

*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, 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.*



**\$135,100,000**  
**VERMONT STUDENT ASSISTANCE CORPORATION**  
**Education Loan Revenue Notes, Series 2012-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 \$135,100,000 aggregate principal amount of its Education Loan Revenue Notes, Series 2012-B (Tax-Exempt LIBOR Floating Rate Notes), as Class A-1 Notes (the "Class A-1 Notes") and as Class A-2 Notes (the "Class A-2 Notes") and together with the Class A-1 Notes, the "Notes") as set forth below:

<u>Class</u>	<u>Original Principal Amount</u>	<u>Interest Rate</u>	<u>Offering Price</u>	<u>Stated Maturity Date</u>	<u>Expected Ratings Fitch/S&amp;P**</u>
Class A-1 Notes	\$92,900,000	Three-Month LIBOR + 1.50% per annum	100.000%	June 1, 2022	Asf/A (sf)
Class A-2 Notes	\$42,200,000	Three-Month LIBOR + 3.00% per annum	100.000%	December 3, 2035	Asf/A (sf)

\*\* See the caption "RATINGS" herein.

The Notes are being issued by the Corporation pursuant to an Indenture of Trust, dated as of November 1, 2012 (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 Corporation's private, or alternative, loan programs, rights the Corporation has under certain agreements, a Debt Service Reserve Fund and an Acquisition Fund (each 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 1st 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 June 3, 2013, until the Notes are paid in full. In general, payments of principal will be made sequentially to the Class A-1 Notes and to the Class A-2 Notes, in that order, until each such Class is 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 28, 2012.

## 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, their 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;
- 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 Vermont Student Assistance Corporation. References herein to the “Notes” shall refer to the Class A-1 Notes and the Class A-2 Notes. References herein to a “Class” of the Notes shall refer to each of the Class A-1 Notes and Class A-2 Notes.

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 B—GLOSSARY OF CERTAIN DEFINED TERMS” hereto.

### General

The Notes will be issued pursuant to the Indenture, which is a discrete indenture, and will include two classes of Notes, the Class A-1 Notes and the Class A-2 Notes, having the rights described in this Official Statement. No additional notes will be issued under the Indenture. The Corporation is currently in the process of issuing its Student Loan Asset-Backed Notes, Series 2012-1 (Taxable LIBOR Floating Rate Notes) (the “Series 2012-1 Notes”). The Series 2012-1 Notes are not issued under or secured by the Indenture, and are not offered pursuant to this Official Statement. It is a condition precedent to the issuance of the Notes offered hereby and the Series 2012-1 Notes that both financings close concurrently. As a consequence, if the Series 2012-1 Notes are not issued on the Issue Date, the Notes offered hereby will not be issued.

### Principal Parties and Dates

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

#### *Corporation*

People’s United Bank

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.

#### *Application of Proceeds*

We will use the proceeds from the sale of the Notes to acquire a pool of private, or alternative, student loans previously originated by the Corporation, as further discussed in this Official Statement; fund a deposit to the Acquisition Fund, including the Temporary Costs of Issuance Account created therein, and the Debt Service Reserve Fund for the Notes and pay, out of the Temporary Costs of Issuance Account, the costs of issuance relating to the Notes. See the caption “SOURCES AND USES” herein.

#### *Servicer*

The Corporation

#### *Back-up Servicer*

Firstmark Services, LLC

#### *Administrator*

The Corporation

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 Corporation’s 1995 Education Loan Revenue Bonds Resolution (as amended, the “Existing Resolution”) and secure various series of bonds (the “Existing Bonds”) issued thereunder. The Existing 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 Existing Resolution. Certain of the proceeds from the sale of the Notes are expected to be transferred to and applied by the trustee under the Existing Resolution to pay the purchase price of certain of the Existing Bonds on the Issue Date, and upon such purchase, 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 Existing 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) acquired or transferred by the Corporation 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. All of the Student Loans were originated pursuant to the Corporation's private student loan programs described in "EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto.

#### ***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 June 3, 2013 (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, 2013.

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

The Initial Interest Period for the Notes begins on the Issue Date and ends on June 2, 2013

(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, 2012, 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 at the end of the Acquisition Period. See the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" and "EXHIBIT E—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 28, 2012.

#### **Description of the Notes**

##### ***General***

We are offering the Class A-1 Notes in the aggregate principal amount of \$92,900,000 and the Class A-2 Notes in the aggregate principal amount of \$42,200,000. Each of the Class A-1 Notes and the Class A-2 Notes are referred to herein as a "Class."

**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.

#### ***Priority of Principal Payments***

Prior to the occurrence of an Event of Default, we will pay principal on the Notes sequentially on each Distribution Date, to the extent of any Available Funds remaining after payments with a higher priority have been made, *first*, to the Class A-1 Notes until paid in full and, *second*, to the Class A-2 Notes until paid in full, in the priorities and as described in clause *seventh* under the caption “THE TRUST ESTATE—Flow of Funds—Distributions Dates” and under the caption “DESCRIPTION OF THE NOTES—Distributions of Principal” herein. All payments of principal on the notes will be made pro rata to the specific noteholders entitled thereto.

Failure to pay principal on the Notes is not an Event of Default (except on the related Stated Maturity Date). See “EXHIBIT C—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.

#### ***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 three-month LIBOR plus 1.50% per annum for the Class A-1 Notes and three-month LIBOR plus 3.00% per annum for the Class A-2 Notes. The interest rate on each Class of the Notes will be adjusted on the

first Business Day of each calendar month. The interest rate determined for a Class of 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 each Class of the Notes on the first Business Day of 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 Monthly 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).

“Interest Accrual Amount” means, for any Monthly Period, with respect to any Class of the Notes, the aggregate amount of interest accrued for such Class of the Notes at the related LIBOR indexed rate set forth on the cover page of this Official Statement for such Class of Notes during such Monthly Period on the Outstanding Amount of such Class of 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, for a Class of the Notes, the sum of (a) the Interest Accrual Amounts with respect to such Class of Notes for each Monthly Period within the preceding Interest Period and (b) the Interest Shortfall for that Distribution Date with respect to such Class of Notes.

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

The Distribution Date on which the Class A-1 Notes are due and payable in full is the Distribution Date on June 1, 2022 and the Distribution Date on which the Class A-2 Notes are due and payable in full is the Distribution Date on December 3, 2035 (each such date, a “Stated Maturity Date”).

The principal of the Notes may be paid prior to the applicable 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 principal balance 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 2022 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 end of the Acquisition Period. See the captions “DESCRIPTION OF THE NOTES—Optional Redemption” and “—Mandatory Redemption” herein.

“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; (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 this 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; and (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.

## 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 the Corporation’s private, or alternative, loan programs described in “EXHIBIT A—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 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.

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

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

Cash in the expected amount of \$487,108 will be deposited into the Temporary Costs of Issuance Account of the Acquisition Fund and Financed Student Loans and/or cash in the expected amount of \$132,296,693 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 (excluding the Underwriter's discount and expenses) and certain other payments or amounts described under the caption "THE TRUST ESTATE—The Acquisition Fund" herein. Funds on deposit in the Acquisition Fund will be used to purchase or acquire 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 on the Issue Date, but is permitted to acquire such Student Loans at any time within 30 days of the Issue Date (such period, the "Acquisition Period"). During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein and, after giving effect to the purchase or acquisition of such Student Loans, any remaining available amounts may be used to acquire or purchase additional Student Loans held under the Existing Resolution that are not described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein, but which were originated pursuant to the Corporation's private student loan programs described in "EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto.

All funds remaining on deposit in the Acquisition Fund, including any remaining amounts on deposit in the Temporary Costs of Issuance Account, at the end of the Acquisition Period will be transferred to the Collection Fund on the first Business Day following the end of the Acquisition Period and shall constitute Available Funds on the next Distribution Date. Except for (a) acquisitions or purchases 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 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. 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 below under the caption "THE TRUST ESTATE—Flow of Funds" herein.

#### ***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 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 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 \$1,033,030 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) 0.50% of the Pool Balance as of the end of the preceding Collection Period or (ii) \$309,909 (which is 0.15% of the expected Pool Balance as of the Issue Date), provided that in no event will such balance exceed the sum of 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), (ii), (iii), (iv) and (v) 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, 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 applicable 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 principal balance 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**

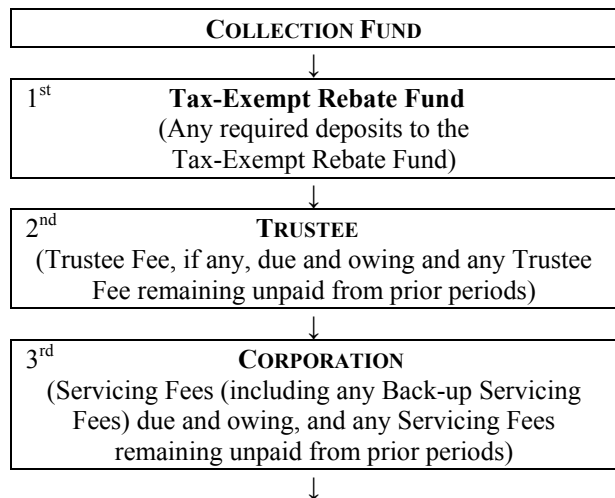
As of the Issue Date, the Corporation will pledge to the Trustee a portfolio of Student Loans, which are described more fully below under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein. As of the Statistical Cut-off Date, the weighted average annual interest rate of the Student Loans was approximately 3.956% and their weighted average remaining term to scheduled maturity was approximately 230 months. The Financed Student

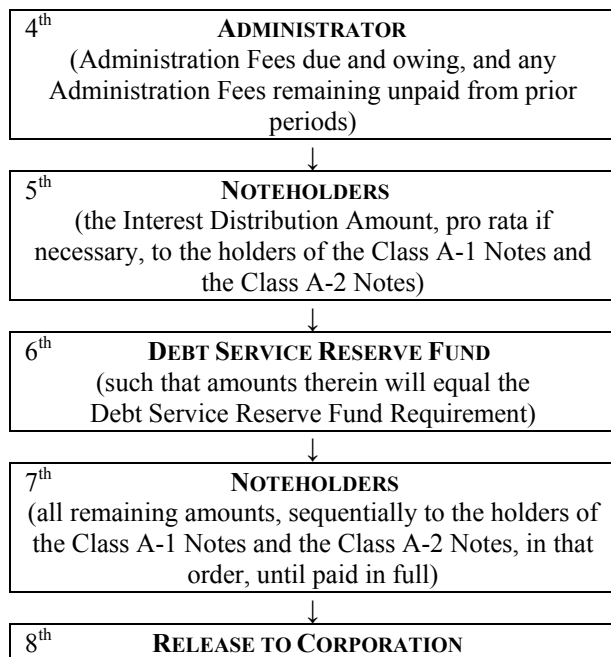
Loans will be private, or alternative, loans previously originated pursuant to the Corporation’s private loan programs described in “EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto.

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 4<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 on deposit in the Collection Fund with respect to such date (including any amounts transferred from the Debt Service Reserve Fund), and Available Funds on deposit in the Collection Fund with respect to such 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 C—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 will be approximately 153.6%.

“Parity Ratio” means (a) on the Issue Date or any other date prior to the expiration of the Acquisition Period, (i) the Pool Balance as of such date (including all accrued interest on the Financed Student Loans), plus the remaining amount on deposit in the Acquisition Fund (less any amounts on deposit in the Temporary Costs of Issuance Account), plus the amount on deposit in the Debt Service Reserve Fund on such date divided by (ii) the Outstanding Amount of the Notes on such date and (b) on any Distribution Date after the end of the Acquisition Period, (i) 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 (ii) 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 or during the Acquisition Period 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 a back-up third-party servicing agreement (the “Back-up Servicing Agreement”), Firstmark Services, LLC will act as the back-up servicer with respect to the 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 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 0.10% of the then outstanding Pool Balance as of the end of the preceding month and (ii) no more than \$18,000 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 0.75% 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 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).

“Servicing Fee Floor” shall mean the product of (a) \$2.50, (b) the total number of borrowers outstanding, and (c) commencing November 2013, 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 principal 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 sale 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 2022 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 sale date with the proceeds from the release of 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 respective Noteholders of each Class of Notes, 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) and (iv) 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 D—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, 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\***

Class A-1 Notes: 92428CHH0

Class A-2 Notes: 92428CHJ6

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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 Financed Student Loans are unsecured and do not have the Benefit of a Guarantor.**

The 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 Financed Student Loans that we acquire and pledge to the Trust Estate will be unsecured; however, certain of the Financed Student Loans have co-signers. Therefore, the receipt by the Trustee of principal and interest on these Financed Student Loans will be dependent on the ability of the borrowers and, if applicable, the co-signers to make these payments.

### **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.

### **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.



Under the U.S. Bankruptcy Code, educational loans 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 alter the treatment of student loans similar to the Financed 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, including proposals to liberalize the current general nondischargeability of student loans in bankruptcy. For example, one such bill which was introduced in May 2011 by Senator Durbin and on which hearings were held in March of 2012 was the Fairness for Struggling Students Act of 2011. 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 three-month LIBOR that is adjusted monthly. The majority of the 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 Financed Student Loans bear interest based upon the 91-Day U.S. Treasury Bill. 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**

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (as may be amended from time to time, the “Dodd-Frank Act”) to reform and strengthen supervision of the U.S. financial services industry. The Dodd-Frank Act 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 result in comprehensive changes to the regulation of most financial institutions operating in the United States. It will also foster new regulation in the business and the markets in which the Corporation and its affiliates operate. Specifically, significant new regulation is anticipated in many areas of consumer financial products and services and in particular private education loans. Under the Dodd-Frank Act, entities such as the Corporation and its affiliates will be subject to regulations developed by a new agency designed to regulate federal consumer financial protection laws, the Consumer Financial Protection Bureau (the “CFPB”). The CFPB is an independent agency housed within the Federal Reserve Board but not subject to Federal Reserve Board jurisdiction or to the Congressional appropriations process. It has substantial power to regulate financial products and services received by consumers from both banks and non-bank lenders. The CFPB will be developing rules in enumerated areas of federal law traditionally applicable to consumer lending such as Truth in Lending, Fair Credit Reporting and Fair Debt Collection. Further, the CFPB will be utilizing new, untested standards to ensure that consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination. 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. Rulemaking authority applicable to all banks, regardless of size, was transferred from the bank regulatory agencies to the CFPB. As a result, the CFPB will be promulgating rules under the Dodd-Frank Act that will cover consumer finance activities of all banks and bank holding companies. In addition to its rulemaking authority for consumer protection laws that had been applicable to banks and bank holding companies, the CFPB was provided with specific authority to regulate non-depository entities engaged in areas such as payday lending and private education lending. Each area is expected to be subject to significant new rulemaking and may introduce, for the first time, new federal oversight of non-depository entities engaged in educational lending.

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.

Additionally, the Dodd-Frank Act creates an orderly liquidation framework for the resolution of bank holding companies with over \$50 billion in assets and other systemically significant non-bank financial companies defined therein as “covered financial companies.”

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.

### **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 loans and other payments with respect thereto, deferral or forbearance of a borrower's repayment obligation, general economic conditions that can affect the ability of borrowers or co-signers to pay principal of and interest on Financed Student Loans). 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.

### **Possible Use of Third-Party Servicers**

The Corporation currently acts as Servicer of the Financed Student Loans. The Corporation reserves the right, however, to establish different servicing arrangements in accordance with the Indenture. Appointment of a successor or additional Servicer is subject to satisfaction of certain requirements of the Indenture. The cash flow assumptions used in structuring the financing described herein were based upon the servicing costs of the Corporation. No assurance can be given that the Corporation will continue to act as Servicer or will be able to enter into agreements with another Servicer at the assumed level of servicing cost currently existing. Although the Corporation has substantial experience in servicing education loans, the timing of payments to be actually received with respect to Financed Student Loans will be dependent upon the ability of the Corporation, or any successor Servicer to adequately originate and service the Financed Student Loans. Additionally, the Corporation as Servicer relies, although under the supervision of the Corporation, on third parties for the collection of defaulted loans. In addition, investors will be relying on the Corporation's, or any successor Servicer's, compliance with applicable federal and state laws and regulations applicable to servicing.

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

Certain of the Corporation's private loan programs pursuant to which the Financed Student Loans were originated required that each applicant must 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 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 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. Firstmark Services, LLC will also be engaged as of the Issue Date to act as the 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 Back-up Servicing Agreement (each, a “Conversion Event”). See the caption “STUDENT LOAN SERVICING—Description of the 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 Agreement may be Terminated Prior to the Payment in Full of the Notes**

Under the terms of the Back-up Servicing Agreement, the Back-up Servicer may resign or the agreement 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 caption “STUDENT LOAN SERVICING—Description of the 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 0.75% 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 2013, 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 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). Because the Servicing Fee Floor 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 Corporation cannot pay fees or expenses owed under the Back-up Servicing Agreement, the Back-up Servicer has a right to terminate the Back-up Servicing Agreement. Any delay in finding a replacement Servicer or Back-up 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 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 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 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 exceed the servicing fees paid to Back-up Servicer under the 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.

#### **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 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; Unsolicited Ratings**

The Corporation will pay a fee to the Rating Agencies to assign the initial credit ratings to the Notes on or before the Issue Date. Being paid by an issuer or an underwriter to issue or maintain a credit rating on an asset-backed security may create a conflict of interest for rating agencies, and that this conflict is particularly acute because arrangers of asset-backed securities transactions provide repeat business to such 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 other Student Loan Backed Securities may be Reviewed or Downgraded**

Recent disruptions in the credit markets, the widening of interest rate spreads and the collapse of the auction rate securities market have caused certain of the rating agencies review the ratings assigned to certain securities, including student loan backed securities. 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**

Each Class of 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 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.

**The United States military build-up may result in Delayed Payments from Borrowers called to Active military Service**

The ongoing build-up of the United States military has increased the number of citizens who are in active military service. The Servicemembers Civil Relief Act limits the ability of a lender 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 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 Student Loans acquired by the Corporation may be delayed as a result of these requirements, which may reduce the funds available to the trust to pay principal and interest on the Notes.

**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.

If defaults occur on the Financed Student Loans and the remedies 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**

Many of the Financed Student Loans are subject to one or more borrower incentive programs. The interest rate on certain Financed Student Loan can be reduced by 25 basis points for borrowers who elect to make the monthly recurring payments electronically. 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 Financed Student Loans. See the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein and “EXHIBIT A—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 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 were to take an action inconsistent with the Corporation's rights to a 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.

**Sequential Payment of the Notes may result in a Greater Risk of Loss**

The payment of principal on the Notes will be sequential, with the Class A-1 Notes receiving principal payments before the Class A-2 Notes. As a result of the foregoing, holders of Class A-2 Notes may bear a greater risk of loss than do holders of the Class A-1 Notes. Potential purchasers of the Notes should consider the sequential payment of the Notes before making an investment decision.

**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 Authority 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 2022 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 principal balance 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. All costs of the Trustee relating to the optional release of the Financed Student Loans will be paid out of the Collection Fund in the event of such release, potentially affecting your ability to recover the full principal of your investment. 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 below 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 and, under some circumstances, forbearance periods, which may all be extended as authorized by the Private Loan Programs. See "EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto. This may lengthen the remaining term 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 the remaining Financed Student Loans (on the earlier of (a) the December 2022 Distribution Date and (ii) when the Pool Balance 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. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein, and after giving effect to the purchase or acquisition of such Student Loans, any remaining available amounts may be used to acquire or purchase additional Student Loans not described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein, but which were originated pursuant to the the Corporation's private

student loan programs described in “EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto.

The aggregate characteristics of the entire pool of Student Loans, including the composition of the Student Loans and the related borrowers, the related co-signers, 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 Student Loans as they will exist at the end of the Acquisition Period 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 Financed Student Loan may be Forgiven upon the Death or Permanent Disability of the Student Borrower**

The 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 Financed Student Loan will be cancelled.

**The Corporation may not be able to use all of the Note Proceeds to Acquire Student Loans and may be required to Pay Principal on Notes earlier than Anticipated**

The pool of Student Loans described under the caption (and as may be modified) “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein will be pledged to the Trustee. The Corporation expects to purchase or acquire the pool of Student Loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein on the Issue Date, but is permitted to acquire Student Loans at any time during the Acquisition Period. During the Acquisition Period, in addition to such pool of Student Loans, any remaining available amounts (which amounts may include amounts deposited into the Acquisition Fund in the event the rate of amortization or prepayment on such pool of Student Loans between the Statistical Cut-off Date and the Issue Date is faster than was anticipated) may be used to acquire or purchase additional Student Loans not described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein, but which were originated pursuant to the the Corporation’s private student loan programs described in “EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto. All amounts remaining on deposit in the Acquisition Fund at the end of the Acquisition Period will be transferred to the Collection Fund on the first Business Day following the end of the Acquisition Period and this could result in additional principal payments on the Notes, resulting in payment of principal earlier than anticipated and a shortening of the weighted average life of the Notes, and any reinvestment risk would be borne by the Noteholders.

**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.

### **Recent 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 announced or are reportedly conducting 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 or any other Servicer 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 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.

### **LIBOR Manipulation Claims**

The interest rates to be borne by the Notes and the majority of the Financed Student Loan are based on a spread over three-month LIBOR, as set forth on the cover of this Official Statement. 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. 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. On September 28, 2012, a top official at the U.K.'s Financial Services Authority unveiled his recommendations calling for a sweeping overhaul of LIBOR and removing it from the control of the British Bankers' Association. We cannot predict what effect, if any, these events will have on the use of LIBOR as a global benchmark going forward, or on the Notes or the Financed Student Loans.

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

The Corporation has received a binding commitment from the Internal Revenue Service to settle an audit by the Internal Revenue Service with respect to its Education Loan Revenue Bonds, Senior Series 1998K through 1998N and Subordinate Series 1998O and other additional bonds issued by the Corporation under the same resolution. See the caption "LITIGATION—IRS Audit of Certain Separately Secured Bonds of the Corporation" herein.

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 these matters 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 Agreement 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 \$135,100,000 Education Loan Revenue Notes, Series 2012-B (Tax-Exempt LIBOR Floating Rate Notes), as Class A-1 Notes and Class A-2 Notes. The Notes are issued as LIBOR indexed notes pursuant to an Indenture of Trust, dated as of November 1, 2012 (the “Indenture”), between the Corporation and the Trustee.

The Corporation is currently in the process of issuing its Student Loan Asset-Backed Notes, Series 2012-1 (Taxable LIBOR Floating Rate Notes) (the “Series 2012-1 Notes”). The Series 2012-1 Notes are not issued under or secured by the Indenture, and are not offered pursuant to this Official Statement. It is a condition precedent to the issuance of the Notes offered hereby and the Series 2012-1 Notes that both financings close concurrently. As a consequence, if the Series 2012-1 Notes are not issued on the Issue Date, the Notes offered hereby will not be issued.

**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:

- acquire Student Loans originated pursuant to the Corporation’s private, or alternative, student loan programs described in “EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto,

- fund a deposit to the Acquisition Fund,
- 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 B—GLOSSARY OF CERTAIN DEFINED TERMS” hereto.

Brief summaries and descriptions of the Notes, the Corporation, the Indenture, the Corporation’s 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 make 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 principal balance of the Notes at the respective interest rates described below for each Class of Notes 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 related Class of 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:

<u>Class</u>	<u>Interest Rate</u>
Class A-1 Notes	Three-month LIBOR plus 1.50% per annum
Class A-2 Notes	Three-month LIBOR plus 3.00% per annum

Interest on each Class of the Notes will be adjusted on the first Business Day of each calendar month. The interest rate determined for a Class of 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 each Class of the Notes on the first Business Day of 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 Three-Month LIBOR for each Monthly Period on each Interest Rate Determination Date as described under “DESCRIPTION OF THE NOTES—Determination of Three-Month LIBOR” below.

“Interest Distribution Amount” means, for any Distribution Date:

(a) with respect to the Class A-1 Notes, the sum of (i) the Interest Accrual Amounts with respect to the Class A-1 Notes for each Monthly Period within the preceding Interest Period and (ii) the Interest Shortfall for that Distribution Date with respect to the Class A-1 Notes; and

(b) with respect to the Class A-2 Notes, the sum of (i) the Interest Accrual Amounts with respect to the Class A-2 Notes for each Monthly Period within the preceding Interest Period and (ii) the Interest Shortfall for that Distribution Date with respect to the Class A-2 Notes.

“Interest Accrual Amount” means, for any Monthly Period, with respect to any Class of the Notes, the aggregate amount of interest accrued for such Class of the Notes at the related LIBOR Indexed Rate set forth on the cover page of this Official Statement for such Class of Notes during such Monthly Period on the Outstanding Amount of such Class of 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 and any Class of Notes, the excess of (i) the Interest Distribution Amount for such Class of Notes on the preceding Distribution Date, over (ii) the amount of interest actually distributed to the Noteholders of such Class of Notes 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 such Class of Notes for each Monthly Period from that preceding Distribution Date to the current Distribution Date.

Interest due for any Interest Period will always be determined based on the actual number of days elapsed in the Interest Period over a 360-day year (and rounding to the fifth decimal place the resultant figure equal to the actual number of days elapsed divided by 360).

### **Distributions of Principal**

Except upon the occurrence of certain Events of Default, principal payments will be made sequentially to the Noteholders on each Distribution Date, as described in the *seventh* clause under the caption “THE TRUST ESTATE—Flow of Funds—*Distribution Dates*” herein to the extent of any Available Funds remaining after payments with a higher priority have been made, *first*, to the Class A-1 Notes until paid in full and, *second*, to the

Class A-2 Notes until paid in full. See the caption “THE TRUST ESTATE—Flow of Funds—Distribution Dates” herein.

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 applicable 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 principal balance 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 principal balance of each Class of Notes will be due and payable in full on the applicable 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 (or other releases from the lien of the Indenture permitted thereunder) “Optional Redemption” below or in the event of a mandatory redemption as described under (or other releases from the lien of the Indenture permitted thereunder) “Mandatory Redemption” below.

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 principal 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 2022 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 proceeds from the release of the Financed Student Loans and any other amounts available in the Debt Service Reserve 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 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.

### **Determination of Three-Month LIBOR**

“Three-Month LIBOR Rate” shall mean the London interbank offered rate for deposits in U.S. dollars having a maturity of three months 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 three months 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 three months 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 Three-Month LIBOR in effect for the applicable Monthly Period will be the Three-Month LIBOR, as the case may be, in effect for the previous Interest Period.

“Business Day” means for purposes of calculating the Three-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 Three-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. 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 lives 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. In addition, the maturity of certain of the Financed Student Loans could extend beyond the applicable 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 E—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 D—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	0.75% <sup>(1)</sup>
Administration Fees	0.10% <sup>(2)</sup>
Trustee Fee	0.006% <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 0.75% 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 2013, 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 Agreement 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 \$18,000 per annum.

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

## SOURCES AND USES

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

### SOURCES

Proceeds of the Notes (Net of Underwriters' Discount)	\$133,816,831
Total	<u>\$133,816,831</u>

### USES

Deposit to the Acquisition Fund, to be used to acquire Student Loans on the Issue Date and during the Acquisition Period <sup>(2)</sup>	\$132,296,693
Deposit to the Debt Service Reserve Fund <sup>(3)</sup>	1,033,030
Deposit to the Temporary Costs of Issuance Account of the Acquisition Fund <sup>(4)</sup>	<u>487,108</u>
Total	<u>\$133,816,831</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>Consists of Student Loans and/or cash. These amounts on deposit in the Acquisition Fund will be used to acquire or purchase the Student Loans described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein during the Acquisition Period. Any remaining available amounts on deposit in the Acquisition Fund may be used to purchase or acquire additional Student Loans not described under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" herein. The amount deposited into the Temporary Costs of Issuance Account within the Acquisition Fund to pay a portion of the costs of issuance is reflected separately.

<sup>(3)</sup>The initial deposit to the Debt Service Reserve Fund is expected to be approximately 0.50% of the expected Pool Balance as of the Issue Date.

<sup>(4)</sup>This deposit will be used to pay the costs of issuance.

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 "Existing Resolution"), and secure the various series of bonds (the "Existing Bonds") issued thereunder. The Existing 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 Existing Resolution. Certain of the proceeds from the sale of the Notes are expected to be transferred to and applied by the trustee under the Existing Resolution to pay the purchase price of certain of the Existing Bonds on the Issue Date, and upon such purchases, 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 Existing Resolution and the Corporation will then pledge them 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 acquired using funds on deposit in the Acquisition Fund made available 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—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, 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, or from the sale, assignment or other disposition of Financed Student Loans.
- 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 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 C—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. Certain of the amounts deposited into the Acquisition Fund will be used to acquire the pool of Student Loans as described under the caption (and as may be modified) “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein, which will be acquired from the Existing Resolution in connection with the purchase of certain Existing Bonds issued thereunder. The Corporation expects to purchase or acquire the majority of the pool of Student Loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein on the Issue Date, but is permitted to acquire such Student Loans at any time during the Acquisition Period. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein, and any remaining available amounts may be used to acquire or purchase additional Student Loans not described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein but were originated pursuant to the the Corporation’s private student loan programs described in “EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto. All funds remaining on deposit in the Acquisition Fund, including funds on deposit in the Temporary Costs of Issuance Account at the end of the Acquisition Period will be transferred to the Collection Fund and shall constitute Available Funds. Student Loans deposited in or acquired with funds deposited in the Acquisition Fund that are pledged to the Trust Estate created under the Indenture will be held by the Trustee or its agent or bailee and accounted for as a part of the Acquisition Fund. Except for (a) the acquisition or purchase of the pool of 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 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. 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 of Financed Student Loans, any amounts transferred from other Funds created under the Indenture (other than the Tax-Exempt Rebate Fund), and any earnings on investment of moneys on deposit in Funds and accounts established under the Indenture as they are earned.

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 *Fourth* below) and on each Distribution Date in the priority described below.

*Distribution Dates.* On any date amounts described in *First* through *Fourth* 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, 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 Trustee, the portion of the annual Trustee Fee, if any, then due under the Indenture, and any Trustee Fee remaining unpaid from prior periods.
- (iii) ***Third***, 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.
- (iv) ***Fourth***, to the Administrator, any Administration Fees due with respect to the preceding calendar month, together with Administration Fees remaining unpaid from prior periods.
- (v) ***Fifth***, to the Noteholders, the Interest Distribution Amount payable on the Notes, pro rata, if necessary, to the holders of the Class A-1 Notes and the Class A-2 Notes.
- (vi) ***Sixth***, 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) ***Seventh***, to the Noteholders, all remaining amounts, sequentially to the Class A-1 Notes and the Class A-2 Notes, in that order, until each such Class is paid in full.
- (ix) ***Eighth***, 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), (ii), (iii), (iv) and (v) 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), (ii), (iii), (iv) and (v) 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, on a pro rata basis between the Class A-1 Notes and the Class A-2 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 C—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Defaults and Remedies” hereto.

### **The 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” 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 0.50% of the Pool Balance as of the end of the preceding Collection Period or \$309,909 (which is 0.15% of the expected Pool Balance as of the Issue Date), provided that in no event will such balance exceed the sum of 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), (ii), (iii), (iv) and (v) 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 Rebate Amounts, Trustee Fees, Servicing Fees and Administration Fees 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 (vi) 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 of a Class of the Notes, or earlier if amounts on deposit in the Debt Service Reserve Fund, together with other Available Funds, equal or exceed the outstanding principal balance 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 0.75% 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 2013, 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.

## **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.

## **THE FINANCED STUDENT LOANS**

### **General**

During the Acquisition Period, we will use amounts deposited into the Acquisition Fund, representing substantially all of the net proceeds to us from the issuance of the Notes, to acquire from the Existing Resolution Student Loans and will pledge and transfer such Financed Student Loans to the Trust Estate.

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 Existing Resolution and secure the Existing Bonds. The Existing 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 Existing Resolution. Certain of the proceeds from the sale of the Notes are expected to be transferred to and applied by the trustee under the Existing Resolution to pay the purchase price of certain of the Existing Bonds on the Issue Date, and upon such purchase 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 Existing Resolution and the Corporation will then pledge them to the Trustee as part of the Trust Estate. Before the end of the Acquisition Period and after giving effect to the acquisition of the Student Loans from the Existing Resolution, as described under the caption “CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO” herein, any remaining available amounts in the Acquisition Fund may be used to acquire from the Existing Resolution additional Student Loans not described herein, but which were previously originated pursuant to the Corporation’s private loan programs described in “EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto.

The Acquisition Period will begin on the Issue Date and will end thirty (30) calendar days thereafter. Any amounts remaining in the Acquisition Fund at the end of the Acquisition Period will be transferred on the first Business Day after the end of the Acquisition Period to the Collection Fund.

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, the Corporation shall cause such lien to be released, if applicable, 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. There are no other repurchase obligations of the Corporation with respect to the Financed Student Loans.

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

The Financed Student Loans to be acquired with a portion of the proceeds of the sale of the Notes 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, 2012 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 pool of Student Loans described below is the pool that the Corporation expects to pledge to the Trustee on the Issue Date, but that may be pledged at any time prior to the end of the Acquisition Period. Before the end of the Acquisition Period and after giving effect to the acquisition from the Existing Resolution of the Student Loans described below, any remaining available amounts in the Acquisition Fund may be used to acquire or purchase additional Student Loans from the Existing Resolution not described herein, but which were previously originated pursuant to the Corporation's private loan programs described in "EXHIBIT A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS" hereto.

The aggregate characteristics of the entire pool of Student Loans, including the composition of the Student Loans and the related borrowers, 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 materially representative of the characteristics of the pool of Student Loans as they will exist as of the end of the Acquisition Period. During the Acquisition Period, any available funds on deposit in the Acquisition Fund may be used to acquire or purchase the pool of Student Loans described below or other Student Loans not described below. All funds remaining on deposit in the Acquisition Fund, including any remaining amounts on deposit in the Temporary Costs of Issuance Account, at the end of the Acquisition Period will be transferred to the Collection Fund and applied as Available Funds on the first Business Day following the end of the Acquisition Period. You should consider potential variances when making your investment decision concerning the Notes.

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

Outstanding Principal Balance	\$205,219,220
Aggregate Accrued Interest	\$3,653,717
Accrued Interest to be Capitalized	\$2,981,597
Outstanding Principal Balance and Accrued Interest to be Capitalized (“Aggregate Outstanding Balance”)	\$208,200,816
Number of Borrowers	11,236
Average Aggregate Outstanding Principal Balance and Interest per Borrower	\$18,530
Number of Loans	26,487
Average Aggregate Outstanding Balance and Interest per Student Loan	\$7,860
Weighted Average Annual Borrower Interest Rate	3.956%
Weighted Average Remaining Term	230
Weighted Average Original Term	264
Weighted Average Original FICO	725
Weighted Average Updated FICO <sup>(1)</sup>	707
Weighted Average Active Margin (LIBOR Loans)	3.604%
Weighted Average Active Margin (91-Day Treasury Bill Loans)	2.888%

<sup>(1)</sup> Updated FICO score reflects FICO score as of February 1, 2012 for over 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**

<u>Loan Type</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
Advantage	19,058	72.0%	\$166,675,562	80.1%
Bar	813	3.1	4,851,171	2.3
Choice	162	0.6	889,586	0.4
EXTRA Classic	139	0.5	603,611	0.3
Law	5,840	22.0	31,251,634	15.0
Medical	368	1.4	3,125,831	1.5
Residency	104	0.4	786,291	0.4
VAST	3	0.0*	17,129	0.0*
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

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

<u>Advantage<sup>(1)</sup> Origination Year</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>	<u>Percent of Loans Co- Signed</u>	<u>Weighted Average Original FICO</u>
Advantage FY2004-FY2006	9,756	50.8%	\$75,833,054	45.3%	15.9%	678.3
Advantage FY2007-FY2008	5,380	28.0	49,935,715	29.8	82.6	760.3
Advantage FY2009-FY2010	<u>4,084</u>	<u>21.2</u>	<u>41,796,379</u>	<u>24.9</u>	<u>100.0</u>	<u>765.9</u>
<b>TOTAL/AVERAGE</b>	<b><u>19,220</u></b>	<b><u>100.0%</u></b>	<b><u>\$167,565,148</u></b>	<b><u>100.0%</u></b>	<b><u>56.7%</u></b>	<b><u>729.6</u></b>

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

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

<u>Borrower Payment Status</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
In School	752	2.8%	\$ 8,664,437	4.2%
Grace	712	2.7	8,009,732	3.8
Forbearance	882	3.3	9,108,718	4.4
Repayment				
First year in repayment	2,286	8.6	26,219,696	12.6
Second year in repayment	3,760	14.2	39,145,201	18.8
Third year in repayment	4,153	15.7	36,713,444	17.6
Four plus years in repayment	<u>13,942</u>	<u>52.6</u>	<u>80,339,588</u>	<u>38.6</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

<u>Current Status of Account</u>	<u>In-School WAM</u>	<u>Grace WAM</u>	<u>Forbearance WAM</u>	<u>Repayment WAM</u>	<u>Total Term</u>
In-School	18.9	6.0		180.0	204.9
Grace		3.6		180.0	183.6
Forbearance			2.6	268.7	271.3
Repayment				232.3	232.3
<b>TOTAL</b>	<b>18.9</b>	<b>4.9</b>	<b>2.6</b>	<b>230.4</b>	<b>231.5</b>

Current borrower payment status refers to the status of the student borrower of each initial 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 A—DESCRIPTION OF THE PRIVATE LOAN PROGRAMS” hereto.

Each of the 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 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 Financed Student Loan.

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

<u>Interest Rate Type</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
3-Month LIBOR + 2.25%	294	1.1%	\$ 2,792,177	1.3%
3-Month LIBOR + 2.70%	136	0.5	1,700,049	0.8
3-Month LIBOR + 2.90%	10,813	40.8	81,158,458	39.0
3-Month LIBOR + 3.00%	2,991	11.3	28,038,628	13.5
3-Month LIBOR + 3.25%	827	3.1	8,444,842	4.1
3-Month LIBOR + 3.50%	1,460	5.5	13,555,897	6.5
3-Month LIBOR + 3.65%	311	1.2	2,018,154	1.0
3-Month LIBOR + 4.00%	816	3.1	7,851,488	3.8
3-Month LIBOR + 4.25%	45	0.2	496,255	0.2
3-Month LIBOR + 4.50%	702	2.7	6,411,659	3.1
3-Month LIBOR + 4.75%	311	1.2	3,148,629	1.5
3-Month LIBOR + 5.00%	13	0.0*	134,449	0.1
3-Month LIBOR + 5.25%	582	2.2	5,817,334	2.8
3-Month LIBOR + 5.50%	1,106	4.2	10,947,372	5.3
3-Month LIBOR + 6.00%	548	2.1	5,893,317	2.8
3-Month LIBOR + 6.75%	424	1.6	4,399,373	2.1
3-Month LIBOR + 7.25%	386	1.5	4,172,281	2.0
91-Day T-Bill + 2.50%	259	1.0	1,645,363	0.8
91-Day T-Bill + 2.90 %	3,335	12.6	15,710,790	7.5
91-Day T-Bill + 3.00%	<u>1,128</u>	<u>4.3</u>	<u>3,864,300</u>	<u>1.9</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

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

<u>Borrower Benefit</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
None	25,518	96.3%	\$204,786,613	98.4%
ACH 0.25% Reduction	<u>969</u>	<u>3.7</u>	<u>3,414,203</u>	<u>1.6</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

<u>Borrower Benefit</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
None	25,036	94.5%	\$197,017,347	94.6%
1.5% Annual Rebate while In-School and 1% Annual Rebate thereafter	1,090	4.1	8,589,918	4.1
1% Annual Rebate	<u>361</u>	<u>1.4</u>	<u>2,593,551</u>	<u>1.2</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

<u>Current Interest Rate</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
2.01% - 2.50%	26	0.1%	\$ 168,097	0.1%
2.51% - 3.00%	4,113	15.5	21,055,751	10.1
3.01% - 3.50%	14,818	55.9	113,691,539	54.6
3.51% - 4.00%	2,286	8.6	21,995,118	10.6
4.01% - 4.50%	1,127	4.3	9,869,642	4.7
4.51% - 5.00%	748	2.8	6,921,561	3.3
5.01% - 5.50%	324	1.2	3,283,078	1.6
5.51% - 6.00%	1,690	6.4	16,802,412	8.1
6.01% - 6.50%	545	2.1	5,841,964	2.8
7.01% - 7.50%	424	1.6	4,399,373	2.1
7.51% - 8.00%	<u>386</u>	<u>1.5</u>	<u>4,172,281</u>	<u>2.0</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

<u>Outstanding Balances</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
\$0.00 - \$4,999.99	12,188	46.0%	\$28,809,124	13.8%
\$5,000.00 - \$9,999.99	6,849	25.9	50,220,996	24.1
\$10,000.00 - \$14,999.99	3,609	13.6	44,718,528	21.5
\$15,000.00 - \$19,999.99	1,920	7.2	33,638,118	16.2
\$20,000.00 - \$24,999.99	1,018	3.8	22,907,324	11.0
\$25,000.00 - \$29,999.99	523	2.0	14,335,343	6.9
\$30,000.00 - \$34,999.99	229	0.9	7,418,837	3.6
\$35,000.00 - \$39,999.99	101	0.4	3,817,701	1.8
\$40,000.00 - \$44,999.99	27	0.1	1,153,296	0.6
\$45,000.00 - \$49,999.99	14	0.1	662,989	0.3
\$50,000.00 - \$54,999.99	4	0.0*	210,607	0.1
\$55,000.00 - \$59,999.99	3	0.0*	172,255	0.1
\$65,000.00 - \$69,999.99	<u>2</u>	<u>0.0*</u>	<u>135,698</u>	<u>0.1</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

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

<u>Delinquency Status</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
Current	22,900	86.5%	\$178,173,180	85.6%
Less than 30 Days	1,525	5.8	10,746,883	5.2
30 to 59 Days	1,232	4.7	11,005,572	5.3
60 to 89 Days	487	1.8	4,963,526	2.4
90 to 119 Days	<u>343</u>	<u>1.3</u>	<u>3,311,654</u>	<u>1.6</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</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**

<u>Remaining Months to Scheduled Maturity</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
4 – 12	2	0.0%*	\$ 445	0.0%*
13 – 24	15	0.1	4,500	0.0*
25 – 36	36	0.1	32,614	0.0*
37 – 48	54	0.2	46,911	0.0*
49 – 60	155	0.6	209,842	0.1
61 – 72	253	1.0	418,081	0.2
73 – 84	307	1.2	733,955	0.4
85 – 96	491	1.9	1,325,731	0.6
97 – 108	1,033	3.9	3,485,726	1.7
109 – 120	1,743	6.6	7,697,931	3.7
121 – 132	2,103	7.9	10,561,070	5.1
133 – 144	2,197	8.3	14,328,159	6.9
145 – 156	2,336	8.8	16,869,371	8.1
157 – 168	2,243	8.5	20,211,457	9.7
169 – 180	3,246	12.3	35,866,867	17.2
181 – 192	2	0.0*	8,646	0.0*
193 – 204	34	0.1	70,628	0.0*
205 – 216	59	0.2	246,988	0.1
217 – 228	133	0.5	444,257	0.2
229 – 240	161	0.6	659,559	0.3
241 – 252	235	0.9	983,821	0.5
253 – 264	293	1.1	1,389,996	0.7
265 – 276	321	1.2	1,583,110	0.8
277 – 288	586	2.2	3,581,405	1.7
289 – 300	901	3.4	5,714,505	2.7
301 – 312	1,376	5.2	11,423,851	5.5
313 – 324	1,902	7.2	18,663,772	9.0
325 – 336	1,944	7.3	21,366,160	10.3
337 – 348	1,617	6.1	20,633,376	9.9
349 – 360	709	2.7	9,638,083	4.6
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

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

<u>Co-Signer</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
Co-Signed	10,095	38.1%	\$ 96,767,451	46.5%
Not Co-Signed	<u>16,392</u>	<u>61.9</u>	<u>111,433,365</u>	<u>53.5</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

<u>Original FICO Score</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
430 - 439	3	0.0%*	\$ 16,103	0.0%*
440 - 449	7	0.0*	69,283	0.0*
450 - 459	3	0.0*	22,122	0.0*
460 - 469	9	0.0*	168,325	0.1
470 - 479	14	0.1	169,009	0.1
480 - 489	27	0.1	252,168	0.1
490 - 499	17	0.1	201,737	0.1
500 - 509	29	0.1	242,100	0.1
510 - 519	44	0.2	347,500	0.2
520 - 529	39	0.1	272,293	0.1
530 - 539	69	0.3	564,155	0.3
540 - 549	65	0.2	559,175	0.3
550 - 559	70	0.3	620,262	0.3
560 - 569	107	0.4	958,562	0.5
570 - 579	159	0.6	1,100,395	0.5
580 - 589	173	0.7	1,412,983	0.7
590 - 599	221	0.8	1,689,121	0.8
600 - 609	230	0.9	1,893,086	0.9
610 - 619	280	1.1	2,066,897	1.0
620 - 629	321	1.2	2,450,061	1.2
630 - 639	494	1.9	3,244,976	1.6
640 - 649	645	2.4	4,869,041	2.3
650 - 659	813	3.1	6,183,468	3.0
660 - 669	689	2.6	5,271,147	2.5
670 - 679	609	2.3	4,711,679	2.3
680 - 689	667	2.5	4,925,114	2.4
690 - 699	646	2.4	5,085,691	2.4
700 - 709	1,128	4.3	10,404,892	5.0
710 - 719	1,188	4.5	10,130,839	4.9
720 - 729	1,097	4.1	9,504,779	4.6
730 - 739	1,085	4.1	9,729,226	4.7
740 - 749	1,157	4.4	10,158,067	4.9
750 - 759	1,040	3.9	9,532,215	4.6
760 - 769	1,071	4.0	9,786,732	4.7
770 - 779	1,185	4.5	11,387,398	5.5
780 - 789	1,148	4.3	10,865,690	5.2
790 - 799	991	3.7	9,638,430	4.6
800 - 809	767	2.9	7,355,439	3.5
810 - 819	600	2.3	5,922,059	2.8
820 - 829	427	1.6	4,019,137	1.9
830 - 839	177	0.7	1,672,120	0.8
840 - 849	45	0.2	399,682	0.2
850 - 990	1	0.0*	11,335	0.0*
Missing	<u>6,930</u>	<u>26.2</u>	<u>38,316,323</u>	<u>18.4</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

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

<u>Updated FICO Score</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
420 - 429	2	0.0%*	\$ 7,750	0.0%*
430 - 439	3	0.0*	26,963	0.0*
450 - 459	26	0.1	509,449	0.2
460 - 469	27	0.1	261,810	0.1
470 - 479	61	0.2	901,310	0.4
480 - 489	117	0.4	1,204,203	0.6
490 - 499	158	0.6	1,470,443	0.7
500 - 509	212	0.8	2,073,099	1.0
510 - 519	259	1.0	2,270,523	1.1
520 - 529	300	1.1	2,652,100	1.3
530 - 539	263	1.0	2,459,555	1.2
540 - 549	361	1.4	3,102,614	1.5
550 - 559	387	1.5	3,075,987	1.5
560 - 569	330	1.2	2,645,827	1.3
570 - 579	272	1.0	2,220,768	1.1
580 - 589	344	1.3	2,546,240	1.2
590 - 599	325	1.2	2,667,532	1.3
600 - 609	335	1.3	3,054,312	1.5
610 - 619	402	1.5	3,042,965	1.5
620 - 629	399	1.5	3,140,502	1.5
630 - 639	561	2.1	4,609,174	2.2
640 - 649	495	1.9	3,773,244	1.8
650 - 659	645	2.4	5,247,357	2.5
660 - 669	685	2.6	5,496,963	2.6
670 - 679	791	3.0	6,073,254	2.9
680 - 689	788	3.0	5,684,620	2.7
690 - 699	1,007	3.8	7,591,331	3.6
700 - 709	890	3.4	6,759,539	3.2
710 - 719	914	3.5	7,427,907	3.6
720 - 729	1,162	4.4	9,270,950	4.5
730 - 739	1,271	4.8	9,578,700	4.6
740 - 749	1,474	5.6	10,927,427	5.2
750 - 759	1,527	5.8	11,489,473	5.5
760 - 769	1,702	6.4	12,600,905	6.1
770 - 779	1,685	6.4	12,981,976	6.2
780 - 789	1,951	7.4	15,282,652	7.3
790 - 799	1,607	6.1	11,816,734	5.7
800 - 809	1,292	4.9	10,405,046	5.0
810 - 819	738	2.8	5,824,054	2.8
820 - 829	335	1.3	2,715,447	1.3
830 - 839	100	0.4	891,846	0.4
840 - 849	31	0.1	245,065	0.1
Missing	253	1.0	2,173,200	1.0
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

\*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**

<u>State Distribution<sup>(1)</sup></u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
Alabama	41	0.2%	\$ 397,124	0.2%
Alaska	174	0.7	816,337	0.4
Arizona	191	0.7	1,443,496	0.7
Arkansas	35	0.1	315,542	0.2
California	866	3.3	7,250,904	3.5
Colorado	579	2.2	4,167,810	2.0
Connecticut	641	2.4	6,478,310	3.1
Delaware	45	0.2	256,527	0.1
District of Columbia	353	1.3	2,336,157	1.1
Florida	517	2.0	4,401,463	2.1
Georgia	243	0.9	1,865,142	0.9
Hawaii	55	0.2	368,449	0.2
Idaho	71	0.3	405,814	0.2
Illinois	305	1.2	2,123,145	1.0
Indiana	79	0.3	667,017	0.3
Iowa	67	0.3	515,055	0.2
Kansas	51	0.2	318,558	0.2
Kentucky	29	0.1	171,490	0.1
Louisiana	98	0.4	898,583	0.4
Maine	703	2.7	5,996,680	2.9
Maryland	554	2.1	3,766,466	1.8
Massachusetts	2,448	9.2	21,088,053	10.1
Michigan	131	0.5	863,788	0.4
Minnesota	81	0.3	571,091	0.3
Mississippi	19	0.1	142,999	0.1
Missouri	62	0.2	355,890	0.2
Montana	64	0.2	658,451	0.3
Nebraska	77	0.3	526,555	0.3
Nevada	53	0.2	340,388	0.2
New Hampshire	1,269	4.8	11,048,422	5.3
New Jersey	514	1.9	4,245,308	2.0
New Mexico	52	0.2	614,274	0.3
New York	2,198	8.3	18,104,911	8.7
North Carolina	458	1.7	3,294,095	1.6
North Dakota	6	0.0*	45,094	0.0*
Ohio	163	0.6	1,502,488	0.7
Oklahoma	23	0.1	297,378	0.1
Oregon	271	1.0	1,851,891	0.9
Pennsylvania	504	1.9	4,326,017	2.1
Rhode Island	133	0.5	1,224,346	0.6
South Carolina	163	0.6	1,344,372	0.6
South Dakota	18	0.1	206,936	0.1
Tennessee	125	0.5	1,022,092	0.5
Texas	350	1.3	2,765,469	1.3
Utah	114	0.4	929,703	0.4
Vermont	9,916	37.4	75,519,933	36.3
Virginia	747	2.8	4,929,387	2.4
Washington	281	1.1	1,927,417	0.9
West Virginia	50	0.2	352,674	0.2
Wisconsin	109	0.4	632,552	0.3

<u>State Distribution</u> <sup>(1)</sup>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
Wyoming	32	0.1	247,921	0.1
Other / International <sup>(2)</sup>	<u>359</u>	<u>1.4</u>	<u>2,260,852</u>	<u>1.1</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

<sup>(1)</sup> Based on the billing addresses of the borrowers of the Financed Student Loans shown on the Servicers' 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 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 Financed Student Loans may be impacted to a larger extent than if the borrowers were more dispersed geographically.

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

<u>School Type</u>	<u>Number of Loans</u>	<u>Percent of Loans</u>	<u>Aggregate Outstanding Balance</u>	<u>Percent of Loans by Aggregate Outstanding Balance</u>
4-Year University/Grad	22,041	83.2%	\$162,167,980	77.9%
Proprietary	1,396	5.3	19,173,944	9.2
2-Year University	2,294	8.7	18,085,716	8.7
Vocational	472	1.8	5,104,141	2.5
Foreign	281	1.1	3,658,356	1.8
Unknown/Other	<u>3</u>	<u>0.0*</u>	<u>10,679</u>	<u>0.0*</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

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

School	Number of <u>Loans</u>	<u>Percent of Loans</u>	Aggregate <u>Outstanding Balance</u>	Percent of Loans by Aggregate <u>Outstanding Balance</u>
Vermont Law School	6,424	24.3%	\$33,759,759	16.2%
University of Vermont and State Agricultural College	3,211	12.1	24,686,599	11.9
New England Culinary Institute	946	3.6	15,428,263	7.4
Champlain College	1,572	5.9	12,487,063	6.0
Norwich University	1,344	5.1	11,427,235	5.5
Castleton State College	1,479	5.6	10,059,938	4.8
Vermont Technical College	1,086	4.1	6,671,008	3.2
Green Mountain College	699	2.6	5,498,297	2.6
Saint Michaels College	570	2.2	4,826,236	2.3
Lyndon State College	664	2.5	4,205,800	2.0
Johnson State College	611	2.3	3,282,378	1.6
Bennington College	203	0.8	2,040,191	1.0
Landmark College	91	0.3	1,746,311	0.8
Northeastern University	126	0.5	1,588,863	0.8
Clarkson University	133	0.5	1,421,671	0.7
Keene State College	156	0.6	1,370,279	0.7
Southern Vermont College	186	0.7	1,308,539	0.6
University of New Hampshire	122	0.5	1,130,941	0.5
College of Saint Joseph	143	0.5	1,082,538	0.5
Marlboro College	132	0.5	1,049,809	0.5
Other/Unknown	<u>6,589</u>	<u>24.9</u>	<u>63,129,099</u>	<u>30.3</u>
<b>TOTAL</b>	<b><u>26,487</u></b>	<b><u>100.0%</u></b>	<b><u>\$208,200,816</u></b>	<b><u>100.0%</u></b>

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

**THE CORPORATION**

**General**

The Corporation, a public nonprofit corporation, was created as an instrumentality of the State of Vermont in 1965 and exists under the State Act for the purpose of ensuring that Vermont students and parents have the necessary information and financial resources to pursue their education goals beyond high school. The Corporation 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.

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 October 31, 2012.

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	President, Fair Point Communications of Vermont South 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
Donald R. Vickers	President-CEO
Michael R. Stuart	Vice President and CFO and Assistant Secretary
Scott A. Giles	Vice President of Operations, Social Marketing & Strategy and Assistant Secretary
Thomas A. Little	Vice President, General Counsel and Assistant Secretary

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

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

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

### **Management**

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

Mr. Donald R. Vickers, President - CEO of the Corporation, has served the Corporation since 1971. Mr. Vickers was appointed President and CEO of the Corporation in 1990. Mr. Vickers previously served as Director of Financial Aid and Placement at Johnson State College, Johnson, Vermont, where he obtained his B.A. Mr. Vickers is a member of a number of regional and national higher education organizations, including the Vermont Higher Education Council, the Vermont Commission on Higher Education Funding, the Education Finance Council (EFC) - Board member 2000-2003, the National Council of Higher Education Loan Programs (NCHELP) - Chairman 2003-2004, and the National Student Loan Clearing House — Board member 2006-present. From 1999 to 2002, Mr. Vickers served on the Advisory Committee on Student Financial Assistance, which makes recommendations to Congress on federal student aid programs. Mr. Vickers has announced to the Board his intention to retire June 30, 2013; the Board is engaged in a national search for his replacement.

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 received a B.A. degree in History from St. Lawrence University in 1988, a Master of Science in Administration from St. Michael's College in 1999, and a Professional Certificate in Financial Accounting from Champlain College in 2006.

Mr. Scott A. Giles, Vice President of Operations, Social Marketing and Strategy and Assistant Secretary of the Corporation joined the Corporation in 2003. Mr. Giles previously 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 an M.A. 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. 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.

### **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.

### **Servicing of Education Loans**

The Corporation provides the personnel necessary to perform all origination and servicing of education loans (including all Higher Education Act loans, Public Health Service Act 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.

### **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 Financed Student 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.

Provisions of the Reconciliation Act provide that (1) eligible nonprofit organizations may apply to the Department of Education for authority to service student loans originated after July 1, 2012 by the Department under the Higher Education Act program commonly known as the "Direct Loan Program" (the "Direct Loans"), 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 has entered into a Memorandum of Understanding for Direct Loan Servicing with the Department to pursue an Authorization to Operate. The Corporation was awarded an Authorization to Operate on October 25, 2012 and expects to receive a servicing contract prior to November 1, 2012 to become a qualified nonprofit servicer to service Direct Student Loans on which servicing is expected to commence as early as the first week in November 2012. There can be no assurance that the Corporation will obtain a contract to service such Direct Loans or, if such a contract is obtained, what impact the associated revenues will have on the Corporation's financial condition. Likewise, the financial impact on the Corporation of failure to obtain such a contract is not possible to ascertain at this time.

## **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 presently outstanding, proceeds of which have been issued to finance education loans, has been issued under and is secured by four 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, and do not constitute a general obligation of the Corporation. The total amount of such indebtedness currently outstanding is approximately \$1.82 billion, of which \$1.19 billion are expected to be purchased and cancelled or redeemed with certain of the proceeds from the sale of the Notes and certain other notes issued by the Corporation under a separate indentures financed loans originated under the Higher Education Act and the Public Health Service Act of 1944, 42 U.S.C. § 201 *et seq.* The Notes are not payable from any of the loans or other assets that are pledged under such separate trust documents and the Financed Student Loans and other assets pledged under the Indenture to secure the Notes are not available to pay any such separately secured indebtedness. There are no prior payment defaults on any debt securities issued by the Corporation.

In 2003, the Corporation issued its General Obligation Bonds, Series 2003 to finance the building which serves as its headquarters and principal office. Such Series 2003 Bonds are currently outstanding in the principal amount of \$17,120,000. The Series 2003 Bonds are payable from any moneys of the Corporation held in any unencumbered or unrestricted fund or any other funds otherwise legally available for the payment thereof, but not from any other funds of the Corporation, including without limitation any part of the Trust Estate under the Indenture, nor by a lien on the building financed.

## **Ongoing IRS Audit**

The Corporation has received a binding commitment from the Internal Revenue Service to settle on terms acceptable to the Corporation an audit by the IRS with respect to the Corporation's Education Loan Revenue Bonds, Senior Series 1998K through 1998N and Subordinate Series 1998O and other additional bonds issued by the Corporation under the Existing Resolution. See the captions "RISK FACTORS—Litigation and Other Matters Potentially Affecting the Corporation" and "LITIGATION—IRS Audit of Certain Separately Secured Bonds of the Corporation" herein.

## **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 0.10% of the then outstanding Pool Balance as of the end of the preceding month and (ii) no more than \$18,000 annually for certain Rating Agency surveillance fees and certain other fees relating to the administration of the Trust Estate.

## 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, collection of loans and pursuing remedies upon defaults. 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 with Firstmark Services, LLC. See the caption “Description of the Back-up Servicing Agreement” below. The Back-up Servicing Agreement governs 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 caption “Description of the 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 Indenture.

### The Back-up Servicer

Firstmark Services, 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 December 31, 2011 employed approximately 2400 employees. As of June 30, 2012, Nelnet, Inc. and its subsidiary servicers serviced approximately \$85.5 billion in Higher Education Act and private student loans.

Nelnet, Inc.’s and its subsidiary servicers’ due diligence schedules are conducted through automated letter generation. Telephone calls are made by an auto-dialer system. All functions are monitored by an internal quality control system to ensure their performance. Compliance training is provided on both centralized and unit level basis. In addition, Nelnet, Inc. and its subsidiary servicers have distinct compliance and internal auditing departments whose functions are to advise and coordinate compliance issues.

### Description of the Back-up Servicing Agreement

**General.** Each of the parties to the 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 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 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 Back-up Servicing Agreement has an initial term of three (3) years, unless sooner terminated. Thereafter, the 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 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 Conversion, the term of the 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 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 Back-up Servicing Agreement which materially and adversely affects Servicer's ability to perform its obligations under the 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 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 Back-up Servicing Agreement; or (v) providing the notice described in the first paragraph of this caption. Upon a termination of the 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 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 Back-up Servicing Agreement shall be immediately due and payable to Back-up Servicer.

The 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 Back-up Servicing

Agreement which materially and adversely affects Back-up Servicer's ability to perform its obligations under the 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 the 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 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 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 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.

**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 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 Back-up Servicing Agreement exceed the servicing fees paid to Back-up Servicer under the 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 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.

### **THE TRUSTEE**

People's United Bank will serve as Trustee for the Series 2012-B 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 Offering Memorandum.

### **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 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 made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The 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 above 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 \$133,816,831.

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 their 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.

## 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 Class of 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 his 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; 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 Corporations renewed motion to dismiss. The motion to dismiss could again be appealed by the plaintiff. The Corporation denies any liability under the Complaint and if appealed will continue 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.

## **IRS Audit of Certain Separately Secured Bonds of the Corporation**

In 2008, the Internal Revenue Service announced that it was beginning a program of randomly examining tax-exempt student loan bond transactions. Pursuant to this program, the Corporation's Education Loan Revenue Bonds, Senior Series 1998K through 1998N and Subordinate Series 1998O (the "1998 Bonds") were selected for examination. In connection with its examination, the Internal Revenue Service delivered to the Corporation its Form 5701-TEB, Notice of Proposed Issue. In that Notice, the Internal Revenue Service questions the Corporation's accounting treatment for student loans originated pursuant to the FFELP and the Corporation's treatment of the federal consolidation loan rebate fee that is required to be paid under the Higher Education Act. In 2011, the Corporation received notices, dated June 28, 2011, from the Internal Revenue Service to the effect that it has selected additional bond issues of the Corporation for examination as a result of information developed in the course of the audit of the 1998 Bonds. The Corporation's treatment of the federal consolidation loan rebate fee is no longer at issue in the audit. In addition, the Corporation has not used the accounting treatment at issue in the audit since prior to 2008, although it believes that treatment was consistent with applicable law and regulations. The Corporation has received a binding commitment from the Internal Revenue Service to settle this audit on terms acceptable to the Corporation. Any settlement with the Internal Revenue Service requiring a payment in connection with the audit of the 1998 Bonds or other bonds of the Corporation under audit (which include all bonds issued under the Corporation's 1995 Resolution pursuant to which the 1998 Bonds were issued, but not any bonds issued in 2008 or later or under any other indenture or resolution) would be funded from sources other than those pledged to secure the Notes. Further, the Corporation believes that the payment of this settlement will not have a material adverse effect on the Corporation's ability to perform its obligations under the Indenture. 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, 2013 (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 F—PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." 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 never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12(b)(5) to provide annual reports or notices of material events.

### **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/ Donald R. Vickers  
Donald R. Vickers, President/CEO

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## **EXHIBIT A**

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

The Corporation originated private education loans with the proceeds of the Existing Bonds and other monies available for such purposes under the Existing 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 Financed Student Loans securing the notes were originated pursuant to those loan programs. Less than 1% of the 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 Existing Resolution in March of 2010. The VSAC Extra Advantage Loans represent approximately 80% of outstanding principal amounts of the Financed Student Loans. See the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" 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 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 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; 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	Norwich University
Burlington College	O'Brien's Aveda Training Institute
Castleton State College	Putnam Memorial School of Nursing
Champlain College	Rutland Hospital of X-ray Technology
College of St. Joseph	Saint Michael's College
Community College of Vermont	School for International Training
Fanny Allen Memorial School of Practical Nursing	Southern Vermont College
Fletcher Allen Health Care School of Cytotechnology	Sterling College
Goddard College	The Salon Professional Academy
Green Mountain College	Thompson School for Practical Nursing
Johnson State College	Trinity College
Landmark College	University of Vermont and State Agricultural College
Lyndon State College	Vermont Law School
Marlboro College	Vermont Technical College
Middlebury College	Woodbury College
New England Culinary Institute	

## **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 Existing 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 19% of outstanding principal amounts of the Financed Student Loans. See the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" 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 Existing 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 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.

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## EXHIBIT B

### 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.

“*Acquisition Period*” shall mean the period beginning on the Issue Date of the Notes and ending on the thirtieth (30th) calendar day thereafter.

“*Administration Agreements*” 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 Fees*” shall mean (i) a fee payable monthly equal to 1/12th of 0.10% of the Pool Balance as of the last day of the previous month plus (ii) no more than \$18,000 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, but net of:

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

(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;

(b) 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;

(c) the aggregate amounts, if any, received on the Financed Student Loans from the Corporation (or on behalf of the Corporation) from any other Person in connection with the optional release of the Financed Student Loans pursuant to the Indenture;

(d) 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;

(e) 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;

(f) investment earnings or gains realized from the investment of amounts on deposit in each Trust Fund;

(g) all funds then on deposit in the Acquisition Fund that are required under the Indenture to be transferred into the Collection Fund on the first Business Day following the end of the Acquisition Period; and

(h) 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 Firstmark Services, LLC or any other additional or successor Servicer who has entered into a Back-up Servicing Agreement with the Corporation.

“*Back-up Servicing Agreement*” shall mean the Back-up Third Party Servicing Agreement among the Corporation, as issuer, the Corporation, as servicer, and Firstmark Services, LLC, as back-up servicer, and any additional or successor back-up servicing agreement entered into between the Corporation and a Back-up Servicer, each as amended and supplemented pursuant to the terms thereof.

“*Basic Documents*” means the Indenture and any Servicing Agreements, Custodian Agreements, Administration Agreements, and any other documents signed by the Corporation 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 Three-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.

“*Class*” shall mean each of the Class A-1 Notes and the Class A-2 Notes.

“*Class A-1 Noteholder*” shall mean a Noteholder of Class A-1 Notes.

“*Class A-1 Notes*” shall mean the \$92,900,000 Education Loan Revenue Notes, Series 2012-B (Tax-Exempt LIBOR Floating Rate Notes), Class A-1 Notes issued by the Corporation pursuant to the Indenture.

“*Class A-2 Noteholder*” shall mean a Noteholder of Class A-2 Notes.

“*Class A-2 Notes*” shall mean the \$42,200,000 Education Loan Revenue Notes, Series 2012-B (Tax-Exempt LIBOR Floating Rate Notes), Class A-2 Notes issued by the Corporation pursuant to the Indenture.

“*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 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, 2013.

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

“*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.

“*Conversion Event*” shall have the meaning ascribed thereto in the Back-up Servicing Agreement; provided, that the meaning of such term in the 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 Eligible Loans that are Financed and pledged to the Trustee under the Indenture, the date on which such Eligible 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, \$1,033,030, and thereafter with respect to any Distribution Date, the greater of (a) 0.50% of the Pool Balance as of the end of the preceding Collection Period and (b) \$309,909 (which is 0.15% of the expected Pool Balance as of the Issue Date), provided that in no event will such balance exceed the sum of 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.

“*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 June 3, 2013.

“*Eligible Loan*” means any Student 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 on any Class of Notes 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 Section 1.148-2(d)(2) of the Treasury Regulations.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Existing Resolution*” means the 1995 Education Loan Revenue Bond Resolution of the Corporation adopted June 16, 1995, as supplemented and 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.

“*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.

“*Indenture*” shall mean the Indenture of Trust, dated as of November 1, 2012, 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 end of the Acquisition Period.

“*Interest Accrual Amount*” shall mean, for any Monthly Period, with respect to any Class of the Notes, the aggregate amount of interest accrued for such Class of the Notes at the related LIBOR Indexed Rate for such Class of the Notes during such Monthly Period on the Outstanding Amount of such Class 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 Distribution Amount*” shall mean, for any Distribution Date, for a Class of the Notes, the sum of (a) the Interest Accrual Amounts with respect to such Class of Notes for each Monthly Period within the preceding Interest Period and (b) the Interest Shortfall for that Distribution Date with respect to such Class of Notes.

“*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 first Business Day of 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 and any Class of Notes, the excess of (i) the Interest Distribution Amount for such Class of Notes on the preceding Distribution Date, over (ii) the amount of interest actually distributed to the Noteholders of such Class of Notes 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 such Class of Notes for each Monthly Period from that preceding Distribution Date to the current Distribution Date.

“*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.

“*LIBOR Indexed Rate*” shall mean, with respect to each Class, the interest rate established by the Trustee on each Interest Rate Determination Date and equal to the applicable Three-Month LIBOR Rate plus the Spread applicable to such Class.

“*Liquidated Student Loan*” shall mean any Financed Student Loan liquidated by a Servicer or which such Servicer 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.

“*Maturity*,” when used with respect to a Class of Notes, 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 (i) reduce the Outstanding Amount of the Notes on such Distribution Date to zero, (ii) pay to the respective Noteholders of each Class of Notes, 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 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), and (iv) pay any accrued and unpaid fees and expenses due and owing under the Indenture.

“*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.

“*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 Class A-1 Notes and the Class A-2 Notes.

“*Obligor*” means a Person obligated to make payments with respect to a Student Loan.

“*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 or the applicable Class or Classes of Notes, as the case may be, 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: (i) all payments allocable to principal received by the Corporation through that date from or on behalf of borrowers; (ii) all amounts allocable to principal received by the Trustee through that date from sales (or other releases from the lien of the Indenture permitted under the Indenture) 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; and (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.

“*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 Eligible 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 Office*” shall mean the office of the party indicated, as provided in the Indenture.

“*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.

“*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 Three-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.

“*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.

“*S&P*” shall mean Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., its successors and assigns.

“*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 shall have entered into a Servicing Agreement with the Corporation and the requirements of a Rating Notification shall have been satisfied as to such additional Servicer or successor. 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 the 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 2013, 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 (i) the Servicing Fee Floor and (ii) 1/12<sup>th</sup> of 0.75% per annum of the Pool Balance as of the end of the preceding month (plus in each case of both clause (i) and (ii), 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.

“*Spread*” shall mean 1.50% per annum with respect to the Class A-1 Notes and 3.00% per annum with respect to the Class A-2 Notes.

“*Stated Maturity Date*” shall mean the June 2022 Distribution Date with respect to the Class A-1 Notes and the December 2035 Distribution Date with respect to the Class A-2 Notes.

“*Student Loan*” shall mean any loan made to finance post-secondary education that is made by the Corporation pursuant to 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.

“*Three-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 three months 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 three months 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 three months 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 Three-Month LIBOR in effect for the applicable Monthly Period will be Three-Month LIBOR, in effect for the previous Monthly Period.

“*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 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 0.006% per annum payable semi-annually on each Distribution Date as a percentage of the aggregate Outstanding Amount of the Notes as of the preceding Distribution Date, with the first payment to be made on the first Distribution Date as a percentage of the aggregate Outstanding Amount of the Notes as of the Issue Date.

*“Underwriter”* shall mean Morgan Stanley & Co. LLC, the Underwriter of the Notes.

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## EXHIBIT C

### 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 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 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. The Registered Owners of the Notes shall not in any circumstances be deemed to be the owner or holder of the Financed Student Loans.

***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. 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; (ii) settling a default or curing a delinquency on any Financed Student Loan on such terms as shall be permitted by law; or (iii) charging interest at a lower rate than is required by the Program and Program Documentation or establishing discounts or granting forgiveness of principal of 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.

***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. 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.

(d) If at any time the Corporation fails to perform its obligations as a Servicer under the Indenture, or if any other Servicer fails in any material respect to perform its obligations under its Servicing Agreement, 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.

(e) The Corporation shall (i) unless it is the Servicer, retain a replacement Servicer or, 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 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 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, 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.

***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 Note balance by Stated Maturity Date and principal reduction history (date, amount, source of funds, distribution of funds per applicable Class of the Notes), 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 collective aggregate principal amount of the Notes at the time Outstanding, 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 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 [Lensnotices@dtcc.com](mailto:Lensnotices@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, 2013, 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 time as and in the manners 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 Tax-Exempt Rebate Fund, to be held and maintained by the Trustee, in which neither the Corporation nor the Registered Owners have any right, title or interest.

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 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.

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.* 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 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) 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 (v) 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 (v) 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) to pay to the Trustee, the Trustee Fee, if any, then due, and any Trustee Fee remaining unpaid from prior periods;

(iii) 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 Back-up Servicer fees and expenses owed under the applicable Servicing Agreement up to the amount received by the Corporation;

(iv) 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;

(v) 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;

(vi) 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;

(vii) to the applicable Noteholders, all remaining amounts, sequentially in the following order:

(A) to pay, on a pro rata basis, to the Class A-1 Noteholders until the Class A-1 Notes have been paid in full;

(B) to pay, on a pro rata basis, to the Class A-2 Noteholders until the Class A-2 Notes have been paid in full; and

(viii) 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 (v) 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 (viii) 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 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) *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.

(iii) *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.

(iv) *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 into the Acquisition Fund \$132,783,801 from the proceeds of the sale of the Notes, of which \$487,108 shall be deposited in the Temporary Costs of Issuance Account of 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 may be used to purchase Financed Student Loans during the Acquisition Period.

Moneys on deposit in the Acquisition Fund shall be used, upon Corporation Order, solely (a) to pay costs of issuance of the Notes (which may be paid from the Temporary Costs of Issuance Account) and (b) to acquire Student Loans at any time during the Acquisition Period upon receipt by the Trustee of a certificate substantially in the form specified in the Indenture at a price of no greater than 100% of the outstanding principal balance of such Student Loans, plus accrued interest thereon. Any such Corporation Order shall state that such proposed use of moneys in the Acquisition Fund is in compliance with the provisions of the Indenture. If any portion of such moneys are not so used at the end of the Acquisition Period, such funds shall be transferred on the first Business Day after the end of the Acquisition Period to the Collection Fund for application in accordance with the Indenture and the Acquisition Fund shall thereafter be closed (except with respect to the Financed Student Loans accounted for as a part of the Acquisition Fund). The Trustee shall maintain the list of Financed Student Loans pledged to it under the Indenture.

***Debt Service Reserve Fund.***

On the Issue Date, there shall be deposited to the Debt Service Reserve Fund, \$1,033,030 from the proceeds of the sale of the Notes. 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 (v) 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 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 of a Class of Notes, and after giving effect to the distribution of the Available Funds on such Stated Maturity Date, the principal amount of the Notes of such Class 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 principal amount of such Class of Notes to zero and to deposit such amount in the Collection Fund for application to payment of the Outstanding Amount of such Class of Notes.

On the final Distribution Date, following the payment in full of the Outstanding Amount of the Notes of all Classes 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.

#### ***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 or Account or Subaccount will be required for the purposes intended; provided, that funds deposited in a Fund or Account 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 or 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 and Excess Earnings to the United States Treasury through the Stated Maturity Date of each Class of the Notes have been set aside in the Tax-Exempt Rebate 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 Servicer pursuant to its repurchase obligation under the applicable Servicing Agreement, (iv) for releases from the lien of the Indenture to the Corporation pursuant to its repurchase obligation under the Indenture, (v) for sales of the Financed Student Loans required by law or (vi) 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. If necessary for administrative purposes, 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 and state), 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 on any Class of Notes 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 applicable 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, 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;

THIRD, 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;

FOURTH to the Administrator, any Administration Fees due and remaining unpaid;

FIFTH, 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;

SIXTH, 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

SEVENTH, 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 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, and be subject to supervision or examination by a federal or state authority.



***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; and

(b) 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.

### **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 offering memorandum 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 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 Code 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 of the Classes affected thereby, (i) an extension of the Stated Maturity Date or the interest payment date on any Class of 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.*** 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 payable thereto through the final maturity date

of the Notes, then the pledge of the Trust Estate (except the Tax-Exempt Rebate Fund, which is 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 for each Class of the Notes 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 D**  
**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. Upon the issuance of the Notes, one or more fully registered Notes, in the aggregate principal amount of the Notes, is or are to be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the Noteholder of the Notes, as nominee of DTC, references herein to the owners or Noteholders of the Notes shall mean DTC or its nominee, Cede & Co., and shall not mean the Beneficial Owners of the Notes. Noteholders may hold their certificates through DTC if they are DTC participants, or indirectly through organizations that are DTC participants.

DTC is a limited-purpose trust company organized under 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 Exchange Act. DTC holds securities that its participants (the “DTC Participants”) deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the “Indirect Participants”). The Rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of the Notes (in authorized denominations) under the book-entry system may be made only through brokers and dealers who are, or act through, DTC Participants. The DTC Participants purchasing the Notes will receive a credit balance in the records of DTC. The ownership interest of the actual purchaser of each Note (a “Beneficial Owner”) will be recorded in the records of the applicable DTC Participant or Indirect Participant. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive from the applicable DTC Participant or Indirect Participant written confirmations providing details of the transaction, as well as periodic statements of their holdings. Transfers of beneficial ownership of the Notes will be accomplished by book entries made by the DTC Participants or Indirect Participants who act on behalf of the Beneficial Owners and, if necessary, in turn by DTC. No Notes will be registered in the names of the Beneficial Owners, and Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event participation in the book-entry system is discontinued as described below.

The Corporation and the Trustee will recognize DTC or its nominee as the Noteholder of the Notes for all purposes, including notice purposes. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the DTC Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The DTC Participants 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 DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among DTC, DTC Participants, Indirect Participants and Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners may desire to make arrangements with a DTC Participant or an Indirect Participant so that all notices of redemption of Notes or other communications to DTC which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by the DTC Participant or Indirect Participant. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to advise a Beneficial Owner, of any notice of redemption or its content or effect will not affect the validity of the redemption of the Notes prepaid or any other action premised on such notice.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the related record date established by the Corporation. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Notes are credited on the related record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Notes will be made to DTC or its nominee, Cede & Co., as Noteholder of the Notes. DTC's current practice is to credit the accounts of the DTC Participants on payment dates in accordance with their respective holdings shown on the records of DTC, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC Participants and Indirect 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 DTC Participant or Indirect Participant and not of DTC or the Corporation, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Corporation and the Trustee, disbursement of such payments to DTC Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the notes of any series at any time by giving reasonable notice to the Corporation or the Trustee. In the event that a successor securities depository is not obtained, physical certificates evidencing the Notes are required to be printed and delivered.

Noteholders may hold their Notes in the United States through DTC, or indirectly through organizations which are participants in such system.

Transfers between participants in DTC will occur in accordance with DTC Rules.

DTC has advised the Corporation that it will take any action permitted to be taken by a Noteholder under the Indenture only at the direction of one or more participants to whose accounts with DTC the notes are credited.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Notes among participants of DTC, it is under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Neither the Corporation, the Trustee nor 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.

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**EXHIBIT E**

**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 prepayments assumed to occur at a constant prepayment rate (“CPR”). 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 CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The Financed Student Loans will not prepay at any constant level of 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, 2012 with respect to the pool of Student Loans;
- the Issue Date will be November 28, 2012;
- 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 or 9-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 Three-month LIBOR rate of 0.34%; and

- a 91-day Treasury bill rate of 0.11%;
- payments are made monthly as specified in the first through fourth priority as shown in the Official Statement under “THE TRUST ESTATE—Flow of Funds—*Distribution Dates*”; and payments are made semi-annually on the 1<sup>st</sup> day of each June and December, whether or not the 1<sup>st</sup> is a Business Day;
- the interest rate for the Class A-1 Notes at all times will be equal to 1.84%;
- the interest rate for the Class A-2 Notes at all times will be equal to 3.34%;
- 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 0.75% 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 payment of fees and expenses due to the Back-up Servicer under the Back-up Servicing Agreement and (B) with respect to January 2013, 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, commencing in January 2013;
- 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 0.10% 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 January 2013, 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, commencing in January 2013;
- a Trustee Fee equal to (A) other than with respect to the first Monthly Period, a monthly fee equal to 1/12th of 0.006% based on the aggregate outstanding note balance as of the end of the immediately preceding Distribution Date and (B) with respect to January 2013, 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 0.006% with the first payment to be made in January 2013;
- 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) 0.50% of the Pool Balance as of the end of the preceding Collection Period or (ii) \$309,909, which is approximately 0.15% of the expected Pool Balance as of the Issue Date.
- the Collection Fund has an initial balance equal to \$0;
- 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 0.11% 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 270 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;
- all collections (scheduled and prepayments) on the Student Loans are received on the last day of each month commencing in November 2012;
- the Pool Balance as of the Issue Date is \$206,605,994;
- a default rate of 1.0% 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
- there is no optional release of the Financed Student Loans.

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 of each Class at various levels of CPR from the Issue Date until maturity.

**Percentages of Original Principal of the Class A-1 Notes Remaining at Certain Distribution Dates at Various CPR Percentages**

<b>Distribution Date</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>6%</b>	<b>8%</b>
Issue Date	100%	100%	100%	100%	100%
December 1, 2013	91	87	84	80	76
December 1, 2014	80	73	66	58	52
December 1, 2015	68	58	47	38	28
December 1, 2016	56	43	30	18	7
December 1, 2017	44	28	13	0	0
December 1, 2018	31	14	0	0	0
December 1, 2019	19	0	0	0	0
December 1, 2020	6	0	0	0	0
December 1, 2021	0	0	0	0	0
Weighted Average Life (years)*	4.71	3.79	3.15	2.70	2.37
First Principal Payment Date	6/1/2013	6/1/2013	6/1/2013	6/1/2013	6/1/2013
Last Principal Payment Date	6/1/2021	12/1/2019	12/1/2018	12/1/2017	6/1/2017

\*The weighted average life of the Class A-1 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 Class A-1 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 Class A-1 Notes as of the Issue Date.

**Percentages of Original Principal of the Class A-2 Notes Remaining at Certain Distribution Dates at Various CPR Percentages**

<b>Distribution Date</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>6%</b>	<b>8%</b>
Issue Date	100%	100%	100%	100%	100%
December 1, 2013	100	100	100	100	100
December 1, 2014	100	100	100	100	100
December 1, 2015	100	100	100	100	100
December 1, 2016	100	100	100	100	100
December 1, 2017	100	100	100	100	72
December 1, 2018	100	100	95	63	33
December 1, 2019	100	99	62	28	0
December 1, 2020	100	69	30	0	0
December 1, 2021	85	39	0	0	0
December 1, 2022	55	9	0	0	0
December 1, 2023	25	0	0	0	0
December 1, 2024	0	0	0	0	0
Weighted Average Life (years)*	10.43	8.90	7.63	6.65	5.84
First Principal Payment Date	6/1/2021	12/1/2019	12/1/2018	12/1/2017	6/1/2017
Last Principal Payment Date	12/1/2024	6/1/2023	12/1/2021	12/1/2020	12/1/2019

\*The weighted average life of the Class A-2 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 Class A-2 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 Class A-2 Notes as of the Issue Date.

## EXHIBIT F

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated as of November 1, 2012 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 2012-B in the aggregate principal amount of \$135,100,000 (the “Notes”). The Notes are being issued pursuant to the Indenture of Trust, dated as of November 1, 2012 (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 2013, 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 Eligible Loan portfolio information of the type identified under the caption "CHARACTERISTICS OF THE FINANCED STUDENT LOAN PORTFOLIO" in the Official Statement and in "EXHIBIT G—PERIODIC DEFAULT AND RECOVERY PERCENTAGES FOR CERTAIN 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 G

### PERIODIC DEFAULT AND RECOVERY PERCENTAGES FOR CERTAIN 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>Total</u></b>
2006	\$ 2.4	0.0%	0.9%	0.6%	0.6%	2.0%	1.3%	2.6%	0.0%	7.9%
2007	6.2	0.0	1.0	0.9	0.9	1.2	2.7	1.0		7.6
2008	16.5	0.0	0.7	1.5	1.1	0.9	0.1			4.2
2009	23.8	0.1	0.8	0.7	2.4	0.3				4.2
2010	26.3	0.1	0.6	1.8	0.3					2.8
2011	27.5	0.0	1.0	0.3						1.3
2012	19.0	0.1	0.7							0.8
2013	0.5	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>Total</u></b>
2006	\$17.8	0.3%	8.7%	6.6%	5.2%	4.3%	1.9%	3.4%	0.3%	30.6%
2007	37.9	0.4	11.9	5.0	4.5	4.5	3.2	0.8		30.2
2008	37.8	0.6	8.8	6.9	5.7	5.6	0.2			27.9
2009	35.3	0.3	8.2	5.6	5.2	0.8				20.0
2010	19.0	0.8	9.4	7.8	4.6					22.6
2011	8.2	0.3	10.4	4.4						15.1
2012	3.3	0.9	1.2							2.1
2013	0.2	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>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	
2004	\$ 0.6	0.0%	10.4%	7.0%	5.1%	1.3%	1.9%	0.4%	3.7%	0.5%	0.0%	30.2%
2005	6.8	0.2	10.9	7.4	5.2	2.4	2.9	2.9	3.2	0.3		35.3
2006	21.4	0.3	9.4	6.1	5.0	4.1	2.0	3.4	0.3			30.7
2007	37.9	0.4	12.1	5.4	4.6	4.0	3.3	0.7				30.6
2008	36.7	0.7	9.2	7.6	5.7	4.8	0.2					28.2
2009	30.6	0.3	8.5	5.8	6.0	0.9						21.5
2010	16.5	1.0	10.2	8.4	5.2							24.8
2011	6.1	0.2	11.4	4.2								15.8
2012	2.5	1.2	3.3									4.4
2013	0.2	0.0										0.0

<sup>(1)</sup> Includes VSAC Choice loans which are 0.4% of the total aggregate outstanding balance of the 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>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	
2007	\$ 1.1	0.0%	1.0%	0.0%	2.2%	1.4%	1.0%	1.9%	7.6%
2008	12.8	0.0	1.3	1.5	1.9	1.4	0.1		6.3
2009	21.8	0.1	2.0	1.9	2.1	0.3			6.3
2010	16.8	0.0	1.6	2.1	0.2				3.9
2011	11.6	0.1	1.4	1.3					2.8
2012	6.6	0.0	0.4						0.4
2013	0.2	0.0							0.0

<sup>(1)</sup> Includes VSAC Choice Loans which are 0.4% of the total aggregate outstanding balance of the 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>Periodic Defaults by Years in Repayment<sup>(2)</sup></b>						<b>Total</b>
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>		
2009	\$ 0.7	0.0%	1.2%	0.0%	4.6%	2.5%	8.2%	
2010	10.1	0.2	0.3	1.4	0.6		2.4	
2011	17.1	0.0	1.0	0.2			1.3	
2012	12.7	0.1	0.5				0.7	
2013	0.4	0.0					0.0	

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

**Law and Bar Exam Loans**

<b>Repayment Year<sup>(2)</sup></b>	<b>Principal Amount Entering Repayment (\$m)</b>	<b>Periodic Defaults by Years in Repayment<sup>(1)</sup></b>																<b>Total</b>
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	
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%	11.1%
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		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			13.7
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	1.3				24.1
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					14.1
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						19.7
2004	6.8	0.0	1.9	2.2	2.6	2.5	1.2	1.9	2.5	2.6	0.0							17.3
2005	8.2	0.2	2.0	0.8	1.1	2.4	2.3	7.8	1.7	3.5								21.8
2006	9.8	0.0	0.7	2.2	3.6	4.7	1.5	3.3	0.0									15.9
2007	12.6	0.0	2.7	0.6	1.8	4.5	2.7	0.9										13.1
2008	8.6	0.0	0.4	2.8	1.9	5.8	0.0											10.9
2009	6.6	0.0	2.1	1.2	1.6	0.3												5.3
2010	1.9	0.0	1.0	4.9	0.0													6.0
2011	0.8	0.0	1.5	0.0														1.5
2012	0.3	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.

## Medical and Residency Loans

Repayment Year <sup>(2)</sup>	Principal Amount Entering Repayment (\$m)	Periodic Defaults by Years in Repayment <sup>(1)</sup>																Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1998	\$0.06	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	0.03	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	0.04	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	0.06	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	0.15	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	0.16	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	0.49	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	0.81	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	11.0
2006	0.75	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	0.67	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	7.5
2008	0.58	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	0.81	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	0.91	0.0	1.3	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	1.3
2011	0.37	0.0	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	8.0
2012	0.01	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>										Total
	1	2	3	4	5	6	7	8	9		
Less than 650	\$42.4	0.87%	13.85%	8.77%	7.72%	5.61%	1.70%	0.64%	0.09%	0.02%	39.3%
650-674	21.8	0.35	8.55	5.60	4.99	2.58	0.81	0.64	0.13	0.00	23.7
675-699	17.7	0.07	4.26	3.66	2.31	1.89	1.06	0.59	0.03	0.00	13.9
700-724	32.5	0.20	2.56	2.75	1.34	0.67	0.35	0.32	0.00	0.00	8.2
725-749	30.5	0.05	1.56	1.36	1.36	0.71	0.12	0.28	0.03	0.00	5.5
750-774	30.9	0.00	1.05	1.14	0.92	0.48	0.36	0.10	0.02	0.00	4.1
775-799	32.2	0.00	0.49	0.65	0.72	0.31	0.10	0.00	0.00	0.00	2.3
800+	24.3	0.07	0.82	0.41	0.68	0.12	0.10	0.00	0.00	0.00	2.2
No Score	20.0	0.49	17.16	8.49	5.22	2.50	1.17	1.04	0.07	0.00	36.1

<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>

<u>Fiscal Year</u>	<u>Placed Amount (\$m)<sup>(3)</sup></u>	<u>Periodic Recoveries by 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>	
2003	\$ 0.3	0.8%	1.4%	1.2%	2.5%	1.1%	0.2%	0.3%	0.3%	0.1%	2.5%	0.2%	10.6%
2004	0.3	3.6	14.1	0.4	0.7	0.2	0.0	0.0	0.0	0.0	0.0		19.0
2005	0.5	0.3	0.6	0.1	0.2	0.8	0.0	0.0	0.4	0.6			3.0
2006	1.6	1.6	1.2	0.9	0.8	1.1	1.0	1.7	0.6				8.8
2007	3.4	0.8	1.8	0.7	0.9	1.0	2.0	0.2					7.3
2008	7.1	0.3	0.5	1.0	2.2	2.1	0.2						6.3
2009	7.9	0.3	1.0	1.0	1.5	0.7							4.5
2010	10.6	0.8	1.3	1.2	0.7								4.0
2011	10.4	0.3	1.0	0.2									1.5
2012	10.9	0.8	0.2										1.0
2013	2.1	0.0											0.0

<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.

### Advantage Loans

<u>Fiscal Year</u>	<u>Placed Amount (\$m)<sup>(2)</sup></u>	<u>Periodic Recoveries by Years Since Placement with Collection Agency<sup>(1)</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>		
2005	\$0.07	0.0%	0.0%	0.8%	0.6%	1.1%	0.0%	0.3%	2.7%	0.0%	5.6%	
2006	0.80	0.0	2.3	1.3	1.3	1.8	1.5	2.7	1.0		11.8	
2007	2.60	0.6	2.1	0.7	0.8	1.0	2.2	0.2			7.7	
2008	6.10	0.3	0.5	0.9	1.6	2.4	0.2				5.8	
2009	6.70	0.3	1.0	1.1	1.4	0.4					4.2	
2010	8.60	0.9	1.4	1.4	0.2						3.9	
2011	8.50	0.4	0.9	0.1							1.4	
2012	9.00	0.8	0.2								0.9	
2013	1.70	0.0									0.0	

<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.



**Law and Medical Loans<sup>(1)</sup>**

**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>Total</u></b>
2003	\$0.3	0.9%	1.5%	1.2%	2.6%	1.2%	0.2%	0.3%	0.3%	0.1%	2.6%	0.1%	10.9%
2004	0.2	4.2	14.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		19.0
2005	0.4	0.3	0.8	0.0	0.2	0.8	0.0	0.0	0.0	0.8			2.8
2006	0.7	3.1	0.0	0.4	0.3	0.5	0.5	0.8	0.1				5.7
2007	0.8	1.2	1.0	0.7	1.1	0.9	1.2	0.2					6.3
2008	0.9	0.2	0.7	2.3	6.2	0.1	0.1						9.6
2009	1.2	0.2	0.8	0.6	2.1	2.2							6.0
2010	2.0	0.2	1.1	0.7	2.7								4.7
2011	1.9	0.1	1.7	0.2									2.0
2012	1.9	1.0	0.2										1.2
2013	0.4	0.0											0.0

<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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