notes, then the provisions of this Section need not be complied with and shall no longer be effective and all or a portion of such amounts on deposit in the Tax-Exempt Rebate Fund shall be transferred to the Collection Fund.

### ***Collection Fund.***

(a) *Deposits to Collection Fund.* On the Issue Date, there shall be deposited to the Collection Fund approximately \$5,288,149 from moneys of the Corporation. There shall be deposited to the Collection Fund (i) all Available Funds and all other moneys and investment income derived from assets on deposit in and transfers from the Debt Service Reserve Fund pursuant to the Indenture, (ii) amounts deposited following the Corporation's optional release of the Financed Student Loans in accordance with the provisions of the Indenture, and (iii) any other amounts deposited thereto upon receipt of deposit instructions from the Corporation (including any amount on deposit in the the Department Reserve Fund in excess of the Department Reserve Fund Requirement upon receipt of written instructions from an Authorized Representative of the Corporation as set forth in the Indenture or on deposit in the Tax-Exempt Rebate Fund in excess of the Rebate Amount upon receipt of written instructions from an Authorized Representative of the Corporation as set forth in the Indenture). The Trustee shall deposit into the Collection Fund daily, in addition to all loan revenues with respect to the Financed Student Loans, all moneys received by or on behalf of the Corporation as assets of, or with respect to, the Trust Estate. Moneys on deposit in the Collection Fund shall be transferred or distributed by the Trustee in the amounts and on the Distribution Dates or other dates specified by the Indenture and in the priority described in clause (b) below. Absent manifest error, the Trustee may conclusively rely on all written instructions of the Corporation described in the Indenture with no further duty to examine or determine the information provided by the Corporation for the Distribution Date Certificate. Upon Corporation Order, moneys in the Collection Fund shall be used on any date to pay, when due, the amounts described in clauses (a)(i)-(ii) of the definition of Available Funds.

(b) *Payments on Distribution Dates.* Except as provided under the heading "Defaults and Remedies—*Remedy on Default; Possession of Trust Estate*" below, the Corporation shall instruct the Trustee in writing no later than the second Business Day preceding each Distribution Date (based on the information contained in the Distribution Date Certificate) to make the following deposits and distributions from the Available Funds in the Collection Fund received during the immediately preceding Collection Period (including any amounts transferred from the Debt Service Reserve Fund pursuant to the Indenture) or, with respect to the December 2014 Distribution Date, amounts deposited on the Issue Date, to the Persons or to the account specified below by 3:00 p.m., Eastern time on such Distribution Date, in the following order of priority, and the Trustee shall comply with such instructions; provided, however, that if the Available Funds received during the immediately preceding Collection Period are not sufficient to make the payments or deposits required pursuant to the provisions of the Indenture described in clauses (i) through (vi) of this subsection (b), then, after any required transfers from the Debt Service Reserve Fund pursuant to the Indenture, any other Available Funds on deposit in the Collection Fund, which the Corporation would have deemed Available Funds for the following Collection Period, may be used to make the payments or deposits required pursuant to the provisions of the Indenture described in clauses (i) through (vi) of this subsection (b):

(i) to deposit to the Tax-Exempt Rebate Fund, upon receipt of a Corporation Order, the amount or amounts necessary to be deposited therein with respect to rebate or Excess Earnings in accordance with any Tax Document;

(ii) for deposit into the Department Reserve Fund, the Department Reserve Fund Requirement for such Distribution Date and any other required payments to the Department with respect to the FFELP Financed Student Loans to the extent remaining unpaid from prior periods;

(iii) to pay to the Trustee, the Trustee Fee, if any, then due, and any Trustee Fee remaining unpaid from prior periods;

(iv) to pay to the Corporation, the Servicing Fees due with respect to the preceding calendar month, together with Servicing Fees remaining unpaid from prior periods, out of which amount the Corporation shall pay to any third-party Servicer and the Back-up Servicer fees and expenses owed under the applicable Servicing Agreement up to the amount received by the Corporation;

(v) to pay to the Administrator, the Administration Fees due and unpaid with respect to the preceding calendar month, together with Administration Fees remaining unpaid from prior periods;

(vi) to pay to the Noteholders, the Interest Distribution Amount payable on the Notes on such Distribution Date; pro rata if not sufficient to pay in full, based on amounts owed to each such party, without preference or priority of any kind;

(vii) to deposit to the Debt Service Reserve Fund, the amount, if any, necessary to reinstate the balance of the Debt Service Reserve Fund up to the Debt Service Reserve Fund Requirement;

(viii) to the applicable Noteholders, the Principal Distribution Amount until the Notes have been paid in full;

(ix) if the Corporation has not exercised its the option to release all of the Financed Student Loans from the lien of the Indenture as described under the caption "DESCRIPTION OF THE NOTES—Optional Redemption" in the body of this Official Statement when the then outstanding Pool Balance is 10% or less of the Initial Pool Balance, to the applicable Noteholders, all remaining amounts until the Notes have been paid in full; and

(x) after application of the preceding clauses, any remaining amounts to the Corporation, free and clear of the lien of the Indenture.

The Corporation shall, or shall direct the Trustee to, notify the Rating Agencies by forwarding a copy of the relevant Distribution Date Information Form if the Available Funds received during the immediately preceding Collection Period are not sufficient to make the payments or deposits required pursuant to the Indenture provisions described in clauses (i) through (vi) of this subsection (b), after any required transfers from the Debt Service Reserve Fund, and such payments or deposits were made with other Available Funds on deposit in the Collection Fund for the following Collection Period.

No transfer from the Collection Fund to the Corporation may be made pursuant to the Indenture provisions described in clause (x) above 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 in any Supplemental Indenture are complied with and the Trustee has received 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 Tax-Exempt Rebate Fund.

(c) *Payments on dates other than Distribution Dates.*

(i) *Tax-Exempt Rebate Fund.* The Trustee shall, upon receipt of a Corporation Order and in accordance with the Indenture, withdraw from the Collection Fund prior to a Computation Date, from and to the extent of amounts on deposit in the Collection Fund (including any amounts transferred from the Acquisition Fund pursuant to the Indenture and the Debt Service Reserve Fund pursuant to the Indenture), and deposit to the Tax-Exempt Rebate Fund an amount such that the balance held in the Tax-Exempt Rebate Fund after such deposit is equal to the Rebate Amount calculated as of the Computation Date. The Trustee shall, upon receipt of a Corporation Order and in accordance with the Indenture, withdraw from the Collection Fund, from and to the extent of amounts on deposit in the Collection Fund (including any amounts transferred from the Acquisition Fund pursuant to the Indenture and the Debt Service Reserve Fund pursuant to the Indenture), and deposit to the Tax-Exempt Rebate Fund such amount as shall be required to be paid to the federal government as Excess Earnings when due.

(ii) *Department Rebate Fund.* The Trustee shall, upon receipt of a Corporation Order and in accordance with the Indenture, withdraw from the Collection Fund, from and to the extent of amounts on deposit in the Collection Fund (including any amounts transferred from the Acquisition Fund pursuant to the Indenture and the Debt Service Reserve Fund pursuant to the Indenture), and deposit to the Department Rebate Fund an amount such that the balance held in the Department Rebate Fund after such deposit is equal to the Department Reserve Fund Requirement.

(iii) *Trustee Fees.* The Corporation shall instruct the Trustee, pursuant to a Corporation Order, to distribute to the Trustee, from and to the extent of the amounts on deposit in the Collection Fund (including any amounts transferred from the Acquisition Fund pursuant to the Indenture and the Debt Service Reserve Fund pursuant to the Indenture), the Trustee Fee when due, and the Trustee shall comply with such instructions.

(iv) *Servicing Fees.* The Corporation shall instruct the Trustee, pursuant to a Corporation Order, to distribute to the Corporation, from and to the extent of the amounts on deposit in the Collection Fund (including any amounts transferred from the Acquisition Fund pursuant to the Indenture and the Debt Service Reserve Fund pursuant to the Indenture), the Servicing Fees when due, and the Trustee shall comply with such instructions. Out of such amount distributed to the Corporation, the Corporation shall pay to any third-party Servicer and Back-up Servicer fees and expenses owed under the applicable Servicing Agreement up to the amount received by the Corporation.

(v) *Administration Fees.* The Corporation shall instruct the Trustee, pursuant to a Corporation Order, to distribute to the Administrator, from and to the extent of the amounts on deposit in the Collection Fund (including any amounts transferred from the Acquisition Fund pursuant to the Indenture and the Debt Service Reserve Fund pursuant to the Indenture), the Administration Fees when due, and the Trustee shall comply with such instructions.

***Acquisition Fund.***

On the Issue Date, there shall be deposited pursuant to the Escrow Agreement, \$59,700,000 of the proceeds of the Notes. On the Issue Date, there shall be deposited into the Temporary Costs of Issuance Account of the Acquisition Fund \$409,250 of moneys of the Corporation. Upon the defeasance of the Refunded Resolution, the Student Loans held under the Refunded Bonds Resolution shall be deposited to the Acquisition Fund. Financed Student Loans shall be held by the Trustee or its agent or bailee (including the Servicer thereof) and shall be pledged to the Trust Estate and accounted for as part of the Acquisition Fund.

Moneys on deposit in the Temporary Costs of Issuance Account shall be used, upon Corporation Order, to pay costs of issuance of the Notes, and after payment of costs of issuance in full, any remaining amount will be transferred to the Collection Fund.

The Trustee will maintain the list of the Financed Student Loans pledged to it under the Indenture, initially comprised of the Student Loans transferred from the Refunded Resolution upon the defeasance of the Refunded Resolution.

With respect to each Student Loan deposited to the Acquisition Fund, the Corporation certifies as follows:

- (a) each Student Loan is an Eligible Loan authorized to be Financed pursuant to the Indenture;
- (b) if such Student Loan is Insured, Insurance is in effect with respect thereto;
- (c) if such Student Loan which is Guaranteed, the Guaranty Agreement is in effect with respect thereto; and
- (d) the Corporation is not, on the date hereof, in default under any Contract of Insurance or any Guaranty Agreement applicable to such Student Loan.

***Debt Service Reserve Fund.***

On the Issue Date, there shall be deposited to the Debt Service Reserve Fund, \$165,413. Thereafter, the Trustee shall transfer to the Debt Service Reserve Fund from the Collection Fund all amounts designated for transfer thereto pursuant to the Indenture. To the extent there are insufficient moneys in the Collection Fund to make the transfers required by (i) subsection (b)(i) through (vi) described under the heading “*Collection Fund*” above on each Distribution Date or (ii) subsection (c) described under the heading “*Collection Fund*” above, as applicable (other than transfers to repurchase Financed Student Loans from any Guaranty Agency or a Servicer as described in clause (a)(i) of the definition of Available Funds), the Corporation shall provide written instructions to the Trustee pursuant to subsection (b) or (c) described under the heading “*Collection Fund*” above, as applicable, and the Trustee shall, pursuant to such written instructions, withdraw from the Debt Service Reserve Fund on such Distribution Date or other date (as described in subsection (c) under the heading “*Collection Fund*” above), as applicable, an amount equal to such deficiency and deposit such amount in the Collection Fund as specified.

If the full amount required to restore the Debt Service Reserve Fund to the applicable Debt Service Reserve Fund Requirement is not available in the Collection Fund on a Distribution Date, the Trustee shall continue to transfer funds from the Collection Fund as they become available and in accordance the Indenture provisions described in clause (b)(vi) under the heading “*Collection Fund*” above until the deficiency in the Debt Service Reserve Fund has been eliminated. If, after giving effect to the distributions from the Debt Service Reserve Fund pursuant to the provisions of the Indenture described in the preceding paragraph, the amount on deposit in the Debt Service Reserve Fund on any Distribution Date is greater than the Debt Service Reserve Fund Requirement, the Corporation shall instruct the Trustee in writing to withdraw from the Debt Service Reserve Fund on such Distribution Date an amount equal to such excess and to deposit such amount in the Collection Fund.

Amounts on deposit in the Debt Service Reserve Fund, other than amounts in excess of the Debt Service Reserve Fund Requirement that are transferred to the Collection Fund, will not be available to make principal payments on the Notes except upon the final Stated Maturity Date or earlier (i) upon the occurrence of an Event of Default and an acceleration of the Notes, in which case, the amount on deposit shall be applied in accordance with the provisions of the Indenture described herein under the heading “*Defaults and Remedies—Remedy on Default; Possession of Trust Estate*” below or (ii) if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, are equal to or exceed the Outstanding Amount of and accrued interest on the Notes as described in the Indenture in connection with mandatory redemption of the Notes. If on the Stated Maturity Date, and after giving effect to the distribution of the Available Funds on such Stated Maturity Date, the Outstanding Amount will not be reduced to zero, the Corporation shall instruct the Trustee in writing to withdraw from the Debt Service Reserve Fund on such Stated Maturity Date an amount equal to the amount needed to reduce the Outstanding Amount to zero and to deposit such amount in the Collection Fund for application to payment of the Outstanding Amount.

On the final Distribution Date, following the payment in full of the Outstanding Amount of the Notes and all accrued and unpaid interest thereon and of all other amounts owing or to be distributed under the Indenture to Noteholders, the Trustee, the Administrator, or the Corporation, any amount remaining on deposit in the Debt Service Reserve Fund after all amounts owing or to be distributed as set forth above shall have been made shall be distributed to the Corporation.

***Department Reserve Fund.***

The Trustee shall transfer to the Department Reserve Fund from the Collection Fund all amounts designated for transfer thereto pursuant to the Indenture provisions described herein under clause (b)(i) of the caption “—Collection Fund” above. Amounts on deposit in the Department Reserve Fund shall be applied as directed by the Corporation to pay (a) to the Department (i) the Department Rebate Interest Amount due on each Department Rebate Payment Date or any amounts remaining unpaid from prior periods and (ii) the Monthly Consolidation Loan Rebate Fees or any other amounts owed to the Department when due, (b) to a Guaranty Agency any payment then due and payable that relates to its Guaranty of any Financed Student Loans; and (c) any other such payment then accrued to the Corporation, another entity or trust estate, if amounts under the Indenture due to the Department or a Guaranty Agency with respect to the Financed Student Loans were paid by the Corporation or such other entity or trust estate, pursuant to any Joint Sharing Agreement. If the Corporation determines that excess funds are on deposit in the Department Reserve Fund, the Corporation shall direct the Trustee in a Corporation Order to transfer such excess to the Collection Fund. If amounts on deposit in the Department Reserve Fund are insufficient to make any required payments to the Department, the Corporation shall direct the Trustee in a Corporation Order to transfer funds equal to such deficiency from the Collection Fund to the Department Reserve Fund or to pay such amount to the Department directly from the Collection Fund. Amounts in the Department Reserve Fund are not part of the Trust Estate and shall not be subject to a security interest, lien or charge in favor of the Trustee.

***Investment of Funds Held by Trustee.***

The Trustee shall invest money held for the credit of any Fund or Account held by the Trustee under the Indenture as directed in writing by an Authorized Representative of the Corporation, to the fullest extent practicable and reasonable, in Investment Securities which shall mature or be redeemed at the option of the holder so that such funds will be available at the close of business on the Business Day 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; provided, that funds deposited in a Fund, Account or Subaccount on a Business Day which immediately precedes a Distribution Date are not required to be invested overnight. In the absence of any such direction and to the extent practicable, the Trustee shall invest amounts held under the Indenture in those Investment Securities described in clause (a) of the definition of “Investment Securities.” All such investments shall be held by (or by any custodian on behalf of) the Trustee, as trustee for the benefit of the Noteholders, at a financial institution (which may include the Trustee) for which the long-term rating of S&P is not less than “BBB,” or the respective short-term equivalent thereof; provided that (i) all interest and other investment earnings collected on funds on deposit in any Fund or Account shall be deposited into the Collection Fund and shall be deemed to constitute a portion of the Available Funds, and (ii) if the long term rating of S&P of the financial institution at which such investments are held (including the ratings of Trustee to the extent held thereby), at any time fall below “BBB” (or the short-term equivalent rating thereof), the Trustee shall provide notice to the Corporation and shall promptly (and in any event, within 30 calendar days of the date of such downgrade), either (i) transfer amounts on deposit in any Fund or Account established under the Indenture or deposit any such investment securities with a financial institution designated in writing by the Corporation having a long term rating of at least “BBB” by S&P, or the short-term equivalent thereof, or (ii) with respect to Investment Securities held at the Trustee, submit a written action plan to S&P to remedy such downgrade of the Trustee within a period not to exceed an additional thirty (30) calendar days of such loss of eligibility, provided that, to the extent such exposures cannot be addressed by collateralization, given the nature of the exposure (i.e. issuer account banks), then such remedy period may be extended, with respect to S&P, for up to an additional thirty (30) calendar days if the Trustee provides S&P with a written action plan before the initial thirty (30) day period expires. Any such costs and expenses associated with such remedial action shall not be expenses of the Corporation and shall be unreimbursable expenses of the Trustee.

The Trustee and the Corporation will agree under the Indenture that unless an Event of Default has occurred under the Indenture, the Corporation acting by and through an Authorized Representative shall be entitled to, and shall, 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 shall not take such discretionary acts without such written direction.

The Investment Securities purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund, Account or Subaccounts or combination thereof, and the Trustee shall 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 Tax-Exempt Rebate Fund), shall be deposited immediately upon receipt into the Collection Fund in accordance with the Indenture. Earnings on amounts contained in the Tax-Exempt Rebate Fund shall remain in the Tax-Exempt Rebate Fund. Upon, and in accordance with, direction in writing (or orally, confirmed in writing) from an Authorized Representative of the Corporation, the Trustee shall sell or present for redemption, any Investment Securities whenever it shall be necessary to provide money to meet any payment from the applicable Fund. The Trustee shall provide electronic access to the Corporation to information relating to 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 any investments which were sold or liquidated for less than their value at the time thereof.

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. 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 shall 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 shall retain the authority to institute, participate 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.

***Release.***

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

Subject to the payment of its fees and expenses pursuant to the Indenture, the Trustee may, and when required by the provisions of the Indenture shall, execute instruments to release property from the lien of the Indenture or convey the Trustee's interest in the same in a manner and under circumstances that are not inconsistent with the provisions of the Indenture. No party relying upon an instrument executed by the Trustee as provided in the Indenture shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any moneys.

The Trustee shall, at such time as there are no Outstanding Notes and all sums due the Trustee pursuant to the Indenture and all amounts payable to each Servicer, the Administrator, the Corporation and all other amounts payable by the Corporation pursuant to the Indenture have been paid and all Rebate Amounts, all Rebate Amounts and Excess Earnings to the United States Treasury have been set aside in the Tax-Exempt Rebate Fund and all Department Rebate Interest Amounts and Monthly Consolidation Loan Rebate Fees have been set aside in the Department Reserve Fund, release any remaining portion of the Trust Estate that secured the Notes from the lien of the Indenture and release to the Corporation or any other Person entitled thereto any funds then on deposit in the Funds and Accounts, and any remaining Funds and Accounts (other than the Tax-Exempt Rebate Fund) shall

thereafter be closed; provided, however, that if all the information necessary to calculate the Tax-Exempt Rebate Amounts and Excess Earnings is not yet than available, then the calculation of the amount to be deposited to the Tax-Exempt Rebate Fund with respect to such Tax-Exempt Rebate Amounts and Excess Earnings may be based upon such reasonable assumptions as the Corporation shall determine.

Subject to the provisions of the Indenture, the Trustee shall release property from the lien of the Indenture only upon receipt of written instruction from the Corporation.

Each Registered Owner, by the acceptance of a Note, acknowledges that, from time to time, the Trustee shall release the lien of the Indenture on any Financed Student Loan to be sold or transferred as permitted by the Indenture, and each Registered Owner, by the acceptance of a Note, consents to any such release.

Except (i) as provided in the Indenture provisions relating to redemption of the Notes, the Indenture provisions relating to optional release of the Financed Student Loans pursuant to the Indenture and the provisions of the Indenture described under this caption “*Release*,” (ii) for consolidation or serialization purposes, (iii) for transfers to a Guaranty Agency, (iv) for transfers to a Servicer pursuant to its repurchase obligation under the applicable Servicing Agreement, (v) for releases from the lien of the Indenture to the Corporation pursuant to its repurchase obligation under the Indenture, (vi) for sales of the Financed Student Loans required by law or (vii) as set forth in the following sentence, Financed Student Loans shall not be sold, transferred or otherwise disposed of by the Corporation while any of the Notes are Outstanding. The Corporation may sell or otherwise release Financed Student Loans free from the lien of the Indenture, so long as (a) the sale or release price for any Financed Student Loan is not less than the Purchase Amount of such Financed Student Loan, (b) the collective aggregate principal balance of all such sales or releases does not exceed 10% of the Initial Pool Balance, (c) any sale of Financed Student Loans described in this sentence (I) will not cause a material change in the overall composition of the pool of Financed Student Loans and (II) will result in the remaining Financed Student Loans having substantially similar key characteristics to the Financed Student Loans existing immediately prior to the sale or release (for purposes of this clause (c), key characteristics of the Financed Student Loans are loan type, loan status, delinquency status, remaining pay term, seasoning (number of payments made), borrower benefits, borrower rate, Servicer, state and, with respect to FFELP Loans, Special Allowance Payment rate, Special Allowance Payment index, guaranteed percentage, loans first disbursed prior to April 1, 2006 and Guaranty Agency), and (d) the Corporation certifies under the Indenture as to compliance with the Indenture provisions described in the above clauses (a), (b) and (c) above to the Trustee, upon which the Trustee may conclusively rely. The Corporation hereby certifies, upon which the Trustee may conclusively rely, that any Financed Student Loan sold or released pursuant to the Indenture (except in accordance with the provisions of the Indenture relating to satisfaction of the Indenture) shall not be sold or released for a price less than the Purchase Amount of such Financed Student Loan. The Corporation shall provide notice of any sale or release of Financed Student Loans from the lien of the Indenture to the Rating Agencies.

## **Defaults and Remedies**

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

(a) default in the due and punctual payment of the principal of any of the Notes when due and payable on the related Stated Maturity Date;

(b) default in the due and punctual payment of the Interest Distribution Amount when due and such default shall continue for a period of five (5) Business Days;

(c) 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 Notes, 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 Authorized Representative of the Corporation; and

(d) the occurrence of an Event of Bankruptcy.

In no event shall the failure to pay principal of the Notes (except failure to pay principal of the Notes on the Stated Maturity Date) be an Event of Default under the Indenture.

Absent manifest error, the Trustee shall not be required to take notice or be deemed to have notice of any Event of Default described in clauses (c) and (d) above, unless and until the Trustee shall have actual knowledge of the occurrence of an Event of Default thereunder or shall have been specifically notified in writing of such Event of Default by an Authorized Representative of the Corporation, a Servicer, the Administrator or the Registered Owners of at least 25% in aggregate principal amount of all Notes then Outstanding, delivered to the Principal Office of the Trustee identified in the Indenture, and in the absence of such notice so delivered the Trustee may conclusively assume no such Event of Default exists.

Any notice in the Indenture provided to be given to the Authorized Representative of the Corporation with respect to any default shall be deemed sufficiently given if sent by registered 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 hereafter 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 shall give such notice if requested to do so in writing by the Registered Owners of at least a majority of the aggregate principal amount of the then Outstanding Notes.

***Remedy on Default; Possession of Trust Estate.*** Upon an acceleration of the Notes in accordance with the provisions of the Indenture described under the caption “*Accelerated Maturity*” below due to the occurrence of an Event of Default described under paragraphs (a), (b) or (d) under the caption “*Events of Default Defined*” above, the Trustee, personally or by its attorneys or agents, may take possession of the Trust Estate as described under this caption “*Remedy on Default; Possession of Trust Estate.*” Furthermore, the Trustee, personally or by its attorneys or agents, shall take possession of the Trust Estate as described in this subsection (i) at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Outstanding Notes at the time, upon an acceleration of the Notes in accordance with the provisions of the Indenture described herein under the caption “*Accelerated Maturity*” below due to the occurrence of an Event of Default described under clauses (a), (b) or (d) under the caption “*Events of Default Defined*” above or (ii) at the written direction of the Registered Owners representing not less than a majority in aggregate principal amount of the Notes then Outstanding upon the occurrence of an Event of Default described under clause (c) under the caption “*Events of Default Defined*” above. In accordance with the preceding sentences, the Trustee shall, enter into and upon and take possession of such portion of the Trust Estate as shall 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 shall 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 shall apply the rest and residue of the money received by the Trustee as follows:

FIRST, to the Tax-Exempt Rebate Fund if necessary to comply with any Tax Document with respect to rebate or Excess Earnings;

SECOND, pro rata, based on amounts due and owing, to the Department or any Guaranty Agency any amount due and owing and to make any payments required under any Joint Sharing Agreement or to otherwise pay to the appropriate Person amounts which are allocable to FFELP Loans which are not pledged as part of the Trust Estate under the Indenture;

THIRD, to the Trustee and any third party agent appointed under the Indenture, any Trustee Fee and reasonable expenses incurred under the Indenture, if any, due and owing;



FOURTH, to the Corporation, any Servicing Fees due and remaining unpaid, out of which amount the Corporation shall pay to any third-party Servicer and the Back-up Servicer fees and expenses due and remaining unpaid under the Servicing Agreements;

FIFTH to the Administrator, any Administration Fees due and remaining unpaid;

SIXTH, to the Noteholders of Notes for amounts due and unpaid on the Notes for interest, ratably without preference or priority of any kind according to the amounts due and payable on the Notes, such interest;

SEVENTH, to the Noteholders of Notes for amounts due and unpaid on the Notes for principal, ratably, without preference or priority of any kind according to the amounts due and payable on each the Notes, such principal; and

EIGHTH, to the Corporation.

The Trustee may fix a Record Date and payment date for any payment to Registered Owners pursuant to the provisions of the Indenture described under this caption “*Remedy on Default; Possession of Trust Estate.*” At least 15 days before such Record Date, the Trustee shall mail to each Registered Owner and the Corporation a notice that states the Record Date, the payment date and the amount to be paid.

***Remedies on Default; Sale of Trust Estate.*** Upon the happening of any Event of Default and if the principal of all of the Outstanding Notes shall have been declared due and payable pursuant to the provisions of the Indenture described under the caption “*Accelerated Maturity*” below, then and in every such case, and irrespective of whether other remedies authorized shall have been pursued in whole or in part, the Trustee may or, if instructed by the Registered Owners of at least a majority of the aggregate principal amount of the Notes at the time Outstanding, shall 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 that the Trustee is authorized to hire an agent which may be selected by and at the expense of the Corporation, to undertake any sale of Trust Estate assets authorized under the Indenture. Upon such sale the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same, which sale shall be a perpetual bar both at law and in equity against the Corporation and all Persons claiming such properties. No purchaser at any sale shall 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. Pursuant to the Indenture, the Trustee is 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, shall 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 for the purpose which may be designated in such request. In addition, the Trustee may or, if instructed by the Registered Owners of at least a majority of the aggregate principal amount of the Notes at the time Outstanding, shall proceed to protect and enforce the rights of the Trustee and the Registered Owners of the Notes in such manner, 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 the Trustee or such Registered Owners shall deem most effectual to protect and enforce the rights aforesaid. The Trustee shall take any such action or actions if requested to do so in writing by the Registered Owners of at least a majority of the aggregate principal amount of the Notes at the time Outstanding.

Notwithstanding the foregoing, the Trustee is prohibited from selling the Financed Student Loans following an Event of Default (whether or not the principal of all Outstanding Notes shall have been declared due and payable), other than an Event of Default described under clause (a) or (b) under the caption “*Events of Default Defined*” above, unless:

- (a) the Registered Owners of all Notes at the time Outstanding consent to such a sale;

(b) the proceeds of such a sale will be sufficient to discharge all the Outstanding Notes pursuant to the Indenture at the date of such a sale; or

(c) the Trustee determines that the collections on the Financed Student Loans would not be sufficient on an ongoing basis to make all payments on the Notes as such payments would have become due if the Notes had not been declared due and payable, and the Trustee obtains the consent of the Registered Owners of at least 66-2/3% in aggregate principal amount of the Notes at the time Outstanding.

**Appointment of Receiver.** In case an Event of Default occurs, and if all of the Outstanding Notes shall 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 shall 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 shall have proceeded to enforce any rights under the Indenture by sale or otherwise, and such proceedings shall have been discontinued, or shall 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 shall 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 shall continue as though no such proceeding had been taken.

**Purchase of Properties by Trustee or Registered Owners.** In case of any sale of the Trust Estate pursuant to the Indenture, any Registered Owner or Registered Owners or committee of Registered Owners or the Trustee, may bid for and purchase such property and upon compliance with the terms of sale may hold, retain possession, and dispose of such property as the absolute right of the purchaser or purchasers without further accountability and shall be entitled, for the purpose of making any settlement or payment for the property purchased, to use and apply any Notes owned by such purchasers that are secured by the Indenture and any interest thereon due and unpaid, by presenting such Notes in order that there may be credited thereon the sum apportionable and applicable thereto out of the net proceeds of such sale, and thereupon such purchaser or purchasers shall be credited on account of such purchase price payable to him or them with the sum apportionable and applicable out of such net proceeds to the payment of or as a credit on the Notes so presented.

**Application of Sale Proceeds.** The proceeds of any sale of the Trust Estate, together with any funds at the time held by the Trustee and not otherwise designated in the Indenture for another use, shall be applied by the Trustee as set forth in the provisions of the Indenture described herein under the caption "*Remedy on Default; Possession of Trust Estate*" above, and then to the Corporation or whomsoever shall be lawfully entitled thereto.

**Accelerated Maturity.** If (a) an Event of Default described above in clause (a) or (b) under the caption "*Events of Default Defined*" above shall have occurred and be continuing, the Trustee may declare, or upon the written direction by the Registered Owners of at least a majority of the aggregate principal amount of the Notes then Outstanding, the Trustee shall declare or (b) an Event of Default described above in clause (c) under the caption "*Events of Default Defined*" above shall have occurred and be continuing, upon the written direction by the Registered Owners of at least a majority of the aggregate principal amount of the Notes then Outstanding, the Trustee shall declare, the principal of all Notes then Outstanding, and the interest thereon, if not previously due, immediately due and payable, anything in the Notes or the Indenture to the contrary notwithstanding, and upon any such declaration the unpaid principal amount of all Notes then Outstanding, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable, subject, however, to the provisions of the Indenture described herein under the caption "*Remedies on Default; Sale of Trust Estate*" above. If an Event of Default described above in clause (d) under the caption "*Events of Default Defined*" above shall have occurred and be continuing, the principal of all Notes Outstanding, together with accrued and unpaid interest thereon through the date of such Event of Default, shall become immediately due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in the Indenture, the Registered Owners of Notes representing a majority in aggregate principal amount of the Notes then Outstanding, by written notice to the Corporation and the Trustee, may rescind and annul such declaration and its consequences if:

- (x) the Corporation has paid or deposited with the Trustee a sum sufficient to pay:
  - (i) all payments of principal of and interest on all Notes then Outstanding and all other amounts that would then be due under the Indenture or upon all Notes then Outstanding if the Event of Default giving rise to such acceleration had not occurred; and
  - (ii) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, any Servicer and their agents and counsel; and
- (y) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in the provisions of the Indenture described herein under the caption “*Waivers of Events of Default*” below.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

***Remedies Not Exclusive.*** The remedies in the Indenture conferred upon or reserved to the Trustee or the Registered Owners of Notes are not intended to be exclusive of any other remedy, but each remedy provided in the Indenture shall be cumulative and shall 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 Notes by the Indenture, or any supplement to the Indenture, 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 Notes to exercise any power or right arising from any default under the Indenture shall impair any such right or power or shall 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 a majority in aggregate principal amount of the Notes then Outstanding, shall have the right by an instrument or instruments in writing delivered to the Trustee to direct and control the Trustee as to taking any action or instituting any proceedings for any sale of any or all of the Trust Estate in accordance with, and subject to the satisfaction of the further conditions set forth in the provisions of the Indenture described herein under the caption “*Remedies on Default; Sale of Trust Estate*” above, 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 shall 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 Notes, but the Trustee shall be entitled to assume that the action requested by the Registered Owners of at least a majority of the aggregate principal amount of the Notes at the time Outstanding will not be prejudicial to any non-assenting Registered Owners unless the Registered Owners of at least a majority of the aggregate principal amount of the non-assenting Registered Owners, in writing, show the Trustee how they will be prejudiced. Provided, however, that anything in the Indenture to the contrary notwithstanding, the Registered Owners of at least a majority of the aggregate principal amount of the Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture, provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture. The provisions of the Indenture described in this paragraph shall be expressly subject to certain provisions of the Indenture.

***Right to Enforce in Trustee.*** No Registered Owner of any Note shall have any right as such Registered Owner to institute any suit, action, or proceedings for the enforcement of the provisions of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or for any other remedy thereunder, all rights of action thereunder being vested exclusively in the Trustee, unless and until such Registered Owner shall have previously given to the Trustee written notice of a default thereunder, and of the continuance thereof, and also unless the Registered Owners of at least a majority of the aggregate principal amount of the Notes then Outstanding shall have made written request upon the Trustee and the Trustee shall have been afforded reasonable opportunity to institute such action, suit or proceeding in its own name, and unless the Trustee shall have been offered indemnity and security satisfactory to it against the costs, expenses, and liabilities to be incurred therein or thereby, which offer of indemnity shall be an express condition precedent under the Indenture to any obligation of the Trustee to take any

such action thereunder, and the Trustee for 30 days after receipt of such notification, request, and offer of indemnity, shall have failed to institute any such action, suit or proceeding. It is understood and intended that no one or more Registered Owners of the Notes shall have the right in any manner whatever by his or their action to affect, disturb, or prejudice the lien of the Indenture or to enforce any right under the Indenture except in the manner therein provided and for the equal benefit of the Registered Owners of at least a majority of the collective aggregate principal amount of the Notes then Outstanding.

**Waivers of Events of Default.** The Trustee may in its discretion waive any Event of Default under the Indenture (other than an Event of Default described in clause (d) under the caption “*Events of Default Defined*” above) and its consequences and rescind any declaration of acceleration of Notes, and shall do so upon the written request of the Registered Owners of at least a majority of the aggregate principal amount of the Notes then Outstanding; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of or premium, if any, on any Outstanding Notes at the date of Maturity or redemption thereof, or any default in the payment when due of the interest on any such Notes, unless prior to such waiver or rescission, all payments required under the Indenture provisions described above under the caption “*Accelerated Maturity*” above have been paid or provided for or (b) any default in the payment of amounts set forth in the Indenture provisions described herein under the captions “*The Trustee—Indemnification of Trustee*” and “*The Trustee—Compensation of Trustee*” below. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such default shall 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 Notes shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to or affect any subsequent or other default, or impair any rights or remedies consequent thereon. The Trustee shall promptly give written notice to each Rating Agency of any waiver of an Event of Default pursuant to the Indenture.

**Collection on Indebtedness and Suits for Enforcement by the Trustee.** Upon the occurrence and during the continuance of an Event of Default under the Indenture, the Trustee may, in its own name and as trustee of an express trust, institute a judicial proceeding for the collection of the sums due and unpaid under the Indenture, and may directly prosecute such proceeding to judgment or final decree, and the Trustee may enforce the same against the Corporation and collect the money adjudged or decreed to be payable in the manner provided by law and the Indenture.

## **The Trustee**

**Acceptance of Trust.** Pursuant to the Indenture, 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,

(i) 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 shall be read into the Indenture against the Trustee; and

(ii) in the absence of manifest error or 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 shall 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, shall 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, willful misconduct or manifest error of the Trustee including without limitation negligence, willful misconduct or manifest error with respect to moneys deposited and applied pursuant to the Indenture.

The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties under the Indenture.

Regardless of whether as provided in the Indenture, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Indenture pertaining to the Trustee.

**Indemnification of Trustee.** Other than with respect to its duties to make payment on the Notes when due, and its duty to pursue the remedy of acceleration as provided respectively in the Indenture provisions described herein under the captions “Defaults and Remedies—*Remedy on Default; Possession of Trust Estate*” and “Defaults and Remedies—*Accelerated Maturity*” above, for each of which no additional security or indemnity may be required, the Trustee shall 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 shall not be required to take notice or be deemed to have notice of any Event of Default described in clause (c) or (d) herein under the caption “Defaults and Remedies—*Events of Default Defined*” above, unless and until the Trustee shall have actual knowledge of the occurrence of such an Event of Default under the Indenture or shall have been specifically notified in writing of such Event of Default by an Authorized Representative of the Corporation, a Servicer, the Administrator or the Registered Owners of at least 25% in aggregate principal amount of all Notes then outstanding, delivered to the Principal Office of the Trustee identified in the Indenture, and in the absence of such notice so delivered the Trustee may conclusively assume no such Event of Default exists. However, the Trustee may begin a suit, or appear in and defend a suit, execute any of the trusts created by the Indenture, enforce any of its rights or powers under the Indenture, or do anything else in its judgment proper to be done by it as Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee shall be reimbursed or indemnified by the Registered Owners requesting such action, if any, or the Corporation in all other cases, 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 the provisions of the Indenture described under this caption “*Indemnification of the Trustee*,” the Trustee shall not be liable for, and shall 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, shall fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of the Indenture, (a) except during the continuance of an Event of Default, subject only to the prior lien of the Notes for the payment of the principal thereof, premium, if any, and interest thereon from the Collection Fund, and (b) during the continuance of an Event of Default in accordance with the provisions of the Indenture described herein under the caption “Defaults and Remedies—*Remedy on Default; Possession of Trust Estate*” above. None of the provisions contained in the Indenture or any other agreement to which it is a party shall 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 shall not have offered security and indemnity acceptable to it or if it shall 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.

The Corporation agrees under the Indenture, to the extent permitted by law, to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expenses incurred without negligence or bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or trusts under the Indenture, including the costs and expenses of defending itself or its directors, employees or agents against any claim or liability in connection with the exercise or performance of any of its powers or duties under the

Indenture. The provisions of the Indenture described under this caption “*Indemnification of Trustee*” shall survive the Trustee’s resignation or removal.

***Trustee’s Right to Reliance.*** The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, appraisal, opinion, report or document of the Corporation or any Servicer or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instance, paper or document, but, absent manifest error, 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 but need not be counsel for the Corporation, the Trustee, or for a Registered Owner or who may be Note Counsel), and the opinion of such counsel shall 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.

Whenever in the administration of the Indenture the Trustee shall reasonably 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 herein specifically prescribed) may require and, in the absence of bad faith or manifest error on its part, may rely upon a certificate signed by an Authorized Representative of the Corporation or an authorized officer of a Servicer. 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 shall 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 shall 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 or any Servicer but the Trustee may require of the Corporation or any Servicer full information and advice as to the performance of any covenants, conditions or agreements pertaining to Financed Student Loans.

The Trustee shall 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 shall be liable for its negligence or willful misconduct. In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damages of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood thereof and regardless of the form of action.

The permissive right of the Trustee to take action under or otherwise do things enumerated in the Indenture shall not be construed as a duty.

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 shall not be liable for any action taken or omitted by it in good faith on the direction of the Registered Owners of the majority of the collective principal amount of the Notes then Outstanding (or in the case of a direction given in accordance with the provisions of (i) the Indenture described herein under the caption “*Defaults and Remedies—Remedy on Default; Possession of Trust Estate*” above for an Event of Default described herein under clause (c) of the caption “*Defaults and Remedies—Events of Default Defined*” above, (ii) the Indenture described herein under the caption “*Defaults and Remedies—Accelerated Maturity*” above regarding an acceleration of the Maturity of the Notes after the occurrence of an Event of Default or (iii) the provisions of the Indenture described herein under the caption “*Defaults and Remedies—Remedies on Default; Sale of Trust Estate*” above regarding the sale of Financed Student Loans after the occurrence of an Event of Default) 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 created by the Indenture and reasonable compensation to the Trustee for its services in the amount of the Trustee Fee shall be paid by the Corporation. Subject to the provisions of the Indenture, the compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of Trustees of an express trust. If not paid by the Corporation, the Trustee shall have a lien against all money held pursuant to the Indenture (other than the moneys and investments held in the Department Reserve Fund and the Tax-Exempt Rebate Fund), (a) except during the continuance of an Event of Default, subject only to the prior lien of the Notes against the money and investments in the Collection 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 hereby created and the exercise and performance of the powers and duties of the Trustee under the Indenture 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 provisions of the Indenture described herein under the caption “Defaults and Remedies—*Remedy on Default; Possession of Trust Estate*” above.

**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 President/CEO of the Corporation notice in writing, which notice shall specify the date on which such resignation is to take effect; provided, however, that such resignation shall only take effect on the day specified in such notice if a successor Trustee shall have been appointed pursuant to the Indenture provisions described herein under the caption “*Successor Trustee*” below (and is qualified to be the Trustee under the requirements of the Indenture provisions described herein under the caption “*Successor Trustee*” below). 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 provided in the Indenture provisions described herein under the caption “*Successor Trustee*” below or (b) request a court of competent jurisdiction to (i) require the Corporation to appoint a successor, as provided in the Indenture provisions described herein under the caption “*Successor Trustee*” below, within three days of the receipt of citation or notice by the court, or (ii) appoint an Trustee having the qualifications provided in the Indenture provisions described herein under the caption “*Successor Trustee*” below. In no event may the resignation of the Trustee be effective until a qualified successor Trustee shall 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 provisions described herein under the caption “*Successor Trustee*” below. The Corporation shall promptly provide the Rating Agencies with notice of the resignation of the Trustee.

**Removal of Trustee.** The Trustee or any successor Trustee may be removed (a) at any time by the Registered Owners of at least a majority of the collective aggregate principal amount of the Notes then Outstanding, (b) by the Corporation for cause or upon the sale or other disposition of the Trustee or its trust functions; (c) by the Corporation if (1) the rating by S&P of the Trustee is lower than “BBB”; or (2) the rating by Fitch of the Trustee is lower than “BBB,” in either case the Corporation shall replace the Trustee within 30 days of such downgrade, subject to the provisions of the Indenture or (d) by the Corporation without cause so long as no Event of Default described in the provisions of the Indenture summarized herein under clause (a), (b) or (d) under the caption “Defaults and Remedies—*Events of Default Defined*” above 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 shall be filed with the President/CEO of the Corporation, the Trustee so removed and each of the Rating Agencies.

In the event the Trustee (or successor Trustee) is removed, by any person or for any reason permitted under the Indenture, such removal shall 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 shall have appointed a successor in each case, in accordance with the provisions of the Indenture described herein under the caption “*Successor Trustee*” below, and (b) the successor Trustee has accepted appointment as such.

**Successor Trustee.** In case at any time the Trustee or any successor Trustee shall resign, be removed, be dissolved, or otherwise shall 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 shall be taken over by any public officer or officers, a successor Trustee may be appointed as described in the Indenture provisions summarized herein under the caption “*Removal of Trustee*” above in the case of removal by the Registered Owners or by the Corporation by an instrument in writing duly authorized by the Corporation. In the case of any such appointment by the Corporation of a successor to the Trustee, the Corporation shall forthwith cause notice thereof to be mailed to the Registered Owners of the Notes at the address of each Registered Owner appearing on the note registration books maintained by the Registrar and to each of the Rating Agencies.

Every successor Trustee appointed by the Registered Owners, by a court of competent jurisdiction, or by the Corporation shall be a bank or trust company independent of and unaffiliated with the Corporation, 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 under the Higher Education Act so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the FFELP Financed Student Loans originated under the Higher Education Act and an Eligible Lender under the Public Health Service Act so long as such designation is necessary to maintain insurance and federal benefits under the Public Health Service Act with respect to the HEAL Financed Student Loans.

**Servicing Agreements.** The Trustee shall upon request acknowledge the receipt of a copy of each Servicing Agreement delivered to it by the Corporation. The Trustee shall be under no duty to service the Financed Student Loans or to monitor the servicing of the Financed Student Loans.

**Additional Covenants of Trustee.** The Trustee, by the execution of the Indenture, covenants, represents and agrees that:

(a) it will not exercise any of the rights, duties, or privileges under the Indenture in such manner as would cause the Student Loans held or acquired under the terms thereof to be transferred, assigned, or pledged as security to any person or entity other than as permitted by the Indenture;

(b) it will comply with the Higher Education Act, the Public Health Service Act and the Regulations and will, upon written notice from an Authorized Representative of the Corporation, the Secretary, the Secretary of Health and Human Services or Guaranty Agency, use its reasonable efforts to cause the Indenture to be amended (in accordance with the Indenture) if the Higher Education Act, the Public Health Service Act or Regulations are hereafter amended so as to be contrary to the terms of the Indenture; and

(c) The Trustee shall not waive any of the representations and warranties set forth in the provisions of the Indenture described herein under the caption “Provisions Applicable to the Notes; Duties of the Corporation—*Further Covenants of the Corporation Regarding the Trustee’s Security Interest*” above.

**Additional Covenants by the Trustee to Conform to the Higher Education Act and the Public Health Service Act.** The Trustee covenants that it will at all times be an Eligible Lender under the Higher Education Act so long as such designation is necessary, as determined by the Corporation, shall maintain the guarantees and federal benefits under the Higher Education Act with respect to the FFELP Financed Student Loans, that it will at all times be an Eligible Lender under the Public Health Service Act so long as such designation is necessary to maintain insurance and federal benefits under the Public Health Service Act with respect to the HEAL Financed Student Loans, and that it will not acquire from, dispose of or deliver any FFELP Financed Student Loans or HEAL Financed Student Loans or any security interest in any such Financed Student Loans to any party who is not an Eligible Lender under the Higher Education Act or the Public Health Service Act so long as the Higher Education Act, the Public Health Service Act or Regulations adopted thereunder, as applicable, require an Eligible Lender to be the owner or holder of such Financed Student Loans; provided, however, that nothing above shall prevent the Trustee from delivering such Financed Student Loans to a Servicer or the FFELP Financed Student Loans to a Guaranty Agency.



## Supplemental Indentures

***Supplemental Indentures Not Requiring Consent of Registered Owners.*** The Corporation and the Trustee, at the request of the Corporation, may, without the consent of or notice to any of the Registered Owners of any Notes 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 or to correct or supplement any provision in the Indenture that may be inconsistent with other provisions of the Indenture or with the Official Statement relating to the initial offer and sale of the Notes;

(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 or to make changes necessary and desirable in connection with the implementation of other actions permitted under the Indenture;

(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 Notes for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by the 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, or any additional or substitute Guaranty Agency or Servicer;

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

(g) to make any changes necessary to comply with or obtain more favorable treatment under any current or future law, rule or regulation, including but not limited to the Higher Education Act, the Public Health Service Act, the Regulations, the Code or and the regulations promulgated thereunder;

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

(i) to make any other change which, based upon an opinion of Note Counsel on which the Trustee may rely, will not materially adversely impact the Registered Owners of any Notes;

provided, however, that nothing in the Indenture provisions described under this caption "*Supplemental Indentures Not Requiring Consent of Registered Owners*" shall permit, or be construed as permitting, any modification of the trusts, powers, rights, duties, remedies, immunities, obligations 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 Indenture provisions described under the caption "*Supplemental Indentures Not Requiring Consent of Registered Owners*" above and subject to the terms and provisions contained in the Indenture provisions described under this caption "*Supplemental Indentures Requiring Consent of Registered Owners*," and not otherwise, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Notes then Outstanding shall 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 shall 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 the Indenture provisions described under this caption "*Supplemental Indentures Requiring Consent of Registered Owners*" shall permit, or be construed as permitting (a) without the consent of the Registered Owners of all then Outstanding Notes affected thereby, (i) an extension of the Stated Maturity Date or the interest payment date on the Notes, or (ii) a reduction in the principal amount of any Note or the rate of interest thereon, or (iii) a privilege or priority of any Note or Notes over any other Note or Notes except as otherwise provided in the Indenture, or (iv) a reduction in the aggregate principal amount of the Notes required for consent to such Supplemental Indenture, or (v) the creation of any lien other than a lien ratably securing all of the Notes at any time Outstanding under the Indenture except as otherwise provided in the Indenture or (b) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities, obligations and privileges of the Trustee without the prior written approval of the Trustee.

If at any time the Corporation shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes described herein under this caption "*Supplemental Indentures Requiring Consent of Registered Owners*," the Trustee shall, upon being satisfactorily indemnified 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 a Note at the address shown on the registration books. Such notice (which shall be prepared by the Corporation) shall briefly set forth the nature of the proposed Supplemental Indenture and shall 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 shall be prescribed by the Corporation, following the mailing of such notice, the Registered Owners of not less than a majority of the collective aggregate principal amount of the Outstanding Notes at the time of the execution of any such Supplemental Indenture shall have consented in writing to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Note shall 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 in this Section permitted and provided, the Indenture shall be deemed to be modified and amended in accordance therewith.

***Additional Limitation on Modification of Indenture.*** None of the provisions of the Indenture shall permit an amendment to the provisions of the Indenture which permits the transfer of all or part of the FFELP Financed Student Loans or the HEAL Financed Student Loans or granting of a security interest therein to any Person other than an Eligible Lender under the Higher Education Act or the Public Health Service Act, as applicable, or a Servicer, unless the Higher Education Act, the Public Health Service Act or Regulations thereunder, as applicable, are hereafter modified so as to permit the same. No amendment to the Indenture or to the indentures supplemental thereto shall be effective unless the Trustee receives an opinion of Note Counsel to the effect that such amendment was permitted by and 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 Notes.

### **Satisfaction of Indenture**

If the Corporation shall pay, or cause to be paid, or there shall otherwise be paid (i) to the Registered Owners of the Notes, the Outstanding Amount of and the Interest Distribution Amount accrued but unpaid on the Notes, at the times and in the manner stipulated in the Indenture and (ii) to all other Persons, all amounts payable or secured under the Indenture, and if there is on deposit in the Tax-Exempt Rebate Fund an amount sufficient to pay to the United States Treasury all Rebate Amounts and Excess Earnings and all Department Rebate Interest Amounts and Monthly Consolidation Loan Rebate Fees, then the pledge of the Trust Estate (except the Department Reserve Fund and the Tax-Exempt Rebate Fund, which are not pledged under the Indenture) and all covenants, agreements and other obligations of the Corporation to the Registered Owners of Notes shall thereupon cease, terminate and become void and be discharged and satisfied; provided, however, that if all the information necessary to calculate the Tax-Exempt Rebate Amounts and Excess Earnings, as required under clause (ii) above, is not yet then available, then the calculation of the amount to be deposited to the Tax-Exempt Rebate Fund with respect to such Tax-Exempt Rebate Amounts and Excess Earnings may be based upon such reasonable assumptions as the Corporation shall determine. In such event, the Trustee shall execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall 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 shall pay or

cause to be paid, or there shall otherwise be paid, to the Registered Owners of any Outstanding Notes the Outstanding Amount of and the Interest Distribution Amount accrued but unpaid on the Outstanding Notes and to all other Persons all amounts payable or secured under the Indenture, at the times and in the manner stipulated in the Indenture and such Notes, and such other agreement or instrument payments under which amounts are payable or secured under the Indenture, then such Notes and each such other Person shall 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 and each such other Person shall thereupon cease, terminate and become void and be discharged and satisfied.

Notes or interest installments shall be deemed to have been paid within the meaning of the Indenture provisions described in the preceding 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 Date or at the earlier redemption date thereof. Any Outstanding Note shall, prior to the Stated Maturity Date or earlier redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Indenture provisions described in the preceding paragraph if (i) such Note is to be redeemed on any date prior to its Stated Maturity Date and (ii) the Corporation shall have given notice of redemption as provided in the Indenture on said date, there shall have been deposited with the Trustee either money (fully insured by the Federal Deposit Insurance Corporation or fully collateralized by Governmental Obligations as defined below) in an amount which shall 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, shall be sufficient, to pay when due the principal of and interest to become due on such Note on and prior to the redemption date or Stated Maturity Date thereof, as the case may be. Notwithstanding anything in the Indenture to the contrary, however, no such deposit shall have the effect specified in the Indenture provisions described in this paragraph (A) if made during the existence of an Event of Default, unless made with respect to all of the Notes then Outstanding and (B) unless on the date of such deposit the interest rate on the Notes, to the date of any final payment or redemption shall be known and to the extent the defeasance is dependent upon interest earnings on Governmental Obligations there shall 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 Notes to be redeemed or to be deemed paid pursuant to the provisions of the Indenture described in this paragraph. Neither Governmental Obligations nor money deposited with the Trustee pursuant to the Indenture provisions described in this paragraph nor principal or interest payments on any such Governmental Obligations shall be withdrawn or used for any purpose other than, and shall be held irrevocably in trust in an escrow account for, the payment of the principal of and interest on such Notes. Any cash received from such principal of and interest on such Governmental Obligations deposited with the Trustee, if not needed for such purpose, shall, 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 Notes on and prior to such redemption date or Stated Maturity Date thereof, as the case may be, and interest earned from such reinvestments shall 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 shall be made only against delivery of such Governmental Obligations. For the purposes of the Indenture provisions described under this caption "Satisfaction of Indenture," the term "Governmental Obligations" shall mean and include only non-callable 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, and such Governmental Obligations shall 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 under the Indenture, and which obligations have been deposited in an escrow account which is irrevocably pledged as security for the Notes. Such term shall not include mutual funds and unit investment trusts.

***Cancellation of Paid Notes.*** Any Notes which have been paid or purchased by the Corporation, mutilated Notes replaced by new Notes, and any temporary Note for which definitive Notes have been delivered shall (unless otherwise directed by the Corporation by Corporation Order) forthwith be cancelled and destroyed by the Trustee pursuant to the Indenture.

**EXHIBIT E**  
**BOOK-ENTRY SYSTEM**

**Book-Entry System**

*The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal of and interest on the Notes to DTC in the United States, Participants or to purchasers of the Notes, confirmation and transfer of beneficial ownership interests in the Notes, and other securities-related transactions by and between DTC, DTC Participants and Beneficial Owners (as hereinafter defined), is based solely on information furnished by DTC, and has not been independently verified by the Corporation or the Underwriter. No representation is made by the Corporation, the Underwriter or their respective counsel as to the accuracy or completeness of such information.*

Investors acquiring beneficial ownership interests in the Notes issued in Book-entry Form will hold Notes through DTC in the United States, or indirectly through organizations which are participants in the system. The Book-entry Notes will be issued in one or more instruments which equal the aggregate principal balance of the Notes and will initially be registered in the name of Cede & Co., the nominee of DTC. Except as described below, no person acquiring a Book-entry Note will be entitled to receive a physical certificate representing the Notes.

DTC will act as securities depository for the Notes. The Notes 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 each maturity (and interest rate, if applicable) of the Notes in the aggregate principal amount of such maturity, as set forth on the cover page hereof, and will be deposited with DTC.

DTC 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, 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 an S&P rating of "AA+." 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](http://www.dtcc.com) (which website is not incorporated into this Official Statement).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (a "Beneficial Owner") 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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The 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. Beneficial Owners of the Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption premium, if any, with respect to the Notes 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 payment 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 Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption premium, if any, 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes 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 to the Beneficial Owners.

Direct Participants and Indirect Participants may impose service charges on book-entry interest owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.

None of the Corporation, the Trustee or the Underwriter will have any responsibility or obligation to any DTC participants or the persons for whom they act as nominees with respect to:

- (a) the accuracy of any records maintained by DTC or any participant;

(b) the payment by DTC or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the Notes;

(c) the delivery by any DTC participant of any notice to any beneficial owner which is required or permitted under the terms of the Indenture to be given to Noteholders; or

(d) any other action taken by DTC as the Noteholder.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC or a successor securities depository. In that event, physical certificates evidencing the Notes are to be printed and delivered.

**EXHIBIT F**

**PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE NOTES**

Prepayments on pools of student loans can be calculated based on a variety of prepayment models. The model used to calculate prepayments in this Exhibit E is based on a combination of two prepayment rates: a flat prepayment rate for the FFELP Financed Student Loans and the HEAL Financed Student Loans and a different flat prepayment rate for the Private Financed Student Loans. For purposes of this Exhibit E, we refer to the combination of these two prepayment rates as the “pricing prepayment curve” or “PPC.”

For the FFELP Financed Student Loans and the HEAL Financed Student Loans, the PPC applies a constant prepayment rate (“CPR,” see discussion below) of 6%. For the Private Financed Student Loans, the PPC applies a CPR of 5%.

100% PPC implies prepayment at exactly 6% for the FFELP Financed Student Loans and the HEAL Financed Student Loans and exactly 5% for Private Financed Student Loans. For the FFELP Financed Student Loans and the HEAL Financed Student Loans, a rate of “x% PPC” implies the indicated constant percentage multiplied by 6%. For the Private Financed Student Loans, a rate of “x% PPC” implies the indicated constant percentage multiplied by 5%.

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

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

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

	<u><b>0% CPR</b></u>	<u><b>2% CPR</b></u>	<u><b>4% CPR</b></u>	<u><b>6% CPR</b></u>	<u><b>8% CPR</b></u>
Monthly Prepayment	\$0.00	\$1.68	\$3.40	\$5.14	\$6.92

The PPC and CPR models do not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The Financed Student Loans will not prepay at any constant PPC or CPR, nor will all of the Financed Student Loans prepay at the same rate. You must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

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

- the Statistical Cut-off Date for the Student Loans is August 31, 2014 with respect to the pool of Student Loans;
- the Issue Date will be November 20, 2014;
- all of the Student Loans are acquired on the Issue Date;
- all Student Loans (as grouped within the “rep lines” described below) remain in their current status until their status end date and then move to repayment, with the exception of school status loans which are assumed to have a 6-month grace period before moving to repayment, and no Student Loan moves from repayment to any other status;

- all Student Loans and rep lines are assumed to have the same characteristics on the Issue Date as they have on the Statistical Cut-off Date except the outstanding principal balance, which has been reduced to take into account, among other things, amortization of the Student Loans from the Statistical Cut-off Date to the Issue Date;
- the Student Loans that are in Repayment make level payments of principal and interest;
- no delinquencies occur on any of the Student Loans, no repurchases for breaches of representations, warranties or covenants occur, and all borrower payments not in default are collected in full;
- index levels for calculation of borrower and government payments are:
  - a one-month LIBOR rate of 0.1525%; and
  - a three-month LIBOR rate of 0.2323%; and
  - a 91-day Treasury bill rate of 0.2255%;
- payments are made monthly as specified in the *First* through *Fifth* priority as shown under the caption “THE TRUST ESTATE—Flow of Funds—*Distribution Dates*” in the body of the Official Statement; and payments are made semi-annually on the 1st day of each June and December, whether or not the 1st is a Business Day;
- the interest rate for the Notes at all times will be equal to 1.1525%;
- interest accrues on the Notes on an actual/360 day count basis;
- a Servicing Fee equal to (A) other than with respect to the first Monthly Period, the sum of (i) the greater of (a) the Servicing Fee Floor and (b) a monthly fee equal to 1/12th of 0.45% of the then outstanding Pool Balance of Financed Student Loans as of the last day of the previous month and (ii) \$1,250 per month for certain Back-up Servicing Fees and (B) with respect to the December 2014 Distribution Date, 1/12th of 0.45% of the then outstanding Pool Balance of Financed Student Loans as of the last day of the previous month multiplied by the actual number of days from the Issue Date through the last day of the immediately preceding month (based on a 30-day month) divided by 30;
- an Administration Fee equal to (A) other than with respect to the first Monthly Period, the sum of (i) a monthly fee equal to 1/12th of 0.05% of the then outstanding Pool Balance of the Financed Student Loans as of the last day of the previous month and (ii) \$1,500 per month for certain Rating Agency surveillance fees and certain other fees relating to the administration of the Trust Estate and (B) with respect to the December 2014 Distribution Date, the sum of (i) and (ii) multiplied by the actual number of days from the Issue Date through the last day of the immediately preceding month (based on a 30-day month) divided by 30;
- a Trustee Fee equal to (A) other than with respect to the first Monthly Period, a monthly fee equal to 1/12th of 0.007% based on the aggregate outstanding note balance as of the end of the immediately preceding Distribution Date and (B) with respect to the December 2014 Distribution Date, the actual number of days from the Issue Date through the last day of the immediately preceding month (based on a 30-day month) divided by 360 multiplied by 0.007%;
- the Acquisition Fund has an initial balance equal to \$0;



- The Debt Service Reserve Fund is subject to a required minimum balance equal to (a) on the Issue Date, the amount of the initial deposit set forth above and (b) on any Distribution Date, the greater of (i) 0.25% of the Pool Balance as of the end of the preceding Collection Period or (ii) approximately \$99,248, which is approximately 0.15% of the expected Pool Balance as of the Issue Date.
- the Collection Fund has an initial balance equal to \$3,978,111;
- all payments are assumed to be made at the end of the month and amounts on deposit in the Acquisition Fund, Collection Fund and Debt Service Reserve Fund, including reinvestment income earned in the previous month are reinvested in Investment Securities at the assumed reinvestment rate of 0.2255% per annum through the end of the Collection Period and reinvestment earnings are available for distribution from the prior Collection Period;
- the pool of Student Loans consists of 699 representative loans (“rep lines”), which have been created for modeling purposes from individual Student Loans based on combinations of similar individual student loan characteristics, which include, but are not limited to, loan status, interest rate, loan type, index, margin, rate cap and remaining term;
- no event of default has occurred or is continuing to occur;
- the Collection Periods were assumed to be June 1 through November 30 for December 1 Distribution Dates and December 1 through May 31 for June 1 Distribution Dates, except that the Collection Period for the December 1, 2014 Distribution Date was assumed to begin on the Issue Date and end on November 30, 2014;
- all collections (scheduled and prepayments) on the Student Loans are received on the last day of each month commencing in November 2014;
- the Pool Balance as of the Issue Date is \$66,165,022;
- a default rate of 0.5% CDR per annum is applied to the outstanding balance of Financed Student Loans in repayment each year and a 15% recovery rate is assumed to occur in equal installments over a 5 year period after a loan defaults; and

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

The following tables show the weighted average remaining lives, expected maturity dates and percentages of original principal of the Notes at various levels of PPC from the Issue Date until maturity.

**Percentages of Original Principal of the Notes Remaining at Certain Distribution Dates at Various PPC Percentages Assuming No Optional Release of the Financed Student Loans**

<b>Distribution Date</b>	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
Issue Date	100%	100%	100%	100%	100%
December 1, 2014	93	93	93	93	93
December 1, 2015	87	84	82	80	77
December 1, 2016	82	77	73	69	65
December 1, 2017	76	70	65	59	54
December 1, 2018	71	63	57	50	45
December 1, 2019	65	57	49	42	36
December 1, 2020	59	50	42	35	29
December 1, 2021	53	43	36	29	24
December 1, 2022	47	37	30	24	19
December 1, 2023	41	32	25	19	15
December 1, 2024	35	27	20	15	11
December 1, 2025	31	23	17	12	8
December 1, 2026	26	19	13	9	6
December 1, 2027	22	15	11	6	4
December 1, 2028	18	12	8	4	2
December 1, 2029	14	9	5	2	1
December 1, 2030	11	6	3	1	0
December 1, 2031	7	4	1	0	0
December 1, 2032	4	2	0	0	0
December 1, 2033	2	0*	0	0	0
December 1, 2034	0*	0	0	0	0
December 1, 2035	0	0	0	0	0
Weighted Average Life (years)**	8.21	7.03	6.07	5.30	4.67
First Principal Payment Date	12/1/2014	12/1/2014	12/1/2014	12/1/2014	12/1/2014
Last Principal Payment Date	6/1/2035	6/1/2034	12/1/2032	12/1/2031	12/1/2030

\*Greater than 0%, but less than 1%.

\*\*The weighted average life of the Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (1) multiplying the amount of each principal payment on the Notes by the number of years from the Issue Date to the related Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of the Notes as of the Issue Date.

[Remainder of page intentionally left blank]

**Percentages of Original Principal of the Notes Remaining at Certain Distribution Dates at Various  
PPC Percentages Assuming Optional Release of the Financed Student Loans 10 Years After the Issue Date**

<b>Distribution Date</b>	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
Issue Date	100%	100%	100%	100%	100%
December 1, 2014	93	93	93	93	93
December 1, 2015	87	84	82	80	77
December 1, 2016	82	77	73	69	65
December 1, 2017	76	70	65	59	54
December 1, 2018	71	63	57	50	45
December 1, 2019	65	57	49	42	36
December 1, 2020	59	50	42	35	29
December 1, 2021	53	43	36	29	24
December 1, 2022	47	37	30	24	19
December 1, 2023	41	32	25	19	15
December 1, 2024	0	0	0	0	0
Weighted Average Life (years)*	6.61	5.94	5.35	4.83	4.38
First Principal Payment Date	12/1/2014	12/1/2014	12/1/2014	12/1/2014	12/1/2014
Last Principal Payment Date	12/1/2024	12/1/2024	12/1/2024	12/1/2024	12/1/2024

\*The weighted average life of the Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (1) multiplying the amount of each principal payment on the Notes by the number of years from the Issue Date to the related Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of the Notes as of the Issue Date.

[Remainder of page intentionally left blank]

**Percentages of Original Principal of the Notes Remaining at Certain Distribution Dates at Various PPC Percentages Assuming Optional Release of the Financed Student Loans at 10% of the Initial Pool Balance**

<b>Distribution Date</b>	<b>0%</b>	<b>50%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>
Issue Date	100%	100%	100%	100%	100%
December 1, 2014	93	93	93	93	93
December 1, 2015	87	84	82	80	77
December 1, 2016	82	77	73	69	65
December 1, 2017	76	70	65	59	54
December 1, 2018	71	63	57	50	45
December 1, 2019	65	57	49	42	36
December 1, 2020	59	50	42	35	29
December 1, 2021	53	43	36	29	24
December 1, 2022	47	37	30	24	19
December 1, 2023	41	32	25	19	15
December 1, 2024	35	27	20	15	11
December 1, 2025	31	23	17	12	0
December 1, 2026	26	19	13	9	0
December 1, 2027	22	15	11	0	0
December 1, 2028	18	12	0	0	0
December 1, 2029	14	9	0	0	0
December 1, 2030	11	0	0	0	0
December 1, 2031	0	0	0	0	0
Weighted Average Life (years)*	8.05	6.89	5.92	5.14	4.49
First Principal Payment Date	12/1/2014	12/1/2014	12/1/2014	12/1/2014	12/1/2014
Last Principal Payment Date	6/1/2031	6/1/2030	12/1/2028	6/1/2027	12/1/2025

\*The weighted average life of the Notes (assuming a 360-day year consisting of twelve 30-day months) is determined by: (1) multiplying the amount of each principal payment on the Notes by the number of years from the Issue Date to the related Distribution Date, (2) adding the results, and (3) dividing that sum by the aggregate principal amount of the Notes as of the Issue Date.

## EXHIBIT G

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated as of November 1, 2014 is executed and delivered by the Vermont Student Assistance Corporation (the “Issuer”) and People’s United Bank, as trustee (the “Trustee”), in connection with the issuance of the Issuer’s Education Loan Revenue Notes, Series 2014-B in the aggregate principal amount of \$59,700,000 (the “Notes”). The Notes are being issued pursuant to the Indenture of Trust, dated as of November 1, 2014 (the “Indenture”), between the Issuer and the Trustee. Capitalized terms used in this Agreement which are not otherwise defined above or in Article IV hereof shall have the respective meanings established for purposes of the Indenture. The Issuer and the Trustee covenant and agree as follows:

#### ARTICLE I

##### The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered solely to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 as promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the “Rule”).

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with fiscal year 2015, by no later than 9 months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to: (i) the MSRB; and (ii) the Trustee.

(b) Any notice of a defeasance of Notes shall state whether the Notes have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence which would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this

Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.7. No Previous Non-Compliance. The Issuer represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

## ARTICLE II

### Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents: (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)); or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The Issuer's current fiscal year is July 1-June 30, and the Issuer shall promptly notify: (i) the MSRB; and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Notes.

(b) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Notes.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer: (i) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion; and (ii) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (ii) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee), addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Notes or (B) the holders of the Notes consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Notes pursuant to the Indenture as in effect at the time of the amendment; and (v) the Issuer shall have delivered, or caused to be delivered, copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement; (ii) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that performance by the Issuer and Trustee under this Agreement as so amended will not result in a violation of the Rule; and (iii) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Notes, if all of the following conditions are satisfied: (i) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC; and (ii) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison 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. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative 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.

Section 3.3. Benefit; Third Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Notes, except that beneficial owners of Notes shall be third party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable: (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Notes, or by the Trustee on behalf of the holders of Outstanding Notes; or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Notes; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less

than 25% in aggregate principal amount of the Notes at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV

### Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively: (i) Audited Financial Statements, if available, or Unaudited Financial Statements; (ii) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Issuer, including, but not limited to:

(a) Quantitative and operating information for the preceding fiscal year of the type presented in the Official Statement under the heading "THE CORPORATION"; and

(b) Periodic Program Loan and Financed Student Loan portfolio information of the type identified under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" in the Official Statement and in "EXHIBIT H—PERIODIC DEFAULT AND RECOVERY PERCENTAGES FOR CERTAIN PRIVATE FINANCED STUDENT LOANS" to the Official Statement; provided that the Issuer reserves the rights: (I) to alter the format in which such periodic information is presented; and (II) if then permitted by the Rule, to incorporate such periodic information by reference to any publicly accessible website;

and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement.

The descriptions contained in Section 4.1(1)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) "Audited Financial Statements" means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Issuer may from time to time, if required by federal or state legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by



Section 3.2(a) hereof shall include a reference to the specific federal or state law a regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) “Notice Event” means any of the following events with respect to the Notes, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (vii) modifications to rights of Noteholders, if material;
- (viii) Note calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer; for the purposes of the event identified in this clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the

entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

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

(7) "Official Statement" means the Official Statement of the Issuer relating to the Notes.

(8) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) "SEC" means the United States Securities and Exchange Commission.

(10) "State" means the State of Vermont.

(11) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

(12) "Underwriter" shall have the same meaning as set forth in the Official Statement.

## ARTICLE V

### Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article VII of the Indenture is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Indenture.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Disclosure Agreement to be duly executed all as of the date first above written.

VERMONT STUDENT ASSISTANCE CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PEOPLES UNITED BANK, as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT H

### PERIODIC DEFAULT AND RECOVERY PERCENTAGES FOR CERTAIN PRIVATE FINANCED STUDENT LOANS

The following cohort default and recovery triangles provide loan performance information for certain Private Loans originated pursuant to the Corporation's private student loan programs described in "EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto. The cohort default and recovery triangles are representative of the characteristics of the portfolio of variable rate private loans of the Corporation as a whole and not of any particular trust.

The following cohort default and recovery triangles are segmented by loan program type, co-signer status and origination year.

Terms and calculations used in the cohort default and recovery triangles are defined below:

- Repayment Year – The fiscal year loans enter repayment.
- Fiscal Year – July 1 – June 30.
- Principal Amount Entering Repayment – The amount of principal entering repayment in a given fiscal year, based on disbursed principal plus capitalized interest.
- Years in Repayment – Measured in years between repayment start date and default date.
- Periodic Defaults – Defaulted principal and unpaid interest in each Year in Repayment as a percentage of the disbursed principal plus capitalized interest entering repayment in each Repayment Year. Defaulted principal includes any interest capitalization that occurred prior to default. Defaulted principal is not reduced by any amounts recovered after the loan defaulted.
- Total – The sum of Periodic Defaults across Years in Repayment for each Repayment Year or the sum of Periodic Recoveries across Years Since Placement with Collection Agency for each Fiscal Year.
- Placed Amount – The amount of defaulted principal and unpaid interest placed into collections during the Fiscal Year.
- Years Since Placement with Collection Agency – Measured in years between placement date and recovery date.
- Periodic Recoveries – Recovered principal and unpaid interest in each Year Since Placement with Collection Agency as a percentage of the Placed Amount in each Fiscal Year.

**Static Pool Cohort Default Analysis as of the Statistical Cut-off Date**

**VSAC Private Loans Co-Signed<sup>(1)</sup>**

<b>Repayment Year<sup>(3)</sup></b>	<b>Principal Amount Entering Repayment (\$m)</b>	<b><u>Periodic Defaults by Years in Repayment<sup>(2)</sup></u></b>									
		<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>7</u></b>	<b><u>8</u></b>	<b><u>9</u></b>	<b><u>Total</u></b>
2006	\$ 2.4	0.0%	0.9%	0.6%	0.6%	2.0%	1.3%	2.6%	0.9%	2.1%	10.9%
2007	6.2	0.0	1.0	0.9	0.9	1.2	2.7	5.0	1.5		13.1
2008	16.5	0.0	0.7	1.5	1.1	0.9	1.2	1.8			7.2
2009	23.8	0.1	0.8	0.7	2.4	1.8	1.4				7.2
2010	26.3	0.1	0.6	1.8	1.4	1.2					5.1
2011	27.5	0.0	1.0	3.5	2.3						6.8
2012	18.9	0.1	1.3	4.0							5.4
2013	9.5	0.2	2.0								2.2
2014	4.4	0.0									0.0

<sup>(1)</sup> Includes all loans previously originated pursuant to the Corporation's private loan programs described in "EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto.

<sup>(2)</sup> Numerator is the amount of principal and unpaid interest in each cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment for that Repayment Year.

<sup>(3)</sup> The Repayment Year represents the Corporation's fiscal year which is July 1 – June 30. Defaults for the most recent Repayment Year are for a partial year.

**VSAC Private Loans Not Co-Signed<sup>(1)</sup>**

<b>Repayment Year<sup>(3)</sup></b>	<b>Principal Amount Entering Repayment (\$m)</b>	<b><u>Periodic Defaults by Years in Repayment<sup>(2)</sup></u></b>									
		<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>7</u></b>	<b><u>8</u></b>	<b><u>9</u></b>	<b><u>Total</u></b>
2006	\$19.1	0.3%	10.4%	6.7%	5.5%	4.4%	2.1%	3.2%	3.9%	2.3%	38.8%
2007	33.1	0.5	13.7	6.1	5.2	4.4	3.3	3.5	2.2		38.9
2008	33.4	0.8	10.3	8.2	6.4	5.4	4.2	3.3			38.6
2009	30.3	0.3	9.5	6.6	5.8	4.8	5.3				32.3
2010	17.2	1.0	10.6	8.1	13.9	5.9					39.5
2011	7.5	0.3	10.3	8.7	6.3						25.7
2012	3.0	1.0	7.8	12.4							21.2
2013	1.6	0.5	11.7								12.2
2014	0.6	0.0									0.0

<sup>(1)</sup> Includes all loans previously originated pursuant to the Corporation's private loan programs described in "EXHIBIT A – DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto.

<sup>(2)</sup> Numerator is the amount of principal and unpaid interest in each cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment for that Repayment Year.

<sup>(3)</sup> The Repayment Year represents the Corporation's fiscal year which is July 1 – June 30. Defaults for the most recent Repayment Year are for a partial year.

**Advantage FY2004—FY2006 Originations<sup>(1)</sup>**

<b>Repayment Year<sup>(3)</sup></b>	<b>Principal Amount Entering Repayment (\$m)</b>	<b>Periodic Defaults by Years in Repayment<sup>(2)</sup></b>											<b>Total</b>
		<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>7</u></b>	<b><u>8</u></b>	<b><u>9</u></b>	<b><u>10</u></b>	<b><u>11</u></b>	
2004	\$ 0.6	0.0%	10.4%	7.0%	5.1%	1.3%	1.9%	0.4%	3.7%	0.5%	1.1%	2.1%	33.3%
2005	6.8	0.2	10.9	7.4	5.2	2.4	2.9	2.9	3.2	1.5	2.2		38.8
2006	21.4	0.3	9.4	6.1	5.0	4.1	2.0	3.2	3.6	2.2			35.8
2007	37.9	0.4	12.1	5.4	4.6	4.0	3.3	3.5	2.1				35.5
2008	36.7	0.7	9.2	7.6	5.7	4.8	3.9	2.9					34.8
2009	30.6	0.3	8.5	5.8	6.0	5.0	4.5						30.1
2010	16.5	1.0	10.2	8.4	12.6	6.0							38.2
2011	6.1	0.2	11.4	7.2	5.8								24.7
2012	2.5	1.2	8.5	15.2									24.9
2013	1.3	0.0	10.7										10.7
2014	0.6	0.0											0.0

<sup>(1)</sup> Includes VSAC Choice loans which are approximately 0.4% of the total aggregate outstanding balance of the Private Financed Student Loans.

<sup>(2)</sup> Numerator is the amount of principal and unpaid interest in each cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment for that Repayment Year.

<sup>(3)</sup> The Repayment Year represents the Corporation's fiscal year which is July 1 – June 30. Defaults for the most recent Repayment Year are for a partial year.

**Advantage FY2007-FY2008 Originations<sup>(1)</sup>**

<b>Repayment Year<sup>(3)</sup></b>	<b>Principal Amount Entering Repayment (\$m)</b>	<b>Periodic Defaults by Years of Repayment<sup>(2)</sup></b>								<b>Total</b>
		<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>7</u></b>	<b><u>8</u></b>	
2007	\$ 1.1	0.0%	1.0%	0.0%	2.2%	1.4%	1.0%	8.0%	2.2%	15.9%
2008	12.8	0.0	1.3	1.5	1.9	1.4	1.3	2.7		10.2
2009	21.7	0.1	2.0	1.7	2.1	1.6	2.5			9.9
2010	16.6	0.0	1.2	1.7	2.0	1.1				6.1
2011	12.2	0.1	1.0	4.9	2.9					8.9
2012	6.9	0.0	2.0	4.1						6.2
2013	2.4	0.4	4.0							4.4
2014	0.9	0.0								0.0

<sup>(1)</sup> Includes VSAC Choice Loans which are approximately 0.4% of the total aggregate outstanding balance of the Private Financed Student Loans.

<sup>(2)</sup> Numerator is the amount of principal and unpaid interest in each cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment for that Repayment Year.

<sup>(3)</sup> The Repayment Year represents the Corporation's fiscal year which is July 1 - June 30. Defaults for the most recent Repayment Year are for a partial year.

**Advantage FY2009-FY2010 Originations<sup>(1)</sup>**

<b>Repayment Year<sup>(3)</sup></b>	<b>Principal Amount Entering Repayment (\$m)</b>	<b><u>Periodic Defaults by Years in Repayment</u><sup>(2)</sup></b>							
		<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>7</u></b>	<b><u>Total</u></b>
2008	\$ 0.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2009	1.6	0.0	0.5	0.0	2.0	3.1	1.6		7.2
2010	11.0	0.1	0.3	1.3	1.9	1.3			4.9
2011	17.5	0.0	1.0	3.1	2.4				6.6
2012	13.3	0.1	1.1	3.7					4.9
2013	7.7	0.1	2.00						2.1
2014	3.8	0.0							0.0

<sup>(1)</sup> Includes VSAC Choice Loans which are approximately 0.4% of the total aggregate outstanding balance of the Private Financed Student Loans.

<sup>(2)</sup> Numerator is the amount of principal and unpaid interest in each cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment for that Repayment Year.

<sup>(3)</sup> The Repayment Year represents the Corporation's fiscal year which is July 1 - June 30. Defaults for the most recent Repayment Year are for a partial year.

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## Law and Bar Exam Loans

Repayment Year <sup>(2)</sup>	Principal Amount Entering Repayment (\$m)	Periodic Defaults by Years in Repayment <sup>(1)</sup>																	
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	Total
1998	\$ 1.9	0.0%	0.0%	0.0%	3.4%	1.0%	0.9%	0.0%	1.3%	0.4%	2.1%	0.0%	1.3%	0.0%	0.8%	0.0%	0.0%	0.6%	11.8%
1999	3.4	0.0	0.0	3.1	0.3	1.8	0.0	3.0	1.2	2.7	0.0	0.8	0.0	2.2	0.0	0.0	0.0		15.3
2000	3.3	0.0	2.4	2.0	0.9	1.4	0.0	0.0	0.0	0.0	2.4	2.3	0.3	0.4	1.6	2.2			15.9
2001	4.5	0.0	2.7	3.1	0.0	2.6	2.8	0.0	3.7	1.4	2.5	3.8	0.1	1.4	1.0				25.2
2002	5.4	0.0	2.2	0.0	1.0	3.4	0.0	0.5	1.6	3.8	0.0	1.6	0.0	1.2					15.4
2003	5.6	0.0	3.1	0.3	2.2	4.3	0.5	2.8	5.1	0.6	0.9	0.0	1.3						21.0
2004	6.8	0.0	1.9	2.2	2.6	2.5	1.2	1.9	2.5	2.6	1.3	1.8							20.3
2005	8.2	0.2	2.0	0.8	1.1	2.4	2.3	7.8	1.7	3.6	1.7								23.4
2006	9.8	0.0	0.7	2.2	3.6	4.7	1.5	3.3	4.4	3.7									24.0
2007	12.6	0.0	2.7	0.6	1.8	4.5	2.7	3.2	2.9										18.3
2008	8.6	0.0	0.4	2.8	1.9	5.8	1.3	2.4											14.6
2009	6.6	0.0	2.1	1.2	1.6	4.3	1.7												10.9
2010	1.9	0.0	1.0	4.9	5.2	1.8													13.0
2011	0.8	0.0	1.5	12.6	0.0														14.1
2012	0.3	0.0	0.0	6.4															6.4
2013	0.1	0.0	17.0																17.0

<sup>(1)</sup> Numerator is the amount of principal and unpaid interest in each cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment for that Repayment Year.

<sup>(2)</sup> The Repayment Year represents the Corporation's fiscal year which is July 1 - June 30. Defaults for the most recent Repayment Year are for a partial year.

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## Medical and Residency Loans

Repayment Year <sup>(2)</sup>	Principal Amount Entering Repayment (\$m)	Periodic Defaults by Years in Repayment <sup>(1)</sup>																	
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	<u>17</u>	Total
1998	\$0.1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1999	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2000	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2001	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2002	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2003	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2004	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2005	0.5	0.0	4.2	4.1	0.0	0.0	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0
2006	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.7	0.0	1.5	0.0	0.0	0.0	6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.5
2008	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2009	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010	0.8	0.0	1.3	0.0	20.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.7
2011	0.8	0.0	9.2	4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.6
2012	0.4	0.0	0.0	25.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.1
2013	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2014	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

<sup>(1)</sup> Numerator is the amount of principal and unpaid interest in each cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment for that Repayment Year.

<sup>(2)</sup> The Repayment Year represents the Corporation's fiscal year which is July 1 - June 30. Defaults for the most recent Repayment Year are for a partial year.

## Defaults by FICO Score <sup>(1)</sup>

Principal Amount Entering Repayment By FICO Score (\$m)	Periodic Defaults by FICO Band by Years in Repayment <sup>(2)</sup>											
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>Total</u>	
Less than 650	0.0%	0.1%	1.7%	5.4%	5.8%	7.5%	7.6%	8.6%	7.7%	4.6%	49.0%	
650-674	0.0	0.2	0.8	3.1	3.5	5.2	4.5	5.0	4.9	5.6	32.8	
675-699	0.0	0.1	0.3	1.1	2.0	3.5	3.0	2.8	5.0	3.7	21.4	
700-724	0.0	0.0	0.2	0.6	1.0	2.1	1.8	1.8	3.1	3.1	13.6	
725-749	0.0	0.0	0.1	0.3	0.5	0.8	1.6	1.5	2.9	2.5	10.1	
750-774	0.0	0.0	0.0	0.2	0.3	0.5	0.8	1.4	1.6	1.7	6.5	
775-799	0.0	0.0	0.0	0.1	0.1	0.3	0.3	1.0	0.9	1.6	4.4	
800+	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.8	1.0	1.0	3.8	
No Score	0.0	0.2	2.8	8.4	6.3	5.8	4.9	5.3	6.5	3.9	44.3	

<sup>(1)</sup> Includes all variable rate loan types under the Corporation's private loan program entering repayment since 2005.

<sup>(2)</sup> Numerator is the amount of principal and unpaid interest in each FICO band cohort that defaulted in each Repayment Year. Denominator is the amount of principal and capitalized interest entering repayment by FICO score since the Corporation's 2005 fiscal year.



**Static Pool Cohort Recovery Analysis as of the Statistical Cut-off Date**

**All Private Loans<sup>(1)</sup>**

**Periodic Recoveries by Years Since Placement with Collection Agency<sup>(2)</sup>**

<b><u>Fiscal Year</u></b>	<b><u>Placed Amount (\$m)<sup>(3)</sup></u></b>	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>5</u></b>	<b><u>6</u></b>	<b><u>7</u></b>	<b><u>8</u></b>	<b><u>9</u></b>	<b><u>10</u></b>	<b><u>11</u></b>	<b><u>12</u></b>	<b><u>13</u></b>	<b><u>14</u></b>	<b><u>15</u></b>	<b><u>Total</u></b>
2001	\$ 0.3	0.8%	1.5%	1.0%	1.0%	0.5%	0.2%	0.7%	0.8%	0.3%	0.3%	3.6%	1.2%	1.3%	1.5%	0.1%	15.0%
2002	0.3	19.8	1.2	0.7	3.5	1.7	8.5	3.3	1.8	1.7	1.2	0.6	0.8	0.8	0.1		45.5
2003	0.4	1.1	1.4	1.3	3.1	1.1	0.2	0.3	0.2	0.1	2.3	1.1	1.0	0.1			13.2
2004	0.3	4.0	13.4	0.5	0.7	0.2	0.0	0.0	0.0	0.0	0.4	0.2	0.0				19.3
2005	0.5	0.5	0.3	0.4	0.3	0.7	0.0	0.3	0.1	0.8	0.6	0.1					4.2
2006	1.6	2.2	0.5	0.9	1.3	0.7	1.2	1.5	2.2	1.0	0.1						11.8
2007	3.6	0.8	1.9	0.7	0.9	1.0	1.9	2.2	1.6	0.3							11.2
2008	7.2	0.3	0.4	1.1	1.9	2.2	1.0	1.3	0.2								8.4
2009	8.1	0.5	0.9	1.0	1.6	2.1	1.5	0.5									8.0
2010	10.8	0.8	1.1	1.2	1.8	1.5	0.5										6.9
2011	10.2	0.4	1.0	1.5	2.5	0.3											5.6
2012	11.2	0.9	1.9	1.9	0.5												5.2
2013	12.6	1.1	1.7	0.6													3.5
2014	10.3	2.1	0.4														2.5
2015	2.3	0.3															0.3

<sup>(1)</sup> The Corporation began placing loans written off for default with collection agencies in its 2003 fiscal year.

<sup>(2)</sup> Numerator is the amount of recoveries received in each fiscal year since placement with Collection Agency. Denominator is the amount of defaults placed in collections for the fiscal year.

<sup>(3)</sup> The Placed Amount represents the amount of defaults placed in collections during the fiscal year. The Corporation's fiscal year is July 1 – June 30. Recoveries for the most recent fiscal year are for a partial year.

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## Advantage Loans

### Periodic Recoveries by Years Since Placement with Collection Agency<sup>(1)</sup>

<u>Fiscal Year</u>	<u>Placed Amount (\$m)<sup>(2)</sup></u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>Total</u>
2005	\$ 0.1	0.0%	0.0%	0.9%	0.7%	0.9%	0.0%	2.3%	0.7%	1.2%	3.3%	0.8%	10.9%
2006	0.8	1.4	0.9	1.4	2.4	1.1	1.6	2.7	3.7	1.6	0.2		16.9
2007	2.8	0.7	2.1	0.7	0.8	1.0	2.2	2.3	1.7	0.4			11.8
2008	6.2	0.3	0.4	0.9	1.3	2.5	1.0	1.4	0.3				8.1
2009	6.9	0.5	0.9	1.1	1.5	1.8	1.2	0.3					7.2
2010	8.7	0.9	1.2	1.4	1.3	1.5	0.6						6.9
2011	8.4	0.4	0.9	1.6	1.8	0.3							4.9
2012	9.2	0.8	1.9	2.0	0.6								5.2
2013	10.5	1.2	1.8	0.7									3.7
2014	8.6	2.1	0.3										2.5
2015	1.9	0.3											0.3

<sup>(1)</sup> Numerator is the amount of recoveries received in each fiscal year since placement with Collection Agency. Denominator is the amount of defaults placed in collections for the fiscal year.

<sup>(2)</sup> The Placed Amount represents the amount of defaults placed in collections during the fiscal year. The Corporation's fiscal year is July 1 – June 30. Recoveries for the most recent fiscal year are for a partial year.

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## Law and Medical Loans<sup>(1)</sup>

### Years Since Placement with Collection Agency<sup>(2)</sup>

<u>Fiscal Year</u>	<u>Placed Amount (\$m)<sup>(3)</sup></u>	<u>Years Since Placement with Collection Agency<sup>(2)</sup></u>															<u>Total</u>
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>13</u>	<u>14</u>	<u>15</u>	
2001	\$ 0.3	0.8%	1.2%	0.5%	0.9%	0.6%	0.3%	0.8%	0.8%	0.3%	0.3%	3.7%	1.3%	1.0%	1.0%	0.1%	13.5%
2002	0.3	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.5
2003	0.3	1.2	1.5	1.4	3.2	1.2	0.2	0.3	0.2	0.1	2.3	0.9	0.8	0.0			13.3
2004	0.2	4.6	14.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				19.0
2005	0.4	0.7	0.4	0.0	0.3	0.7	0.0	0.0	0.0	0.8	0.0	0.0					2.8
2006	0.8	3.1	0.0	0.4	0.3	0.4	0.8	0.4	0.4	0.5	0.1						6.4
2007	0.8	1.2	1.0	0.7	1.0	0.9	1.2	1.6	1.1	0.2							9.0
2008	1.0	0.3	0.7	2.3	6.1	0.1	0.5	0.5	0.1								10.5
2009	1.2	0.3	0.8	0.6	2.2	3.7	2.8	2.0									12.4
2010	2.1	0.2	0.7	0.7	3.9	1.4	0.2										7.1
2011	1.7	0.1	1.6	1.3	5.8	0.3											9.2
2012	1.9	1.1	1.8	1.9	0.2												5.0
2013	2.1	0.6	1.2	0.1													2.0
2014	1.7	2.3	0.4														2.7
2015	0.4	0.3															0.3

<sup>(1)</sup> The Corporation began placing loans written off for default with collection agencies in its 2003 fiscal year.

<sup>(2)</sup> Numerator is the amount of recoveries received in each fiscal year since placement with Collection Agency. Denominator is the amount of defaults placed in collections for the fiscal year.

<sup>(3)</sup> The Placed Amount represents the amount of defaults placed in collections during the fiscal year. The Corporation's fiscal year is July 1 – June 30. Recoveries for the most recent fiscal year are for a partial year.