NEW ISSUE

Offering Memorandum

$1,000,000,000

Higher Education Funding I

Student Loan Asset-Backed Notes

(Auction Rate Certificates – ARCs)

Stated Maturity Date: January 1, 2044

Higher Education Funding I, a Delaware statutory trust (the "Issuer"), is issuing $1,000,000,000 aggregate principal amount of its Student Loan Asset-Backed Notes (the "Series 2004-1 Notes"). The Series 2004-1 Notes will be issued as Auction Rate Certificates – ARCs ("ARCs").

Prospective investors in the Series 2004-1 Notes should consider the discussion of certain material factors set forth under "Risk Factors" in this Offering Memorandum.

THE SERIES 2004-1 NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE SERIES 2004-1 NOTES ARE BEING OFFERED AND SOLD ONLY TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN COMPLIANCE WITH RULE 144A AND TO ACCREDITED INVESTORS AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT.

The Series 2004-1 Notes will represent limited obligations of the Issuer, payable solely from the Trust Estate created under the Indenture and described herein. The Series 2004-1 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 Series 2004-1 Notes will have recourse to the Trust Estate pursuant to the Indenture, but will not have recourse to any other assets of the Issuer.

Series	Amount	Closing Date[1]	Price to Public	Anticipated Ratings by Moody's/ S&P
Series 2004-1A-1 Senior Notes	$50,000,000	March 5, 2004	100%	Aaa/AAA
Series 2004-1A-2 Senior Notes	50,000,000	March 5, 2004	100%	Aaa/AAA
Series 2004-1A-3 Senior Notes	50,000,000	March 5, 2004	100%	Aaa/AAA
Series 2004-1A-4 Senior Notes	50,000,000	March 5, 2004	100%	Aaa/AAA
Series 2004-1A-5 Senior Notes	75,000,000	March 5, 2004	100%	Aaa/AAA
Series 2004-1A-6 Senior Notes	50,000,000	April 1, 2004	100%	Aaa/AAA
Series 2004-1A-7 Senior Notes	75,000,000	April 1, 2004	100%	Aaa/AAA
Series 2004-1A-8 Senior Notes	75,000,000	April 1, 2004	100%	Aaa/AAA
Series 2004-1A-9 Senior Notes	50,000,000	May 5, 2004	100%	Aaa/AAA
Series 2004-1A-10 Senior Notes	75,000,000	May 5, 2004	100%	Aaa/AAA
Series 2004-1A-11 Senior Notes	75,000,000	May 5, 2004	100%	Aaa/AAA
Series 2004-1A-12 Senior Notes	50,000,000	May 5, 2004	100%	Aaa/AAA
Series 2004-1A-13 Senior Notes	50,000,000	June 2, 2004	100%	Aaa/AAA
Series 2004-1A-14 Senior Notes	75,000,000	June 2, 2004	100%	Aaa/AAA
Series 2004-1A-15 Senior Notes	50,000,000	June 2, 2004	100%	Aaa/AAA
Series 2004-1B-1 Subordinate Notes	50,000,000	March 5, 2004	100%	A2/A
Series 2004-1B-2 Subordinate Notes	50,000,000	April 1, 2004	100%	A2/A
Total	**$1,000,000,000**			

[1] Anticipated Closing Date. Actual Closing Date will be established pursuant to an Issuer Order.

The Series 2004-1 Notes are offered by UBS Financial Services Inc. (the "Initial Purchaser") subject to prior sale, when, as and if accepted by the Initial Purchaser, subject to approval of certain legal matters by counsel for the Initial Purchaser. The Initial Purchaser reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Series 2004-1 Notes will be made in book-entry-only form through the Same Day Funds Settlement System of The Depository Trust Company ("DTC") on or about the applicable Closing Dates stated above.

UBS Financial Services Inc.

The date of this Offering Memorandum is March 3, 2004.

No dealer, broker, salesman or other person has been authorized by the Issuer or the Initial Purchaser to give any information or make any representations, other than those contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2004-1 Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Offering Memorandum is the Issuer's Offering Memorandum, and the information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer.

The Series 2004-1A-1 Senior Notes through Series 2004-1A-15 Senior Notes are referred to as "Series 2004-1 Senior Notes" and the Series 2004-1B-1 Subordinate Notes and Series 2004-1B-2 Subordinate Notes are referred to as "Series 2004-1 Subordinate Notes." The rights of the holders of the Series 2004-1 Subordinate Notes to receive payments and to direct remedies upon default will be subordinated to such rights of the holders of the Series 2004-1 Senior Notes and any other Senior Beneficiaries to the extent described in this Offering Memorandum and on a parity with the holders of any other subordinate notes and any other Subordinate Beneficiaries. See "Source of Payment and Security for the Notes—Priorities."

The Series 2004-1 Notes will be issued pursuant to an Indenture of Trust dated as of January 1, 2004 (as amended and supplemented from time to time, the "Indenture") among the Issuer, The Bank of New York, as eligible lender trustee ("Eligible Lender Trustee"), and The Bank of New York, as indenture trustee (together with any successor and any other corporation which may be substituted in its place pursuant to the Indenture, the "Trustee"), and a First Supplemental Indenture of Trust dated as of January 1, 2004 (the "First Supplemental Indenture") between the Issuer and the Trustee. The Series 2004-1 Notes will be payable from and secured by: (i) Financed Eligible Loans and moneys received with respect to those loans after the applicable date of acquisition; (ii) funds on deposit in certain trust funds and accounts held under the Indenture (including investment earnings thereon); and (iii) rights of the Issuer in and to certain agreements, including the Servicing Agreements, the Eligible Lender Trust Agreement and the Guarantee Agreements, as the same relate to Financed Eligible Loans (as more specifically described herein, the "Trust Estate"). See "Summary of Terms—Trust Estate Assets" and "Source of Payment and Security for the Notes—General." At the time of acquisition from moneys held under the Indenture, the Eligible Loans are required to meet certain eligibility criteria described herein, and upon acquisition such Student Loans are referred to as "Financed Eligible Loans." See "Glossary of Certain Defined Terms."

The Series 2004-1 Notes are subject to mandatory and optional redemption as more fully described herein. See "Description of the Series 2004-1 Notes."

The Series 2004-1 Notes of each series will bear interest at the respective initial Interest Rates, during the respective Initial Interest Periods, being the periods from their respective Dates of Issuance to, but not including, the respective initial Interest Rate Adjustment Dates.

The Initial Interest Rates for the Series 2004-1 Notes will be as set forth in the First Supplemental Indenture or, in the case of Series 2004-1 Notes issued after the March 5, 2004 Closing Date, as provided in an Issuer Order executed pursuant to the terms of the First Supplemental Indenture. After the Initial Interest Periods, interest on each series of the Series 2004-1 Notes will accrue for each Auction Period at the Auction Rate with respect thereto, determined from time to time pursuant to the Auction Procedures described herein. Interest on the Series 2004-1 Notes will be paid on the first Business Day following the expiration of each respective Auction Period unless the Auction Period exceeds one year, then interest will also be paid on each June 1 and December 1. See "Description of the Series 2004-1 Notes."

The purpose of the Auction Procedures is to set the interest rates on each series of the Series 2004-1 Notes. By purchasing Series 2004-1 Notes, whether in an Auction or otherwise, each purchaser will be deemed to have agreed: (i) to participate in Auctions on the terms described herein, and (ii) so long as the beneficial ownership of the Series 2004-1 Notes is maintained in book-entry form, to sell, transfer or otherwise dispose of the Series 2004-1 Notes only pursuant to a bid or a sell order in an Auction, or to or through a specified Broker-Dealer (initially, UBS Financial Services Inc.); provided, that in the case of any transfer other than one pursuant to an Auction, either the

owner of the Series 2004-1 Notes so transferred, its participant or a specified Broker-Dealer advises the Auction Agent of such transfer. Broker-Dealer fees (which are based on the Broker-Dealer fee rate specified in the applicable Broker-Dealer Agreement) are paid by the Auction Agent from moneys furnished to it by the Issuer or the Trustee from amounts available therefor under the Indenture. Noteholders do not pay additional fees and commissions in disposing of Series 2004-1 Notes pursuant to the Auction Procedures. See "Auction of the Series 2004-1 Notes."

The Indenture authorizes the issuance of other Notes ("Additional Notes") in the future, which Additional Notes may be issued on a parity basis with the Series 2004-1 Senior Notes or on a parity basis with the Series 2004-1 Subordinate Notes, or on a basis subordinate thereto. See "Source of Payment and Security for the Notes—Priorities" and "Description of the Indenture—Notes and Other Obligations." The Series 2004-1 Notes and any Additional Notes are collectively referred to herein as the "Notes."

Certain persons participating in this offering may engage in transactions which stabilize, maintain or otherwise affect the price of the Series 2004-1 Notes, including over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. See "Plan of Distribution."

There is currently no secondary market for the Series 2004-1 Notes, and there is no assurance that one will develop. The Initial Purchaser expects, but will not be obligated, to make a market in the Series 2004-1 Notes. There is no assurance that such a market will develop or, if such a market does develop, that such a market will continue. The Series 2004-1 Notes will not be listed on any national securities exchange or quoted on any inter-dealer quotation system.

It is a condition of issuance of the Series 2004-1 Notes that Moody's Investors Service, Inc. assign the Series 2004-1 Senior Notes a rating of "Aaa" and the Series 2004-1 Subordinate Notes a rating of "A2," and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. assign the Series 2004-1 Senior Notes a rating of "AAA" and the Series 2004-1 Subordinate Notes a rating of "A." See "Ratings."

THIS OFFERING MEMORANDUM IS BEING PROVIDED ON A CONFIDENTIAL BASIS ONLY TO INVESTORS THAT ARE REASONABLY BELIEVED TO BE "QUALIFIED INSTITUTIONAL BUYERS" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT AND TO "ACCREDITED INVESTORS" AS THAT TERM IS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT WHO ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS INVOLVED WITH OWNERSHIP OF THE SERIES 2004-1 NOTES.

THIS OFFERING MEMORANDUM IS BEING PROVIDED FOR INFORMATIONAL USE SOLELY IN CONNECTION WITH THE CONSIDERATION OF THE PURCHASE OF THE SERIES 2004-1 NOTES. ITS USE FOR ANY OTHER PURPOSE IS NOT AUTHORIZED. IT MAY NOT BE COPIED OR REPRODUCED IN WHOLE OR IN PART, NOR MAY IT BE DISTRIBUTED NOR MAY ANY OF ITS CONTENTS BE DISCLOSED TO ANYONE OTHER THAN THE PROSPECTIVE INVESTORS TO WHOM IT IS BEING PROVIDED.

AN EMPLOYEE BENEFIT OR OTHER PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (EACH, A "PLAN"), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" BY REASON OF ANY PLAN'S INVESTMENT IN THE ENTITY (A "PLAN ASSET ENTITY") OR A PERSON INVESTING "PLAN ASSETS" OF ANY PLAN, MAY ACQUIRE OR HOLD THE SERIES 2004-1 NOTES, PROVIDED SUCH PURCHASER OR HOLDER IS ELIGIBLE FOR THE EXEMPTIVE RELIEF AVAILABLE UNDER U.S. DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION ("PTCE") 96-23, 95-60, 91-38, 90-1, 84-14 OR 75-1 WITH RESPECT TO SUCH PURCHASE OR HOLDING. EACH PURCHASER AND EACH TRANSFEREE OF A SERIES 2004-1 NOTE SHALL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (1) IT IS NOT ACQUIRING THE SERIES 2004-1 NOTE DIRECTLY OR INDIRECTLY FOR, OR ON BEHALF OF, A PLAN OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO BE PLAN ASSETS OF SUCH PLAN OR (2)(a) THE ACQUISITION AND HOLDING OF THE SERIES 2004-1 NOTES WILL NOT RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER

SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR LAWS AND (b) IF EITHER THE ACQUISITION AND HOLDING OF THE SERIES 2004-1 NOTES IS NO LONGER A NON-EXEMPT PROHIBITED TRANSACTION OR THE STUDENT LOANS UNDERLYING THE SERIES 2004-1 NOTES ARE SUBSEQUENTLY DEEMED TO BE "PLAN ASSETS" PURSUANT TO THE PLAN ASSETS REGULATION, THE PURCHASER WILL PROMPTLY DISPOSE OF THE SERIES 2004-1 NOTES. SEE "NOTICE TO INVESTORS: TRANSFER RESTRICTIONS" AND "ERISA CONSIDERATIONS."

THE INFORMATION CONTAINED HEREIN HAS BEEN FURNISHED BY THE ISSUER AND OTHER SOURCES BELIEVED BY THE ISSUER TO BE RELIABLE. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE INITIAL PURCHASER AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN, AND NOTHING CONTAINED HEREIN IS OR SHALL BE RELIED UPON AS A PROMISE OR REPRESENTATION BY THE INITIAL PURCHASER AS TO THE PAST OR THE FUTURE. THE INITIAL PURCHASER HAS NOT INDEPENDENTLY VERIFIED ANY OF SUCH INFORMATION AND ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN MAKING AN INVESTMENT DECISION REGARDING THE SERIES 2004-1 NOTES OFFERED HEREBY, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, ITS BUSINESS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS HEREOF AS INVESTMENT, LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT ITS OWN COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO LEGAL, TAX, BUSINESS, FINANCIAL AND RELATED ASPECTS OF AN INVESTMENT IN THE SERIES 2004-1 NOTES. NEITHER THE ISSUER NOR THE INITIAL PURCHASER IS MAKING ANY REPRESENTATION TO ANY OFFEREE OR PURCHASER OF THE SERIES 2004-1 NOTES REGARDING THE LEGALITY OF AN INVESTMENT IN THE SERIES 2004-1 NOTES BY SUCH OFFEREE OR PURCHASER UNDER APPROPRIATE LEGAL INVESTMENT OR SIMILAR LAWS. THE OFFERING IS BEING MADE SOLELY ON THE BASIS HEREOF. ANY DECISION TO PURCHASE SERIES 2004-1 NOTES IN THE OFFERING MUST BE BASED ON THE INFORMATION CONTAINED HEREIN. EACH RESPECTIVE PURCHASER OF THE SERIES 2004-1 NOTES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE SERIES 2004-1 NOTES OR POSSESSES OR DISTRIBUTES THIS OFFERING MEMORANDUM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE SERIES 2004-1 NOTES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NEITHER THE ISSUER NOR THE INITIAL PURCHASER SHALL HAVE ANY RESPONSIBILITY THEREFOR.

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY OF THE SERIES 2004-1 NOTES TO ANY PERSON IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION.

THE SERIES 2004-1 NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. SUBSEQUENT PURCHASERS OR TRANSFEREES MUST BE QUALIFIED INSTITUTIONAL BUYERS OR ACCREDITED INVESTORS. PROSPECTIVE PURCHASERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF AN INVESTMENT IN THE SERIES 2004-1 NOTES FOR AN INDEFINITE PERIOD OF TIME.

NO PERSON IS AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER OR THE INITIAL PURCHASER. THE INFORMATION CONTAINED HEREIN IS CURRENT AS OF THE DATE HEREOF AND IS SUBJECT

TO CHANGE, COMPLETION OR AMENDMENT WITHOUT NOTICE. NEITHER THE DELIVERY HEREOF AT ANY TIME NOR ANY SUBSEQUENT COMMITMENT TO ENTER INTO ANY FINANCING SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN OR IN THE AFFAIRS OF THE ISSUER SINCE THE DATE HEREOF.

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

IN CONNECTION WITH THE OFFERING, THE INITIAL PURCHASER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2004-1 NOTES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Series 2004-1 Notes will be available to investors that are Qualified Institutional Buyers or Accredited Investors only in book-entry form. The Issuer expects that the Series 2004-1 Notes sold pursuant hereto to Qualified Institutional Buyers or Accredited Investors will be issued in the form of one fully-registered note certificate totaling the aggregate principal amount of each series of Series 2004-1 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 Series 2004-1 Notes will be shown on, and transfers thereof to Qualified Institutional Buyers and Accredited Investors only will be effected through, records maintained by DTC and its participants.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with the sales of the Notes, the Issuer Administrator for the Issuer will be required, for so long as any Series 2004-1 Note is a "restricted security" within the meaning of Rule 144(a)(3) under the Securities Act, to provide, upon request of a holder of a Series 2004-1 Note, to such holder and a prospective purchaser designated by such holder, the information which is required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of the request the Issuer is not a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended.

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SUMMARY OF TERMS

This summary of terms is subject in all respects to more complete information contained in this Offering Memorandum. The offering of the Series 2004-1 Notes to potential investors (the "Offering") is made only by means of this entire Offering Memorandum. No person is authorized to detach this Summary of Terms from this Offering Memorandum or to otherwise use it without this entire Offering Memorandum. Capitalized terms used in this Summary of Terms and not otherwise defined herein shall have the meanings ascribed to them in "Glossary of Certain Defined Terms."

ISSUER

Higher Education Funding I, a Delaware statutory trust (the "Issuer"), will issue the Series 2004-1 Notes and acquire Eligible Loans with the proceeds therefrom. The Issuer was formed in Delaware pursuant to a Trust Agreement dated as of January 1, 2004 (the "Trust Agreement") between The Bank of New York (Delaware), as Delaware Trustee, and Consolidation Loan Funding II, LLC, as Depositor.

THE SERVICERS

Great Lakes Educational Loan Services, Inc. or ACS Education Services, Inc. are expected initially to be the servicers of the Eligible Loans originated by the Depositor via The Bank of New York Trust Company, N.A. as eligible lender trustee for the Depositor. With Rating Agency Confirmation, the Issuer may contract with one or more other servicers such as CFS-SunTech Servicing LLC, or may replace servicers for Financed Eligible Loans.

THE TRUSTEE

The Bank of New York will be the trustee under the Indenture, as well as the eligible lender trustee for the Issuer solely for purposes of holding legal title to all Student Loans.

THE ISSUER ADMINISTRATOR

Lord Securities Corporation will provide certain administrative services on behalf of the Issuer.

THE SUBADMINISTRATOR

The Issuer Administrator has entered into an Administrative Services Agreement with CLF Administration Company, L.L.C. (the "Subadministrator") pursuant to which the Subadministrator will perform certain administration functions for the Issuer on behalf of the Issuer Administrator.

TRUST ESTATE ASSETS

The assets that secure the Series 2004-1 Notes will consist primarily of:

- Consolidation Loans and other Eligible Loans as allowed by the Indenture to be acquired by the Issuer with the net proceeds of the Series 2004-1 Notes and future Notes; and

- the moneys and investment securities held in the reserve fund and the other funds and accounts under the Indenture.

STUDENT LOANS

Substantially all of the Eligible Loans to be acquired with the net proceeds of the Series 2004-1 Notes, and the proceeds received from such Financed Eligible Loans, will be a type of Student Loan known as Consolidation Loans. With Rating Agency Confirmation or as otherwise provided in the Indenture, other Student Loans may later be acquired. Third party guarantee agencies (each a "Guarantee Agency") guarantee the payment of 98% of the principal amount of Student Loans plus interest on the Student Loans upon a default thereunder. These Student

Loans are partially reinsured for the Guarantee Agency by the federal government. The Indenture permits Student Loans to be guaranteed by any Guarantee Agency under the Higher Education Act. However, it is expected that substantially all of the Student Loans to be acquired with the proceeds of the Series 2004-1 Notes will be guaranteed through Great Lakes Higher Education Guaranty Corporation or Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance. See "The Financed Eligible Loans," "Description of the FFEL Program" and "Guarantee Agencies."

DATE OF ISSUANCE

Issuance of the Series 2004-1 Notes is scheduled as follows: (a) with respect to the Series 2004-1A-1 Senior Notes, the Series 2004-1A-2 Senior Notes, the Series 2004-1A-3 Senior Notes, the Series 2004-1A-4 Senior Notes, the Series 2004-1A-5 Senior Notes and the Series 2004-1B-1 Subordinate Notes, March 5, 2004; (b) with respect to the Series 2004-1A-6 Senior Notes, the Series 2004-1A-7 Senior Notes, the Series 2004-1A-8 Senior Notes and the Series 2004-1B-2 Subordinate Notes, on or about April 1, 2004, or such other date set forth in an Issuer Order; (c) with respect to the Series 2004-1A-9 Senior Notes, the Series 2004-1A-10 Senior Notes, the Series 2004-1A-11 Senior Notes and the Series 2004-1A-12 Senior Notes, on or about May 5, 2004, or such other date set forth in an Issuer Order; and (d) with respect to the Series 2004-1A-13 Senior Notes, the Series 2004-1A-14 Senior Notes and the Series 2004-1A-15 Senior Notes, on or about June 2, 2004 or such other date set forth in an Issuer Order. Although the Issuer may designate different closing dates for the remaining Series 2004-1 Notes, the Series 2004-1B-2 Notes must be issued prior to or simultaneously with the issuance of Series 2004-1 Senior Notes if the issuance of such Series 2004-1 Senior Notes causes the total amount of Series 2004-1 Senior Notes to exceed $475,000,000.

SECURITIES OFFERED

The Series 2004-1 Notes are to be issued in seventeen series of Auction Rate Certificates (ARCs) designated as Auction Rate Student Loan Asset-Backed Notes, Series 2004-1A-1 Senior Notes through Series 2004-1A-15 Senior Notes and Auction Rate Student Loan Asset-Backed Notes, Series 2004-1B-1 Subordinate Notes and Series 2004-1B-2 Subordinate Notes. See "Description of the Series 2004-1 Notes."

The original principal amounts of each series of the Series 2004-1 Notes are listed below:

Series	Principal Amount
2004-1A-1	$50,000,000
2004-1A-2	$50,000,000
2004-1A-3	$50,000,000
2004-1A-4	$50,000,000
2004-1A-5	$75,000,000
2004-1A-6	$50,000,000
2004-1A-7	$75,000,000
2004-1A-8	$75,000,000
2004-1A-9	$50,000,000
2004-1A-10	$75,000,000
2004-1A-11	$75,000,000
2004-1A-12	$50,000,000
2004-1A-13	$50,000,000
2004-1A-14	$75,000,000
2004-1A-15	$50,000,000
2004-1B-1	$50,000,000
2004-1B-2	$50,000,000

The Series 2004-1 Subordinate Notes are subordinated in certain respects to the Series 2004-1 Senior Notes and any other Senior Obligations, as more fully described herein and on a parity with any other Subordinate Obligations. The Series 2004-1 Notes will be issued pursuant to the Indenture as hereinafter described.

INTEREST

Initial Interest Rates and Initial Interest Periods

Each series of Series 2004-1 Notes will bear interest to the respective initial Interest Rate Adjustment Dates shown below at rates to be determined prior to the issuance of such series of Series 2004-1 Notes:

Series	Initial Interest Rate Adjustment Date
2004-1A-1	March 30, 2004
2004-1A-2	March 31, 2004
2004-1A-3	April 6, 2004
2004-1A-4	April 7, 2004
2004-1A-5	April 13, 2004
2004-1A-6	**
2004-1A-7	**
2004-1A-8	**
2004-1A-9	**
2004-1A-10	**
2004-1A-11	**
2004-1A-12	**
2004-1A-13	**
2004-1A-14	**
2004-1A-15	**
2004-1B-1	April 13, 2004
2004-1B-2	**

** To be determined by Issuer Order.

Subsequent Interest Rates and Interest Periods

After the initial Interest Periods, each Interest Period for the Series 2004-1 Notes will generally consist of 28 days, subject in each case to adjustment as described herein. See "Auction of the Series 2004-1 Notes—Changes in Auction Terms—Changes in Auction Period or Periods." The interest rates for the Series 2004-1 Notes will be reset at the Auction Rates pursuant to the Auction Procedures described in "Auction of the Series 2004-1 Notes-Auction Procedures" (but in no event exceeding the least of the Maximum Auction Rate, the Maximum Interest Rate or, in certain circumstances, a Net Loan Rate, as described herein). See "Auction Procedures" below. Interest on each series of Series 2004-1 Notes will be payable on the first Business Day following the expiration of each Auction Period for that series, to the registered owners thereof as of the Business Day next preceding each Auction Date.

Auction Procedures

The following summarizes certain procedures that will be used in determining the interest rates on the Series 2004-1 Notes. See "Auction of the Series 2004-1 Notes—Auction Procedures" for a more detailed description of these procedures.

The interest rate on each series of Series 2004-1 Notes will be determined periodically (generally, for periods ranging from 7 days to one year, and initially 28 days for the Series 2004-1 Notes) by means of an Auction. In this Auction, investors and potential investors submit orders through an eligible Broker-Dealer as to the principal amount of Series 2004-1 Notes such investors wish to buy, hold or sell at various interest rates. The Broker-Dealer submits its clients' orders to the Auction Agent, who processes all orders submitted by the Broker-Dealer and determines the interest rate for the upcoming Interest Period. The Broker-Dealer is notified by the Auction Agent of the interest rate for the upcoming Auction Period and is provided with settlement instructions relating to purchases and sales of Series 2004-1 Notes.

The Maximum Rate

The interest rate cannot exceed the Maximum Rate, which is equal to the least of the Maximum Auction Rate, the Maximum Interest Rate or, in certain circumstances, a Net Loan Rate. The Maximum Auction Rate is generally a per annum rate based upon an average spread over the Ninety-One Day United States Treasury Bill Rate, with the spread being dependent upon the rating on the Series 2004-1 Notes at the time of determination but shall not exceed the Applicable LIBOR-Based Rate plus 1.50% for any Auction with respect to any Series 2004-1 Notes rated any category of "A" or better by the Rating Agencies. This is subject to adjustment with a confirmation from the Rating Agencies that such adjustment will not adversely affect the ratings on any of the Series 2004-1 Notes (a "Rating Agency Confirmation"). The Maximum Interest Rate is the lesser of (i) 17% per annum (or such higher rate as the Issuer may establish with a Rating Agency Confirmation) or (ii) the maximum rate of interest permitted by law. The Net Loan Rate will be determined only if for three consecutive months for which either (a) the daily weighted average of the Auction Rates for each series of Notes bearing interest based upon an auction mode in effect during the month for which calculation is being made exceeded a per annum rate equal to the sum of (i) the bond equivalent yield of Ninety-One Day United States Treasury Bills sold at the last auction prior to the 25th day of the month for which such calculation is being made plus (ii) 1.0%, or (b) the most recently available Three-Month LIBOR as of the Reset Date for the CP Rate in the month for which such calculation is being made is equal to or greater than the sum of (i) the CP Rate for the applicable month plus (ii) 0.25% and will be determined generally by subtracting certain program expenses payable by the Issuer from interest and certain other amounts received on the Financed Eligible Loans.

PRINCIPAL

Stated Maturity Date

The Stated Maturity Date of all series of the Series 2004-1 Notes is January 1, 2044.

Mandatory Redemption

The Series 2004-1 Notes of any series are subject to mandatory redemption on any Interest Payment Date following the Acquisition Period for such series of the Series 2004-1 Notes in an amount equal to the Remaining Acquisition Amount. See "Glossary of Certain Defined Terms" and "Description of the Indenture – Funds and Accounts – Acquisition Fund." For purposes of determining the amount of Series 2004-1 Notes to be redeemed, the Issuer shall assume that moneys in the Acquisition Fund from the proceeds of the Series 2004-1 Notes were used to acquire Eligible Loans on a "first-in, first-out" basis. The Prepayment Price will be 100% of the Principal Amount of Series 2004-1 Notes to be prepaid, plus accrued interest thereon to the Prepayment Date.

The Notes of any series, including the Series 2004-1 Notes, also are subject to mandatory redemption on any Interest Payment Date following the end of each Revolving Period (which, for the Series 2004-1 Notes, ends on January 1, 2005, but may, subject to obtaining a Rating Agency Confirmation, be periodically extended by the Issuer), from revenues deposited to the Retirement Account. The Prepayment Price will be 100% of the Principal Amount of such Series 2004-1 Notes to be prepaid, plus accrued interest thereon to the Prepayment Date.

Other series of Notes or portions thereof may be designated for redemption or principal distribution before such principal repayments are applied to the redemption of the Series 2004-1 Notes.

Optional Redemption

At the Issuer's option, subject to compliance with the provisions of the Indenture relating to certain asset requirements and certain other requirements, Series 2004-1 Notes of any series may be redeemed on any Business Day, in whole or in part, at a Prepayment Price 100% of the Principal Amount of such Series 2004-1 Notes to be redeemed, plus accrued interest thereon to the Prepayment Date.

Selection of Series 2004-1 Notes for Redemption

In the absence of valid direction by the Issuer and except as otherwise described above under "Principal—Mandatory Redemption," the Series 2004-1 Notes to be redeemed will be selected first from the Series 2004-1A Notes in ascending numerical order of the series designation and thereafter from the Series 2004-1B Subordinate Notes in ascending numerical order. If less than all Outstanding Series 2004-1 Notes of a given series are to be redeemed, the particular Series 2004-1 Notes to be redeemed will be determined by lot. See "Description of the Series 2004-1 Notes—Selection of Series 2004-1 Notes for Redemption."

Limitation on Redemption of Subordinate Notes

Subordinate Notes, including the Series 2004-1 Subordinate Notes, that are otherwise subject to optional or mandatory redemption will only be redeemed if, as of the date of selection of such Subordinate Notes for redemption and after giving effect to such redemption, while Senior Notes are outstanding, the Senior Asset Percentage will be at least equal to 107%, and the Subordinate Asset Percentage will be at least equal to 101.5% or such lesser percentages as permitted by a Rating Agency Confirmation.

The Senior Asset Percentage is the ratio (expressed as a percentage) of:

- the value of the assets in the Trust Estate, less accrued interest on Notes outstanding, swap payments and certain fees, to
- the Principal Amount of Senior Notes outstanding.

The Subordinate Asset Percentage is the ratio (expressed as a percentage) of:

- the value of the assets in the Trust Estate, less accrued interest on Notes outstanding, swap payments and certain fees, to
- the Principal Amount of all Senior and Subordinate Notes outstanding.

PRIORITY OF PAYMENTS

Generally

On each monthly calculation date, amounts available in the Collection Fund as of the end of the prior month will be applied generally in the following priority (for more detail, see "Description of the Indenture—Funds and Accounts"):

- first, to make any payments due and payable by the Issuer to the U.S. Department of Education related to the Financed Eligible Loans or any other payment due and payable to a Guarantee Agency relating to its Guarantee of Financed Eligible Loans; or any other payment due to another entity or trust estate if amounts due by the Issuer or the Eligible Lender trustee to the U.S. Department of Education or a Guarantee Agency with respect to Financed Student Loans were paid by or offset against such other entity or trust estate;
- second, to the Administration Fund, to increase the balance thereof to such amounts as an authorized officer of Lord Securities Corporation, as Issuer Administrator, shall direct for certain costs and expenses, subject to the limitations set forth in any Supplemental Indenture;
- third, to the Interest Account, to provide for the payment of interest on Senior Notes or Other Senior Obligations (except termination payments due under Senior Swap Agreements as a result of a Swap Counterparty default) payable therefrom as described under "—Interest Account" below;

- fourth, to the Principal Account, to provide for the payment of principal of Senior Notes at stated maturities or on mandatory sinking fund payment dates or the reimbursement of Senior Credit Facility Providers for the payment of principal of the Notes as described under "—Principal Account" below;

- fifth, to the Interest Account, to provide for the payment of interest on Subordinate Notes or Other Subordinate Obligations (except termination payments due under Subordinate Swap Agreements as a result of a Swap Counterparty default) payable therefrom as described under "—Interest Account" below;

- sixth, to the Principal Account, to provide for the payment of principal of Subordinate Notes at stated maturities or on mandatory sinking fund payment dates or the reimbursement of Subordinate Credit Facility Providers for the payment of principal of the Notes as described under "—Principal Account" below;

- seventh, to the Reserve Fund if necessary to increase the balance thereof to the Reserve Fund Requirement;

- eighth, to the Interest Account to provide for the payment of interest on Junior Subordinate Notes or other Junior Subordinate Obligations (except termination payments due under Junior Subordinate Swap Agreements as a result of a Swap Counterparty default) payable therefrom as described under "— Interest Account" below;

- ninth, to the Principal Account, to provide for the payment of principal of Junior Subordinate Notes at stated maturities or on mandatory sinking fund payment dates or the reimbursement of Junior Subordinate Credit Facility Providers for the payment of principal of the Notes as described under "— Principal Account" below;

- tenth, to make such other payments as may be set forth in a Supplemental Indenture;

- eleventh, to the Acquisition Fund (but only during the Revolving Period, or after the Revolving Period to fund any Add-On Loan) to fund the acquisition of Student Loans, such amount as directed by the Issuer;

- twelfth, to the Retirement Account, at the direction of the Issuer, for the redemption of, or distribution of principal with respect to, Notes (or the reimbursement of Credit Facility Providers for the payment of the prepayment price of the Notes);

- thirteenth, to the Interest Account for the payment of Carry-Over Amounts (and interest thereon) due with respect to the Senior Notes;

- fourteenth (but only if the Senior Asset Percentage would be at least 100% upon the application of such amounts), to the Interest Account for the payment of Carry-Over Amounts (and interest thereon) due with respect to the Subordinate Notes;

- fifteenth, (but only if the Senior Asset Percentage and the Subordinate Asset Percentage would be at least 100% upon the application of such amounts), to the credit of the Interest Account, for the payment of Carry–Over Amounts with respect to Junior Subordinate Notes;

- sixteenth, to the Interest Account for the payment of termination payments due under Senior Swap Agreements as a result of a Swap Counterparty default;

- seventeenth, to the Interest Account for the payment of termination payments due under Subordinate Swap Agreements as a result of a Swap Counterparty default;

- eighteenth, to the Interest Account for the payment of termination payments due under Junior Subordinate Swap Agreements as a result of a Swap Counterparty default; and

- nineteenth, to the Surplus Fund.

Suspension of Payment on Subordinate Obligations

As long as any Series 2004-1 Senior Notes, any other Senior Notes, any Series 2004-1 Subordinate Notes or any other Subordinate Notes remain Outstanding, the above payment order will be modified if, after giving effect to the payments on any payment date:

- the Senior Asset Percentage would be less than 100% (in which event no Carry-Over Amount will be paid with respect to Subordinate Notes or Junior Subordinate Notes);

- the Subordinate Asset Percentage would be less than 100% (in which event no Carry-Over Amount will be paid with respect to Junior Subordinate Notes); or

- a Payment Default has occurred under the Indenture (in which event amounts will be applied as provided in the Indenture with respect to Events of Default).

Any such deferral of payments on the Series 2004-1 Subordinate Notes, any other Subordinate Notes or any Junior Subordinate Notes will not constitute an Event of Default under the Indenture.

Priority and Timing of Payments

The subordination of the Series 2004-1 Subordinate Notes and any Other Obligations subordinate to the Senior Notes generally relates only to rights to direct remedies and to receive payments in the event that revenues from the Trust Estate are not sufficient to make all payments due on Obligations or that the circumstances described above under "Suspension of Payments on Subordinate Obligations" have occurred. Principal and interest payments on Subordinate Notes, including the Series 2004-1 Subordinate Notes, will continue to be made on their payment dates (which may precede payment dates for Senior Notes), as long as the conditions in the Indenture to the payment of those amounts continue to be met. In addition, in the event of a valid direction by the Issuer to do so, revenues available to prepay Notes may be applied first to Subordinate Notes, as long as the conditions in the Indenture to the payment of those amounts continue to be met. In particular, the revenues available for the redemption of Series 2004-1 Notes may be applied first to the Series 2004-1 Subordinate Notes and then to the Series 2004-1 Senior Notes, unless redemption of the Series 2004-1 Subordinate Notes would be prohibited under the Indenture as described under "Description of the Series 2004-1 Notes—Senior Asset Requirement." See "Source of Payment and Security for the Notes—Priorities" and "Description of the Indenture—Funds and Accounts."

Revolving Period

Prior to the termination of the Revolving Period, revenues that otherwise would be required to be used to redeem or make principal distributions with respect to Series 2004-1 Notes may instead, at the direction of the Issuer, be transferred to the Acquisition Fund and used to acquire additional Eligible Loans. The Revolving Period will terminate on January 1, 2005, or such other date as the Issuer may determine, upon obtaining a Rating Agency Confirmation.

RESERVE FUND

Approximately $2,437,500 of the proceeds of the Series 2004-1 Notes delivered on March 5, 2004 will be deposited into a Reserve Fund for the Notes. Upon the future delivery of Series 2004-1 Notes additional Reserve Fund deposits will be made. The required balance will initially be the greater of (a) 0.75% of the outstanding Principal Amount of the Notes or (b) $500,000. Thus, the amounts in the Reserve Fund may be reduced in connection with the reduction of the outstanding Principal Amount of Notes. The Reserve Fund Requirement may

be changed upon receiving a Rating Agency Confirmation. See "Description of the Indenture—Funds and Accounts—Reserve Fund."

PARITY OBLIGATIONS

The Series 2004-1 Notes will be issued under the Indenture. Additional Notes and Other Obligations may be issued under the Indenture which have the same right to payment from the Trust Estate as the Series 2004-1 Senior Notes or which have the same right to such payment as the Series 2004-1 Subordinate Notes.

The Series 2004-1 Senior Notes constitute "Senior Obligations" under the Indenture, secured on a basis which is on parity with any other Senior Obligations and which is superior to the Series 2004-1 Subordinate Notes and any other Subordinate Obligations and Junior Subordinate Obligations.

The Series 2004-1 Subordinate Notes constitute "Subordinate Obligations" under the Indenture, secured on a basis which is on parity with any other Subordinate Obligations and which is subordinate to the Series 2004-1 Senior Notes and any other Senior Obligations and superior to any Junior Subordinate Obligations.

REGISTRATION, CLEARING AND SETTLEMENT

Beneficial Ownership Interests in the Series 2004-1 Notes will be held through The Depository Trust Company. Holders of the Series 2004-1 Notes will not be entitled to receive definitive certificates representing your interests in the Series 2004-1 Notes, except in certain limited circumstances. See "Description of the Series 2004-1 Notes—Book-Entry-Only System."

AUTHORIZED DENOMINATIONS

The Series 2004-1 Notes will be offered in denominations of $50,000 and multiples thereof.

RATINGS

The anticipated ratings on the Series 2004-1 Notes are as follows:

Series 2004-1 Senior Notes

Moody's
Aaa

Series 2004-1 Subordinate Notes

Moody's
A2

Series 2004-1 Senior Notes

Standard & Poor's
AAA

Series 2004-1 Subordinate Notes

Standard & Poor's
A

See "Risk Factors— Credit ratings only address a limited scope of your concerns."

The Rating Agencies, however, are not expected to issue their rating letters for each series of the Series 2004-1 Notes until the Closing Date for each such series of Series 2004-1 Notes.

INDENTURE

The Series 2004-1 Notes are being issued pursuant to the Indenture among the Issuer, the Eligible Lender Trustee and the Trustee, and the First Supplemental Indenture, and are payable solely from the funds and assets held under the Indenture. The Issuer expects to issue additional series of Notes in the future which also will be secured by the funds and assets held under the Indenture.

FEDERAL INCOME TAX CONSEQUENCES

In the opinion of Kutak Rock LLP, the Series 2004-1 Notes will be characterized as debt obligations for federal income tax purposes and the Issuer will not be characterized as an association or publicly traded partnership taxable as a corporation. Interest paid or accrued on the Series 2004-1 Notes will be taxable to you.

By accepting your Series 2004-1 Note, you agree to treat your Series 2004-1 Note as a debt instrument for income tax purposes. See "Federal Income Tax Consequences."

ERISA CONSIDERATIONS

The Series 2004-1 Notes are intended to represent debt for federal income tax purposes. If the notes are treated as indebtedness without substantial equity features, the notes are eligible for purchase by or on behalf of employee benefit plans, retirement arrangements, individual retirement accounts and Keogh Plans, subject to the considerations discussed under "ERISA Considerations."

TRANSFER RESTRICTIONS

The Series 2004-1 Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. Subsequent purchasers or transfers must be Qualified Institutional Buyers or Accredited Investors (each as hereinafter defined). Prospective purchasers should be aware that they may be required to bear the financial risks of an investment in the Series 2004-1 Notes for an indefinite period of time. See "NOTICE TO INVESTORS: TRANSFER RESTRICTIONS."

RISK FACTORS

You should consider the following risk factors in deciding whether to purchase the Series 2004-1 Notes.

The composition and characteristics of the loan portfolio will continually change, and loans that bear a lower rate of return or have a greater risk of loss may be acquired.

The Issuer will acquire Eligible Loans with these proceeds during the period commencing on each Closing Date and ending on and including (i) May 31, 2004 with respect to the Series 2004-1A-1 Senior Notes, the Series 2004-1A-2 Senior Notes, the Series 2004-1A-3 Senior Notes, the Series 2004-1A-4 Senior Notes, the Series 2004-1A-5 Senior Notes and the Series 2004-1B-1 Subordinate Notes and (ii) the date which is 90 days from the Closing Date for such series with respect to the Series 2004-1 Notes issued on a date other than March 5, 2004, subject to extension upon the receipt of a Rating Agency Confirmation. Also, certain amounts received with respect to the Eligible Loans may be used to acquire additional Eligible Loans during a Revolving Period. The Issuer expects to issue additional Notes and acquire additional Eligible Loans with the proceeds of those Notes. The characteristics of the Eligible Loan portfolio included in the Trust Estate will change from time to time as new Eligible Loans are acquired and may also change as a result of amendments to the Higher Education Act, sales of loans and scheduled amortization, prepayments, delinquencies and defaults on the loans.

The acquisition of additional Eligible Loans after the initial Closing Date or between subsequent Closing Dates may cause the characteristics of the Eligible Loans to differ.

The Issuer will acquire Eligible Loans after some series of Series 2004-1 Notes are issued and before other series of Series 2004-1 Notes are issued. Following the transfer of additional Eligible Loans to the Trust Estate between the staggered dates on which Series 2004-1 Notes are issued, the characteristics of the Trust Estate may differ significantly from the information as of the date of this Offering Memorandum. The characteristics that may differ include the composition of the Eligible Loans, changes to the relative concentration of Guarantee Agencies in the Eligible Loan portfolio, the distribution by loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term. You should consider potential variances when making your investment decision concerning the Notes. With respect to each date that series of Series 2004-1 Notes are to be issued, as a condition to closing, the Issuer will either certify to the Trustee that no such material changes have occurred or will distribute a supplement to this Offering Memorandum to investors describing such material changes. See "CONDITIONS PRECEDENT."

A secondary market for the Series 2004-1 Notes may not develop, which means you may have trouble selling them when you want.

The Initial Purchaser may assist in resales of the Series 2004-1 Notes but it is not required to do so. A secondary market for the Series 2004-1 Notes may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of the Series 2004-1 Notes.

Furthermore, the Auction Procedures and transfer requirements described herein may limit the liquidity and marketability of Series 2004-1 Notes and therefore may not yield an owner the best possible price for a Series 2004-1 Note. The ratings of the Series 2004-1 Notes by the rating agencies will not address the market liquidity of such notes.

Lack of liquidity facility for Series 2004-1 Notes.

The Series 2004-1 Notes will not be supported by a liquidity facility. If an Existing Holder were to submit a Sell Order or a Hold Order subject to an interest rate that is determined to be greater than the Maximum Auction Rate for such Auction Date, and Sufficient Clearing Bids are not obtained on such Auction Date, such Existing Owner will not have its Series 2004-1 Notes purchased through the Auction Procedures on such Auction Date. In such event, no assurance can be given that a Broker-Dealer will purchase or will otherwise be able to locate a purchaser prior to the next Auction Date or that Sufficient Clearing Bids will be obtained on any succeeding Auction Date.

Limited assets will be available to pay principal and interest, which could result in delays in payment or losses on the Series 2004-1 Notes.

The Series 2004-1 Notes are obligations solely of the Issuer, and will not be insured or guaranteed by the originating lenders, the Servicers, the Guarantee Agencies, the Trustee or any of their affiliates, or by the Department of Education. Moreover, the Issuer will have no obligation to make any of its assets available to pay principal or interest on the Series 2004-1 Notes, other than the Eligible Loans acquired with proceeds of the Notes and the other assets making up the Trust Estate. Noteholders must rely for repayment upon revenues realized from the Eligible Loans and other assets in the Trust Estate. See "Source of Payment and Security for the Notes."

Failure by loan holders or servicers to comply with student loan origination and servicing procedures could cause delays in payment or losses on the Series 2004-1 Notes.

The Higher Education Act requires loan holders and servicers to follow specified procedures to ensure that the Student Loans are properly originated and serviced. Failure to follow these procedures may result in:

- The Department of Education's refusal to make reinsurance payments to the Guarantee Agencies or to make Interest Subsidy Payments and Special Allowance Payments to the Trustee with respect to the Student Loans; and

- The Guarantee Agencies' inability or refusal to make guarantee payments with respect to Student Loans.

- Loss of any of these payments may adversely affect the Issuer's ability to pay principal of and interest on the Series 2004-1 Notes. See "The Financed Eligible Loans—Servicing and Due Diligence" and "Description of the FFEL Program."

Repurchase of Financed Eligible Loans.

Upon the occurrence of a breach of representations and warranties with respect to a Financed Eligible Loan, the Issuer can require the related Seller or Servicer to repurchase the related Financed Eligible Loan from the Issuer. If such Seller or Servicer were to become insolvent or otherwise be unable to repurchase such Financed Eligible Loan, it is unlikely that a repurchase of such Financed Eligible Loan from the Issuer would occur. The failure of such Seller or Servicer to repurchase a Financed Eligible Loan would constitute a breach of the related loan purchase agreement or servicing agreement, enforceable by the Trustee on behalf of the Holders, but would not constitute an Event of Default under the Indenture or permit the exercise of remedies thereunder. It is anticipated that the majority of the Eligible Loans will be purchased from the Depositor, which has limited assets to satisfy such repurchase requirement. See "The Depositor" and "Servicing of Financed Eligible Loans."

The financial health of the loan guarantors could decline, which could affect the timing and amounts available for payment of the Series 2004-1 Notes.

The Eligible Loans are not secured by any collateral of the borrowers. Payments of principal and interest are guaranteed by Guarantee Agencies to the extent described herein. Excessive borrower defaults could impair a Guarantee Agency's ability to meet its guarantee obligations. The financial health of a Guarantee Agency could affect the timing and amount of available funds for any collection period and the Issuer's ability to pay principal of and interest on the Series 2004-1 Notes.

Although a holder of Student Loans could submit claims for payment directly to the Department of Education pursuant to section 432(o) of the Higher Education Act if the Department of Education determines that a Guarantee Agency is unable to meet its insurance obligations, there is no assurance that the Department of Education would make such a determination or that it would pay claims in a timely manner. The Trustee may receive claim payments on Student Loans directly from the Department of Education under Section 432(o) if such a determination is made. See "Description of the FFEL Program" and "Guarantee Agencies."

The Series 2004-1 Senior Notes will be on parity with any future Senior Notes and the Series 2004-1 Subordinate Notes will be on parity with any future Subordinate Notes.

The Indenture allows, among other things, for the issuance of future series of Senior Notes on parity with previously issued Senior Notes and the issuance of future series of Subordinate Notes on parity with previously issued Subordinate Notes. The Series 2004-1 Senior Notes are on parity with any future series of Senior Notes and the Series 2004-1 Subordinate Notes are on parity with any future series of Subordinate Notes. This means that all holders of the Senior Notes share ratably in the rights of holders of Senior Notes to the Trust Estate and that the holders of the Subordinate Notes share ratably in the rights of holders of Subordinate Notes to the Trust Estate irrespective of which assets of the Trust Estate were acquired with the funds raised by the placement of any particular series of Notes.

Subordinate Notes face a higher risk of delayed payments and losses.

Interest and principal payments on a payment date for the Series 2004-1 Subordinate Notes (and any other Subordinate Notes) generally will be made only after each series of Senior Notes has received its interest and principal entitlement on that payment date. Consequently, Subordinate Notes, including the Series 2004-1 Subordinate Notes, will bear losses on the Eligible Loans prior to such losses being borne by the Senior Notes. In addition, Holders of Subordinate Notes, including the Series 2004-1 Subordinate Notes, may be limited in the legal remedies that are available to them until the Holders of the Senior Notes are paid in full. See "Source of Payment and Security for the Notes-Priorities" and "Description of the Indenture-Remedies."

Additional Notes may be issued without your consent, which could affect the composition of the Outstanding Notes.

The Issuer may, from time to time, issue additional Notes or incur Other Obligations secured by the Trust Estate without the consent or approval of any existing Noteholders. These Notes or Other Obligations may be senior, equal or inferior in priority to any Outstanding Subordinate Notes, or equal or inferior to any Outstanding Senior Notes in right of payment.

Use of Lender Identification Number for multiple loan portfolios.

Due to a Department of Education practice limiting the quantity of new lender identification numbers, the Eligible Lender Trustee will use a Department of Education lender identification number that could also be used for other Student Loans held by the Eligible Lender Trustee. Such a situation could arise, for example, if the Issuer or a related party acquires other Student Loans to secure indebtedness other than the Notes. The billings submitted to the Department of Education would be consolidated with the billings for payments for all Student Loans held by the Eligible Lender Trustee or a related party, and payments on the billings will be made by the Department of Education or the Guarantee Agency to the Eligible Lender Trustee in lump sum form. These payments will be allocated by the Eligible Lender Trustee among the various Student Loans held under the same lender identification number.

Offset by Guarantee Agencies or the Department of Education could reduce the amounts available for payment of the Series 2004-1 Notes.

If the Department of Education or a Guarantee Agency determines that the Eligible Lender Trustee owes a liability to the Department of Education or the Guarantee Agency on any Student Loan for which the Eligible Lender Trustee is legal titleholder, the Department of Education or the Guarantee Agency might seek to collect that liability by offsetting against payments due the Eligible Lender Trustee under the Indenture for the Notes. This offsetting or shortfall of payments due to the Eligible Lender Trustee could adversely affect the amount of available funds and the Issuer's ability to pay interest and principal on the Notes. See "Description of the FFEL Program."

Borrowers of Eligible Loans are subject to a variety of factors that may adversely affect their repayment ability.

Collections on the Financed Eligible Loans during a monthly collection period may vary greatly in both timing and amount from the payments actually due on the Financed Eligible Loans for that monthly collection period for a variety of economic, social and other factors.

Failures by borrowers to pay timely the principal and interest on their Financed Eligible Loans or an increase in deferments or forbearance could affect the timing and amount of available funds for any monthly collection period and the ability to pay principal and interest on the Notes.

Borrowers may be offered and if so may elect to participate in graduated repayment programs. As a result of such participation, a borrower may be eligible initially to make lower periodic loan payments. However, such a borrower will incur a greater amount of interest over the life of the Financed Eligible Loan and, at one or more future points in time, will incur an increase in his or her periodic loan payment amount, which may adversely impact a borrower's ability to repay a Financed Eligible Loan and which could adversely affect the amount of available funds for any monthly collection period and the ability to pay principal and interest on the Notes.

In addition, some of the Financed Eligible Loans will be made to graduate and professional students, who generally have higher debt burdens than student loan borrowers as a whole. The effect of these factors, including the effect on the timing and amount of available funds for any monthly collection period and the ability to pay principal and interest on your Notes is impossible to predict.

The FFEL Program could change, which could adversely affect the loans and the timing and amounts available for payment of the Series 2004-1 Notes.

The Higher Education Act and other relevant federal or state laws may be amended or modified in the future. In particular, the level of guarantee payments may be adjusted from time to time. The Issuer cannot predict whether any changes will be adopted or, if so, what impact such changes may have on the Issuer or the Series 2004-1 Notes.

Federal funding for Higher Education Act programs require reauthorization by Congress from time to time and enactment of the reauthorization legislation into law. Although Congress has consistently reauthorized funding of Higher Education Act programs, it has from time to time made changes in the programs and in the levels at which programs have been funded. There is no assurance that Congress will continue to reauthorize the funding and content of Higher Education Act student loan programs or that it will do so at current funding levels.

The Federal Direct Student Loan Program could adversely affect the availability of loans, the cost of servicing, the value of loans and prepayment expectations.

The Higher Education Act provides for a Federal Direct Student Loan Program. This program could result in reductions in the volume of loans made under the FFEL Program. Reduced volume in the FFEL Program in general may cause a servicer to experience increased costs due to reduced economies of scale. These cost increases could reduce the ability of the Servicer to satisfy its obligations to service the Financed Eligible Loans. This could also reduce revenues received by the Guarantee Agencies available to pay claims on defaulted Financed Eligible Loans. See "Description of the FFEL Program."

Redemption of the Series 2004-1 Notes may create reinvestment risks.

The proceeds of the Series 2004-1 Notes include amounts to be deposited in the Collection Fund and used to pay interest on the Series 2004-1 Notes. If those amounts are not needed for that purpose, they may be used to acquire Eligible Loans. If the amount used to pay interest on the Notes and to acquire Eligible Loans is less than the full amount so funded, the Issuer may prepay principal on the Notes, possibly including the Series 2004-1 Notes. See "Description of the Indenture—Funds and Accounts—Acquisition Fund."

Eligible Loans may be prepaid by borrowers at any time without penalty. The rate of prepayments may be influenced by economic and other factors, such as interest rates, the availability of other financing and the general job market. A bill was proposed recently in Congress that would allow borrowers to refinance their Consolidation Loans with a new Consolidation Loan. If this bill is enacted into law, the rate of prepayments may increase.

The Issuer also has the right to redeem Series 2004-1 Notes at any time, from any source, including through the issuance of refunding obligations.

The interest rates on the Series 2004-1 Notes are subject to limitations, which could reduce your yield.

The interest rate for the Series 2004-1 Notes will be based generally on the outcome of Auctions of Series 2004-1 Notes. The interest rates for the Series 2004-1 Notes will also be subject to Maximum Rate limitations.

The Maximum Rate is the least of the Maximum Auction Rate, the Maximum Interest Rate and, during a Net Loan Restriction Period, the Net Loan Rate. The Maximum Auction Rate will be based in part on an average spread over the U.S. Treasury bill rate dependent upon the ratings on the Series 2004-1 Notes but shall not exceed the Applicable LIBOR-Based Rate plus 1.50% for any Auction with respect to any Series 2004-1 Notes rated any category of "A" or better by the Rating Agencies. The Maximum Interest Rate is the lesser of (a) 17% per annum (or such higher rate as the Issuer may establish with a Rating Agency Confirmation) or (b) the highest rate the Issuer may legally pay, from time to time, as interest on the Series 2004-1 Notes.

A Net Loan Restriction Period generally is a period immediately following three consecutive months in which either (a) the daily weighted average of the Auction Rates for each series of Notes bearing interest based upon an auction mode in effect during the month for which such calculation is being made exceeded per annum rate equal to the sum of (i) the bond equivalent yield of the ninety-one day United States Treasury Bill sold at the last auction prior to the 25th day of the month for which such calculation is being made plus (ii) 1.0% or (b) the most recently available Three-Month LIBOR as of the Reset Date for the CP Rate in the month for which such calculation is being made is equal to or greater than the sum of (i) the CP Rate for the applicable month plus (ii) 0.25%. For an interest payment date on which the Maximum Rate, including the Maximum Auction Rate, applies, the difference between the lesser of the amount of interest at the Auction Rate and the Maximum Interest Rate over the amount of interest at the Maximum Rate will be treated as a Carry-Over Amount and will be paid on succeeding Interest Payment Dates only to the extent of available funds, and may never be paid. The ratings on the Series 2004-1 Notes do not address the likelihood of payment of any Carry-Over Amount. See "Description of the Series 2004-1 Notes—Carry-Over Amounts on the Series 2004-1 Notes."

The interest rates on the Issuer's investments may be insufficient to cover interest on the Series 2004-1 Notes.

Unspent proceeds of the Series 2004-1 Notes and moneys in the funds and accounts under the Indenture will be invested at fluctuating interest rates. There can be no assurance that the interest rates at which these proceeds and moneys are invested will equal or exceed the interest rates on the Series 2004-1 Notes.

Potential for Carry-Over Amount, which may not be paid before final payment of the Series 2004-1 Notes.

The interest rate for the Series 2004-1 Notes will be based generally on the outcome of Auctions for the Series 2004-1 Notes. However, the interest rates for the Series 2004-1 Notes will be limited by the Maximum Rate. The Maximum Rate is the least of the Maximum Auction Rate, the Maximum Interest Rate and, during a Net Loan Restriction Period, the Net Loan Rate. The Financed Student Loans will bear interest based upon a commercial paper index. If in respect of any Auction Period the interest rate on a Series 2004-1 Note is limited by the Maximum Rate, the difference between (i) the lesser of the amount of interest such Series 2004-1 Note would have accrued at the Auction Rate and the Maximum Interest Rate over (ii) the amount of interest such Series 2004-1 Note actually accrues at the Maximum Rate will be treated as Carry-Over Amount. Any Carry-Over Amount will be paid on the next Interest Payment Date or on any succeeding Interest Payment Date to the extent funds are available therefor after making all required prior distributions and deposits with respect to such Interest Payment Date and assuming no further Carry-Over Amount is accruing on such series of Notes. If the Carry-Over Amount is not paid by Maturity, such amount will not be paid. See "Description of the Series 2004-1 Notes–Carry-Over Amounts on Series 2004-1 Notes" and "Auction of the Series 2004-1 Notes."

The principal amount of the Notes Outstanding may exceed the principal amount of the assets in the Trust Estate, which could result in losses on the Series 2004-1 Notes if there was a liquidation.

The Issuer expects to acquire Eligible Loans from amounts in the Acquisition Fund at premiums exceeding the principal amount of such Eligible Loans. Therefore, the principal amount of Notes Outstanding at any time may exceed the principal amount of Financed Eligible Loans and other assets in the Trust Estate held by the Trustee under the Indenture. If an Event of Default occurs and the assets in the Trust Estate are liquidated, the Eligible Loans would have to be sold at a premium for the Holders of Subordinate Notes and possibly the Holders of Senior Notes to avoid a loss. The Issuer cannot predict the rate or timing of accelerated payments of principal or the occurrence of an Event of Default or when the aggregate principal amount of the Notes may be reduced to the aggregate principal amount of the Eligible Loans and other assets in the Trust Estate held by the Trustee under the Indenture.

Payment of principal and interest on the Notes is dependent upon collections on the Financed Eligible Loans. If the yield on the Financed Eligible Loans does not generally exceed the interest rate on the Notes and expenses relating to the servicing of the Financed Eligible Loans and administration of the Indenture, the Issuer may have insufficient funds to repay the Notes.

If the Trustee is forced to sell loans after an Event of Default, there could be losses on the Series 2004-1 Notes.

Generally, during an Event of Default, the Trustee is authorized with certain Holder consent to sell the Financed Eligible Loans. However, the Trustee may not find a purchaser for the Financed Eligible Loans. Also, the market value of the Financed Eligible Loans plus other assets in the Trust Estate might not equal the principal amount of Outstanding Notes plus accrued interest. The competition currently existing in the secondary market for loans made under the FFEL Program also could be reduced, resulting in fewer potential buyers of the Financed Eligible Loans and lower prices available in the secondary market for those loans. There may be even fewer potential buyers for those loans, and therefore lower prices available in the secondary market. The Holders may suffer a loss if the Trustee is unable to find purchasers willing to pay sufficient prices for the Financed Eligible Loans.

Bankruptcy of the Issuer could result in accelerated prepayment on the Series 2004-1 Notes.

The Issuer has been established as a bankruptcy remote entity. However, if the Issuer becomes bankrupt, the United States Bankruptcy Code could materially limit or prevent the enforcement of its obligations under the Notes, including the Series 2004-1 Notes. The Issuer's trustee in bankruptcy or the Issuer itself as debtor-in-possession may seek to accelerate payment on the Notes and liquidate the assets held

under the Indenture. If principal on the Notes, including the Series 2004-1 Notes, is declared due and payable, you may lose the right to future payments and face reinvestment risks mentioned above. If the assets held under the Indenture are liquidated, you may face the risks relating to the sale of the loan portfolio mentioned above.

Less than all of the Holders can approve amendments to the Indenture or waive Events of Default under the Indenture.

Under the Indenture, Holders of specified percentages of the aggregate principal amount of the Notes may amend or supplement provisions of the Indenture and the Notes and waive Events of Default and compliance provisions without the consent of the other Holders. You have no recourse if the Holders vote and you disagree with the vote on these matters. The Holders may vote in a manner which impairs the ability to pay principal and interest on your Notes. Also, so long as Senior Notes are Outstanding, the Holders of Subordinate Notes will not have the right to approve certain amendments, or exercise certain rights under the Indenture.

The Series 2004-1 Notes are not suitable investments for all investors.

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

Rating Agencies can permit certain actions to be taken without Noteholder approval.

The Indenture provides that the Issuer and the Trustee may undertake various actions based upon receipt by the Trustee of confirmation from the Rating Agencies that the outstanding ratings assigned by such Rating Agencies to the Notes are not thereby impaired. Such actions include, but are not limited to, amendments to the Indenture, the issuance of additional Notes and the execution by the Issuer of Swap Agreements. To the extent such actions are taken after issuance of the Series 2004-1 Notes, investors in the Series 2004-1 Notes will be relying on the evaluation by the Rating Agencies of such actions and their impact on credit quality.

Book-entry registration may limit your ability to participate directly as a holder.

The Series 2004-1 Notes will be represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in your name. You will only be able to exercise the rights of Holders indirectly through DTC and its participating organizations. See "Description of the Series 2004-1 Notes—Book-Entry-Only System."

Credit ratings only address a limited scope of your concerns.

One or more Rating Agencies will rate each series of the Series 2004-1 Notes. A rating is not a recommendation to buy or sell Series 2004-1 Notes or a comment concerning suitability for any investor. A rating only addresses the likelihood of the ultimate payment of principal and stated interest and does not address the likelihood of prepayments on the Series 2004-1 Notes or the likelihood of the payment of Carry-Over Amounts. A rating may not remain in effect for the life of the Series 2004-1 Notes. See "Ratings."

The Issuer may enter into Swap Agreements which could result in delays in payment or losses on the Series 2004-1 Notes if the counterparty fails to make its payments.

Under the Indenture, the Issuer may enter into interest rate Swap Agreements if certain requirements are met, including a Rating Agency Confirmation. Interest rate Swap Agreements carry risks relating to the credit quality of the counterparty and the enforceability of the Swap Agreement. See "Source of Payment and Security for the Notes—Additional Obligations."

Military service obligations may result in delayed payments from borrowers called to active military service.

The Soldiers' and Sailors' Civil Relief Act of 1940 (the "Relief Act"), provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loan. The Relief Act limits the ability of a lender of Student Loans to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter.

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

Higher Education Relief Opportunities for Students Act of 2003 may result in delayed payments from Borrowers

The Higher Education Relief Opportunities for Students Act of 2003 ("HEROS Act of 2003") authorizes the Secretary of Education, during the period ending September 30, 2005, to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of "affected individuals" who:

- are serving on active military duty during a war or other military operation or national emergency;

- reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or

- suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

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

- such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance;

- administrative requirements in relation to that assistance are minimized;

- calculations used to determine need for such assistance accurately reflect the financial condition of such individuals;

- to provide for amended calculations of overpayment; and

- institutions of higher education, eligible lenders, guaranty agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable.

The Secretary was given this same authority under the Higher Education Relief Opportunities for Students Act of 2001 but the Secretary has yet to use this authority to provide specific relief to servicepersons with loan obligations who are called to active duty. The number and aggregate principal balance of student loans that may be affected by the application of the HEROS Act of 2003 is not known at this time. Accordingly, payments we receive on student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number

of borrowers become eligible for the relief provided under the HEROS Act of 2003, there could be an adverse effect on the total collections on our student loans and our ability to pay principal and interest on the Series 2004-1 Notes.

Book-Entry-Only System. Each series of Series 2004-1 Notes will be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in the names of the beneficial owners of such Series 2004-1 Notes or their nominees. Because of this, unless and until definitive securities are issued, beneficial owners of such Series 2004-1 Notes will not be recognized by the Trustee as "Holders" (as such term is used in the Indenture). Hence, until definitive securities are issued, beneficial owners of such series of Series 2004-1 Notes will only be able to exercise the rights of Holders indirectly through DTC and its participating organizations. See "Description of the Series 2004-1 Notes—Book-Entry-Only System" herein.

Financial status of any Swap Provider. If the Issuer enters into Swap Agreements, at such times that the payment due to the Issuer is greater than the Issuer's payment obligation, the Trustee's ability to make principal and interest payments on the Series 2004-1 Notes will be affected by the ability of the provider of the Swap Agreement to meet its net payment obligation to the Trustee. The Indenture requires that the Issuer obtain a Rating Agency Confirmation prior to entering into a Swap Agreement. At such times that the Issuer's payment obligation is greater than the payment due to the Issuer by the provider of a Swap Agreement, the Trustee's ability to make principal and interest payments of the Series 2004-1 Notes and pay amounts owing on other Notes and Swap Agreements may be affected by the Issuer's legal requirement to meet its net payment obligation to the provider of the Swap Agreement.

Actual cash flow results may be materially different. The Issuer expects that the revenues and recoveries of principal to be received pursuant to the Indenture will be sufficient to pay principal of and interest on the Series 2004-1 Notes when due and also to pay the expenses of the Trust Estate until the final maturity of the Series 2004-1 Notes. This expectation is based upon analysis of cash flow projections, based upon assumptions, which the Issuer believes are reasonable, regarding the timing of the financing of the Financed Eligible Loans to be held pursuant to the Indenture, the future composition of and yield on the Financed Eligible Loan portfolio, the rate of return on moneys to be invested in various Funds and Accounts under the Indenture, and the occurrence of future events and conditions.

Forward-looking statements. This Offering Memorandum contains statements relating to future results that are "forward-looking statements" as defined in the Private Litigation Reform Act of 1995. When used in this Offering Memorandum, the words "estimate," "intend," "expect," "assume" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

Decisions By The Depositor as to the Trust To Which It Sells Loans Will Affect the Collateral that Backs the Notes.

The Depositor may be a depositor with respect to other trusts. Loans sold by the Depositor to the Issuer may differ in their characteristics, such as nature of borrower, loan balance, interest rate, default rate and other characteristics. One or more trusts, other than the Issuer, may acquire from the Depositor loans which could be deemed to have characteristics that might be deemed superior to those loans acquired by the Issuer.

INTRODUCTION

This Offering Memorandum sets forth information concerning the issuance by Higher Education Funding I, a Delaware statutory trust (the "Issuer"), of $1,000,000,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2004-1A-1 through Series 2004-1A-15 Senior Notes and Series 2004-1B-1 and Series 2004-1B-2 Subordinate Notes. The Series 2004-1 Notes will be issued as Auction Rate Certificates (ARCs®). Information on the cover page hereof and under the headings "Summary of Terms" and "Risk Factors" is part of this Offering Memorandum. Capitalized terms used in this Offering Memorandum, and not otherwise defined herein, shall have the meanings assigned thereto under "Glossary of Certain Defined Terms."

The Series 2004-1 Notes are limited obligations of the Issuer specifically secured by and payable solely from the Trust Estate created under the Indenture and described herein. The Series 2004-1 Notes do not represent general obligations of the Issuer. See "Source of Payment and Security for the Notes."

This Offering Memorandum contains brief descriptions of the Series 2004-1 Notes, the Indenture, the First Supplemental Indenture authorizing the Series 2004-1 Notes, the Eligible Loans to be financed through the issuance of the Series 2004-1 Notes and other documents and laws. The descriptions and summaries herein do not purport to be comprehensive or definitive and reference is made to such documents and laws for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document or law. Copies of the Indenture and the First Supplemental Indenture may be obtained during the offering period upon request directed to the Trustee at 10161 Centurion Parkway, 2nd Floor, Jacksonville, Florida 32256, Attn: Corporate Trust Manager.

USE OF PROCEEDS

The Issuer is issuing an aggregate of $1,000,000,000 of Series 2004-1 Notes on four separate dates, $275 million of Series 2004-1 Senior Notes and $50 million of Series 2004-1 Subordinate Notes on March 5, 2004; $200 million of Series 2004-1 Senior Notes and $50 million of Series 2004-1 Subordinate Notes on April 1, 2004, or such other date set forth in an Issuer Order; $250 million of Series 2004-1 Senior Notes on May 5, 2004, or such other date set forth in an Issuer Order; and $175 million of Series 2004-1 Senior Notes on June 2, 2004, or such other date set forth in an Issuer Order. The proceeds from the sale of the Series 2004-1 Notes in the aggregate are expected to be used as follows:

- approximately $984,800,000 will be deposited in the Acquisition Fund and used to acquire Eligible Loans during the Acquisition Periods;
- approximately $4,000,000 will be deposited in the Collection Fund;
- approximately $7,500,000 will be used to make the required Reserve Fund deposit; and
- approximately $3,700,000 will be used to pay costs of issuing the Series 2004-1 Notes, including the fee payable to the Initial Purchaser.

On each of the Closing Dates following the March 5, 2004 Closing Date, an amount equal to 0.75% of the principal amount of each series of Series 2004-1 Notes being issued on such date shall be deposited in the Reserve Fund and the balance of such proceeds shall be deposited in the Acquisition Fund.

Upon the issuance of all of the Series 2004-1 Notes and after giving effect to the acquisition of Eligible Loans with funds from the Acquisition Fund, the Senior Asset Percentage is expected to be approximately 108.5% and the Subordinate Asset Percentage is expected to be approximately 97.6%. The Indenture does not require maintenance of any such asset percentages.

CONDITIONS PRECEDENT TO THE ISSUANCE OF THE SERIES 2004-1 NOTES

Subsequent to the initial issuance, the execution, authentication and delivery of each series of Series 2004-1 Notes is subject to the satisfaction of certain conditions precedent set forth in the First Supplemental Indenture, including the satisfaction of the conditions set forth in the Indenture relating to the issuance of a new series of Notes, the delivery of an Issuer Order from the Issuer to the Trustee relating to the terms of each of Series 2004-1 Notes to be issued on the applicable Closing Date and either a certificate from the Issuer to the Trustee that there have been no material changes with respect to the information in this Offering Memorandum since the delivery of this Offering Memorandum to the Initial Purchaser that would require an update to this Offering Memorandum, or the delivery to Initial Purchaser of a supplement to this Offering Memorandum setting forth any material changes with respect to the information in the Offering Memorandum since the delivery of the most recent offering memorandum to the Initial Purchaser and the Initial Purchaser has determined that such changes do not, in its reasonable judgment, adversely affect the market price of the Series 2004-1 Notes. In addition, the aggregate amount of the Series 2004-1 Senior Notes that are issued may not exceed $475,000,000 unless the Series 2004-1B-2 Subordinate Notes have been previously issued or are being issued simultaneously with the Series 2004-1 Senior Notes which exceed the aggregate amount of $475,000,000.

SOURCE OF PAYMENT AND SECURITY FOR THE NOTES

General

The Notes will be limited obligations of the Issuer payable solely from the Trust Estate created under the Indenture, consisting of certain revenues and Funds and Accounts pledged under the Indenture. The pledged revenues include: (1) payments of interest and principal made by obligors of Financed Eligible Loans, (2) guarantee payments made by the Guarantee Agencies with respect to defaulted Financed Eligible Loans, (3) Interest Subsidy Payments and Special Allowance Payments made by the Department of Education to or for the account of the Eligible Lender Trustee as the holder of Financed Eligible Loans (excluding any Special Allowance Payments and Interest Subsidy Payments accrued prior to the date of Financing the related Student Loan), (4) income from investment of moneys in the pledged Funds and Accounts, (5) payments from a Swap Counterparty under a Swap Agreement, if any, (6) proceeds of any sale or assignment by the Issuer of any Financed Eligible Loans, and (7) available Note proceeds. In addition, the pledged revenues with respect to one or more series of additional Notes may include payments made by a Credit Facility Provider pursuant to a Credit Enhancement Facility.

The principal of, premium, if any, and interest on the Notes will be secured by a pledge of and a security interest in all rights, title, interest and privileges of the Issuer (1) with respect to Financed Eligible Loans, in, to and under any Servicing Agreement, the Eligible Lender Trust Agreement, the Guarantee Agreements and any purchase and sale agreements pursuant to which the Issuer acquires Financed Eligible Loans; (2) in, to and under all Financed Eligible Loans (including the evidences of indebtedness thereof and related documentation); (3) in the proceeds of the sale of the Notes (until expended for the purpose for which the Notes were issued) and the revenues, moneys, evidences of indebtedness and securities (including any earnings thereon) in and payable into the Acquisition Fund, the Debt Service Fund, the Collection Fund, the Reserve Fund, the Administration Fund, the Borrower Benefits Fund and the Surplus Fund, in the manner and subject to the prior applications provided in the Indenture; (4) in, to and under any Credit Enhancement Facility, any Swap Agreement, any Swap Counterparty Guarantee, any Tender Agent Agreement, any Remarketing Agreement, any Auction Agent Agreement, any Market Agent Agreement and any Broker-Dealer Agreement; and (5) in and to the proceeds from the sale of the Notes (until expended for the purpose for which the Notes were issued) and the revenues, moneys, evidences of indebtedness and securities (including any earnings thereon) in and payable to the pledged Funds and Accounts. Certain pledged revenues are subject to withdrawal from the pledged Funds and Accounts, to prior applications to pay costs of issuance, Servicing Fees, Administration Fees and Note Fees, and to certain other applications as described under “Description of the Indenture—Funds and Accounts.”

Additional Indenture Obligations

The Indenture provides that in the future, upon the satisfaction of certain conditions, the Issuer may issue one or more series of Notes thereunder. Such additional Notes may be issued as Senior Notes on a parity basis with any other Senior Notes (including the Series 2004-1 Senior Notes) or as Subordinate Notes on a parity basis with any other Subordinate Notes (including the Series 2004-1 Subordinate Notes). The Indenture also provides that Junior Subordinate Notes, that are subordinate to Senior Obligations and Subordinate Obligations, may be issued in the future. In addition, the Issuer may enter into Swap Agreements and may obtain Credit Enhancement Facilities from one or more Credit Facility Providers. The Issuer's obligations under the Swap Agreements, and its obligations to pay the premiums or fees of Credit Facility Providers and, if applicable, to reimburse payments made under Credit Enhancement Facilities, may be parity obligations with the Senior Notes (such Other Obligations, together with the Senior Notes, being referred to herein as "Senior Obligations") or parity obligations with the Subordinate Notes (such Other Obligations, together with the Subordinate Notes, being referred to herein as "Subordinate Obligations"), or parity obligations with the Junior Subordinate Notes (such Other Obligations, together with the Junior Subordinate Notes, being referred to herein as "Junior Subordinate Obligations"). The Senior Obligations, the Subordinate Obligations and the Junior Subordinate Obligations are referred to herein as "Indenture Obligations." See "Description of the Indenture—Notes and Other Obligations."

Under the Indenture, the Issuer may not enter into a Swap Agreement or obtain a Credit Enhancement Facility unless the Trustee shall have received a Rating Agency Confirmation that entering into the Swap Agreement or obtaining the Credit Enhancement Facility, as the case may be, will not cause the reduction or withdrawal of any rating or ratings then applicable to any Outstanding Notes.

Any Credit Enhancement Facility may be obtained for the sole benefit of a particular series of Notes designated therein, in which event payments under such Credit Enhancement Facility would not be available for the payment of principal of, premium, if any, or interest on any other series of Notes. However, any payments required to be made to any Credit Facility Provider would be parity obligations with the Other Obligations of the same class, payable from any revenues available to pay such other Indenture Obligations. No Credit Enhancement Facility is being obtained with respect to the Series 2004-1 Notes, and it is not expected that any revenues obtained under any Credit Enhancement Facility would be available to pay the Series 2004-1 Notes.

Priorities

The Senior Notes (and any Other Senior Obligations, including the Series 2004-1 Senior Notes) are entitled to payment and certain other priorities over the Subordinate Notes (and any Other Subordinate Obligations, including the Series 2004-1 Subordinate Notes) and Junior Subordinate Notes (and Other Junior Subordinate Obligations). Current payments of interest and principal due on Subordinate Notes and Junior Subordinate Notes on an interest payment date or principal payment date will be made (on a parity basis with any Other Subordinate Obligations and Other Junior Subordinate Obligations) only to the extent that there are sufficient moneys available for such payment, after making all such payments due on such date with respect to Senior Notes and Other Senior Obligations. So long as any Senior Obligations remain Outstanding under the Indenture, the failure to make interest or principal payments with respect to Subordinate Notes or Junior Subordinate Notes will not constitute an Event of Default under the Indenture. In the event of an acceleration of the Notes, the principal of and accrued interest on the Subordinate Notes and Junior Subordinate Notes will be paid (on a parity basis with any Other Subordinate Obligations and Other Junior Subordinate Obligations) only to the extent there are moneys available under the Indenture after payment of the principal of, and accrued interest on, all Senior Notes and the satisfaction of all Other Senior Obligations. In addition, Holders of Senior Notes and Beneficiaries of Other Senior Obligations are entitled to direct certain actions to be taken by the Trustee prior to and upon the occurrence of an Event of Default, including election of remedies. See "Description of the Indenture—Remedies."

The Subordinate Notes (and any Other Subordinate Obligations) are entitled to payment and certain other priorities over the Junior Subordinate Notes (and any Other Junior Subordinate Obligations). Current payments of interest and principal due on Junior Subordinate Notes on an interest payment date or principal payment date will be made (on a parity basis with any Other Junior Subordinate Obligations) only to the extent that there are sufficient moneys available for such payment, after making all such payments due on such date with respect to Senior Notes,

Subordinate Notes and Other Senior Obligations and Other Subordinate Obligations. So long as any Senior Obligations or Subordinate Obligations remain Outstanding under the Indenture, the failure to make interest or principal payments with respect to Junior Subordinate Notes will not constitute an Event of Default under the Indenture. In the event of an acceleration of the Notes, the principal of and accrued interest on the Junior Subordinate Notes will be paid (on a parity basis with any Other Junior Subordinate Obligations) only to the extent there are moneys available under the Indenture after payment of the principal of, and accrued interest on, all Senior Notes and Subordinate Notes and the satisfaction of all Other Senior Obligations and Other Subordinate Obligations. If there are no Senior Notes or Other Senior Obligations Outstanding under the Indenture, the Holders of Subordinate Notes and Beneficiaries of Other Subordinate Obligations are entitled to direct certain actions to be taken by the Trustee prior to and upon the occurrence of an Event of Default, including election of remedies. See "Description of the Indenture—Remedies."

Reserve Fund

The Notes, including the Series 2004-1 Senior Notes and the Series 2004-1 Subordinate Notes, will be additionally secured by the Reserve Fund in an amount equal to the Reserve Fund Requirement. The Reserve Fund Requirement is an amount equal to (a) 0.75% of the aggregate Principal Amount of the Notes then Outstanding or (b) such other amount specified as the Reserve Fund Requirement in a Supplemental Indenture provided; however, that the amount on deposit in the Reserve Fund shall never be less than $500,000. Any changes in the Reserve Fund Requirement pursuant to a Supplemental Indenture requires the receipt by the Issuer and the Trustee of a Rating Agency Confirmation with respect to such Supplemental Indenture.

The Reserve Fund secures all Notes issued under the Indenture.

Subordination of the Series 2004-1 Subordinate Notes

The rights of the Holders of the Series 2004-1 Subordinate Notes to receive principal and interest payments will be subordinated to such rights of the Holders of the Series 2004-1 Senior Notes, any other series of Senior Notes and any Other Senior Obligations to the extent described herein. This subordination is intended to enhance the likelihood of regular receipt of the interest and principal by the Holders of the Series 2004-1 Senior Notes, any other series of Senior Notes and any Other Senior Obligations. See "—Priorities" above and "Description of the Indenture—Funds and Accounts."

THE ISSUER

Higher Education Funding I is a statutory trust formed under the laws of the State of Delaware pursuant to the Trust Agreement for the transactions described in this Offering Memorandum. The Trust will not engage in any activity other than (i) acquiring, holding and managing the Financed Eligible Loans and the other assets of the Trust Estate and proceeds therefrom, (ii) issuing the Notes and trust certificates, (iii) entering into derivative and credit support agreements, (iv) making payments on the Notes and trust certificates, and (v) engaging in other activities that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith. The Issuer was formed under a Trust Agreement between the Depositor and The Bank of New York (Delaware), as the Delaware Trustee.

THE DEPOSITOR

Consolidation Loan Funding II, LLC (the "Depositor"), a Delaware limited liability company, will be the Depositor under the Trust Agreement and will own all the equity interests in the Issuer. The Depositor has two members; one is Student Loan Consolidation Center, LLC (a California limited liability company) which owns a ninety-nine percent (99%) non-voting membership interest; the other is CLF II Management Corp. which owns a one percent (1%) voting membership interest and which is wholly owned by Student Loan Consolidation Center, LLC. The Depositor has been structured as a bankruptcy-remote, special purpose entity. Its limited liability company agreement contains certain limitations, including restrictions on the nature of the Depositor's business and a restriction on the Depositor's ability to commence a voluntary case or proceeding under any insolvency law without the prior unanimous affirmative vote of all its managers, including CLF II Management Corp., which has certain independent directors.

Management of the Depositor is entrusted to its Manager, CLF II Management Corp. CLF II Management Corp. is a corporation organized under the laws of the State of Delaware. The Depositor's Manager has been structured as a bankruptcy-remote, special purpose entity. Its Certificate of Incorporation contains certain limitations, including restrictions on the nature of CLF II Management Corp.'s business and a restriction on its ability to commence a voluntary case or proceeding under any insolvency law without the prior unanimous affirmative vote of all its directors, including its independent directors.

The current board of directors of the Manager of the Depositor consists of:

NAME OF DIRECTOR	OTHER OFFICES HELD	AGE	BUSINESS ADDRESS	PRINCIPAL OCCUPATION OR AFFILIATION
Ryan D. Katz	President and Treasurer	30	9477 Waples Street, Suite 100 San Diego, California 92121	Managing Member of Student Loan Consolidation Center, LLC
Robert T. Case	Vice President, Sales	42	9477 Waples Street, Suite 100 San Diego, California 92121	Sales & Training Manager, and Non-Voting Member of Student Loan Consolidation Center, LLC
Michael Middleton	Vice President, Product Mgt.	32	9477 Waples Street, Suite 100 San Diego, California 92121	Director of Loan Operations for Student Loan Consolidation Center, LLC

NAME OF INDEPENDENT DIRECTOR	OTHER OFFICES HELD	AGE	BUSINESS ADDRESS	PRINCIPAL OCCUPATION OR AFFILIATION
Vernon L. Outlaw		43	32 Old Slip Road, 11th Floor New York, New York 10004	Managing Director and National Sales Manager of Utendahl Capital Partners, L.P.
James M. Tabacchi		47	48 Wall Street, 27th Floor New York, New York 10005	President and Chief Executive Officer of Capital Markets Engineering & Trading, LLC

Each director holds office until the next annual meeting of shareholders following his or her election until such director's successors shall have been elected and qualified. Annual Meetings for CLF II Management Corp. are generally held in January of each year.

The board of directors described below are responsible for overall management of CLF II Management Corp.

RYAN D. KATZ, PRESIDENT AND DIRECTOR. Mr. Katz has over eight years of experience in the student loan industry. As President, Mr. Katz is responsible for the overall management and direction of CLF II Management Corp. Mr. Katz is currently a managing member of a for-profit consolidation student loan marketing company located in San Diego, California. Mr. Katz received a Bachelor of Science degree in business-finance from the University of Georgia.

ROBERT T. CASE, DIRECTOR. Mr. Case has been involved in the student loan industry for more than seven years. Mr. Case is currently Vice President of Sales and responsible for oversight of the general administration and sales and training departments and a non-voting member of a for-profit consolidation student loan marketing company located in San Diego, California. Mr. Case received a Bachelor of Science degree from the University of Georgia.

MICHAEL MIDDLETON, DIRECTOR. Mr. Middleton has been involved in the student loan business for the past six years. Mr. Middleton is currently Vice President of Product Management for a for-profit consolidation student loan marketing company located in San Diego, California. He is responsible for the processing and funding of the loans and managing the relationships between the Depositor and the Servicers, Guarantee Agencies and the Eligible Lender Trustee. Mr. Middleton received a Bachelor of Science degree in business-economics from the University of California at Santa Barbara.

JAMES M. TABACCHI, DIRECTOR. Mr. Tabacchi is the President and Chief Executive Officer of Capital Markets Engineering & Trading, LLC. Prior to his employment at Capital Markets, Mr. Tabacchi has been employed in the investment and commercial banking industry for over twenty years. Mr. Tabacchi received a Bachelor of Business Administration degree in accounting from Iona College and a Masters of Business Administration degree in finance from the John G. Hagen graduate school of business at Iona College.

VERNON L. OUTLAW, DIRECTOR. Mr. Outlaw is the Managing Director and National Sales Manager of Utendahl Capital Partners, L.P., where he has been employed for over two years. Prior to his employment at Utendahl Capital Partners, Mr. Outlaw has been employed in the securities industry and investment banking for more than fifteen years specializing in financing and securities trading. Mr. Outlaw received a Bachelor of Arts degree in economics from Columbia College, Columbia University.

In addition, Kenneth L. Ruggiero is a Vice President and the Chief Financial Officer of CLF II Management Corp. Mr. Ruggiero has over 14 years of experience in finance, human resources and business development. Prior to joining the Depositor, Mr. Ruggiero was CFO of eAssist Global Solutions, a venture funded call center software company. Previously he was CFO of INTERVU, a NASDAQ listed technology company that was merged with Akamai Technologies in a $2.8 billion transaction. Mr. Ruggiero received his CPA in New York, an MBA from Columbia University and a BA in Accounting from the University of Massachusetts, Amherst.

The Depositor is principally in the business of:

- originating (via its eligible lender trustee The Bank of New York Trust Company, N.A. or its successor eligible lender trustee) Consolidation Loans and other student loans, but in the future potentially, if Rating Agency Confirmation is first obtained, also originating other student loans and Alternative Loans, marketed for the Depositor by Student Loan Consolidation Center, LLC;

- if Rating Agency Confirmation is first obtained, acquiring certain Student Loans originated by persons other than the Depositor; however, Alternative Loans may not be sold to the Issuer;

- reselling or otherwise transferring Eligible Loans into the Trust Estate or other trusts; and

- arranging for Consolidation Loans, and if Rating Agency Confirmation is first obtained, other Student Loans eligible to be Financed Eligible Loans to be acquired by the Trust Estate from persons other than the Depositor, in which event the Trust Estate is expected to pay to the Depositor an origination fee of one percent (1%) of the principal value of the loans so acquired.

The Depositor is not expected to have any substantial assets other than its beneficial interest in the Issuer.

The principal business of Student Loan Consolidation Center, LLC ("SLCC") is to market education loans for lenders who are eligible to make such loans and for others authorized to market or administer such loans. SLCC was formed in January 2001 and began generating loans in June 2001. It has marketed in excess of $2.3 billion in Consolidation Loans.

SLCC also owns a ninety-nine percent (99%) non-voting membership interest in Consolidation Loan Funding, LLC. The following table represents the amount of loans which were originated by the marketing activities of SLCC and originated by Consolidation Loan Funding, LLC, by servicer, per quarter since the third calendar quarter of 2002:

Calendar Quarter	Great Lakes	ACS-ES	Total
(2002)			
Third	$272,000,000	$204,000,000	$476,000,000
Fourth	247,000,000	131,000,000	378,000,000
2002 Year-End Total	$519,000,000	$335,000,000	$854,000,000
(2003)			
First	$348,000,000	$81,000,000	$429,000,000
Second	222,000,000	128,000,000	350,000,000
Third	541,000,000	128,000,000	669,000,000
Fourth	307,000,000	149,000,000	456,000,000
2003 Year-End Total	$1,418,000,000	$486,000,000	$1,904,000,000

On and after the March 5, 2004 closing date, the majority of the student loans generated by the marketing efforts of SLCC will be originated by the Depositor and sold to the Issuer through the Eligible Lender Trustee.

In mid-December, 2003, SLCC received a letter from the Federal Trade Commission ("FTC") stating that the FTC was conducting a nonpublic investigation to determine whether SLCC is in compliance with the Federal Trade Commission Act, the Truth in Lending Act, its implementing Regulation Z, the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, and the Telemarketing Sales Rule and other statutes enforced by the FTC, as amended. The letter stated that "We emphasize, however, that neither this letter nor the existence of this nonpublic investigation should be viewed as an accusation by the Federal Trade Commission or its staff of any wrongdoing by any company." Since early January 2004, counsel for SLCC has had informal discussions with the FTC staff to discuss the matter and understands that this is part of an industry-wide inquiry. SLCC is cooperating with the FTC in its investigation. At this stage, SLCC does not believe that it is feasible to predict the outcome of the investigation, whether it will have any effect on SLCC's business or what if any that effect might be.

THE ISSUER ADMINISTRATOR

Lord Securities Corporation of New York, New York ("Lord") serves as the Issuer Administrator pursuant to an Administration Agreement. As Issuer Administrator, Lord performs certain administrative services referred to in the Indenture, the Trust Agreement and the Eligible Lender Trust Agreement, including, among other things, (i) administering accounting and financial reporting activities of the Issuer, (ii) preparing operating budgets, statistical reports and cash flow projections to the extent required by the Indenture and (iii) providing the notices and

performing other administrative obligations required by the Indenture, the Trust Agreement or the Higher Education Act.

Lord, formed in 1984, is a financial services and securitization administration company, with operations in New York, New York; Wilmington, Delaware; Sydney, Australia and Johannesburg, South Africa, with operating affiliates in London and Tokyo. Through its previous administration within a leading Wall Street investment bank, Lord's principals have served the securitization and structured finance market since 1971, and with its network and experienced personnel, provides transaction sponsors and their financial and legal advisors with seamless multi-jurisdictional service. Professional staff at Lord includes Certified Public Accountants, MBAs, in-house paralegal expertise, and others with extensive experience in the securitization industry. Lord provides domestic and offshore special purpose entities with equity capital, independent directors and officers, as well as full-service, third-party special purpose entity administration, ownership, transaction management, accounting and treasury services. Lord currently services over 550 special purpose entities with financing capabilities in excess of $250 billion, and is an active participant in the student loan industry segment.

Pursuant to Lord's Administration Agreement, Lord performs the duties of the Issuer Administrator and the Issuer under the Administration Agreement, the Indenture, the Trust Agreement and the Eligible Lender Trust Agreement (collectively the "Trust Related Agreements") which are not specifically delegated to the Subadministrator. In addition, Lord consults with the Delaware Trustee regarding the duties of the Issuer and the Delaware Trustee under the Trust Related Agreements. Lord monitors the performance of the Issuer and advises the Eligible Lender Trustee and the Delaware Trustee when action is necessary to comply with the Issuer's duties under the Trust Related Agreements. Lord prepares for execution by the Issuer, or causes the preparation by other appropriate persons or entities of, all such documents, reports, filings, instruments, certificates and opinions that it is the duty of the Issuer to prepare, file or deliver pursuant to the Trust Related Agreements. In furtherance of the foregoing, Lord takes all appropriate action that is the duty of the Issuer to take pursuant to the Trust Related Agreements. Lord also performs, or causes to be performed, its duties and obligations and the duties and obligations of the Delaware Trustee on behalf of the Issuer under the Trust Agreement.

With respect to servicing and guarantees, pursuant to the Administration Agreement, Lord, if necessary, (i) consolidates, prepares and reports all pertinent information to the Department of Education on the "Lender Reporting System Report" (or such successor report as may be applicable); (ii) monitors and reports on the performance of the Servicers under the Servicing Agreements; (iii) monitors and reports on the performance of the Guarantee Agencies under the Guarantee Agreements; and (iv) performs such other administrative tasks connected with loan servicing and guarantees as may be required from time to time.

With respect to matters that in the reasonable judgment of Lord are non-ministerial, pursuant to the Administration Agreement, Lord is not under any obligation to take any action, and in any event will not take any action, unless it has received instructions from the Delaware Trustee or the Depositor. For the purpose of the preceding sentence, "non-ministerial matters" include, without limitation: (i) the amendment of or any supplement to the Trust Related Agreements; (ii) the initiation of any action, claim or lawsuit by the Issuer and the compromise of any action, claim or lawsuit brought by or against the Issuer, except for actions, claims or lawsuits initiated in the ordinary course of business by the Issuer or its agents or nominees for the collection of amounts owed in respect of Financed Eligible Loans; (iii) the appointment of successor Trustees pursuant to the Indenture, or the consent to the assignment by the Trustee of its obligations under the Indenture; (iv) the removal of the Trustee; and (v) the amendment, change or modification of the Administrative Services Agreement or any Trust Related Agreement, except for amendments, changes or modifications that do not either (1) reduce in any manner the amount of, or delay the timing of, or collections of payments with respect to the Financed Eligible Loans or (2) materially reduce the underwriting standards with respect to the Financed Eligible Loans. Action by Lord in respect of those particular non-ministerial matters also requires a Rating Agency Confirmation.

THE SUBADMINISTRATOR

CLF Administration Company, L.L.C. ("CLF Administration"), a Nevada limited liability company that is wholly owned by Student Loan Consolidation Center, LLC, performs limited administrative services for the Issuer Administrator under an Administrative Services Agreement between CLF Administration and the Issuer Administrator (the "Administrative Services Agreement"). CLF Administration performs certain administrative

services which entail strategic business decisions, particularly: all issues relating to the closing of the sale of any series of Notes including the payment of the costs of issuance for any series of Notes; the initiation of any action, claim or lawsuit by the Issuer and the compromise of any action, claim or lawsuit brought by or against the Issuer; the selecting and assigning of Servicers and Guarantee Agencies and negotiating and/or renegotiating contracts, terms and/or pricing with Servicers and/or Guarantee Agencies; and the selecting and assigning of, and negotiating and renegotiation for the services of professional personnel such as, without limitation, accountants, investment bankers, attorneys and Rating Agencies.

THE FINANCED ELIGIBLE LOANS

Description of Financed Eligible Loans to be Acquired

The Financed Eligible Loans to be acquired with proceeds of the Series 2004-1 Notes will be acquired by the Issuer during the period beginning on each respective Closing Date and ending on and including (i) May 31, 2004, with respect to the Series 2004-1 Notes issued on March 5, 2004 and (ii) the date which is 90 days from the Closing Date for such series with respect to the Series 2004-1 Notes issued on a date other than March 5, 2004. These periods, referred to as the "Acquisition Periods," may, subject to obtaining a Rating Agency Confirmation, be periodically extended by the Issuer by Issuer Order. All of the Financed Eligible Loans to be acquired by the Issuer during the Acquisition Periods will consist of Student Loans.

Each Student Loan is required to be guaranteed as to principal and interest by a Guarantee Agency and reinsured by the Department of Education to the extent provided under the Higher Education Act. Student Loans are required to be eligible for Special Allowance Payments and, in the case of Stafford Loans, Interest Subsidy Payments paid by the Department of Education. See "Description of the FFEL Program."

Each Financed Eligible Loan will be a Consolidation Loan or other Student Loan provided that the aggregate principal balance of all such Student Loans which are not Consolidation Loans does not exceed $50 million at any given time and provided further that no such Student Loans which are not Consolidation Loans may be "unsubsidized or subsidized Stafford loans", unless Rating Agency Confirmation is obtained. Each of the Financed Eligible Loans is expected to be acquired at a purchase price which will include a Premium. In addition, it is expected that a substantial amount of the Financed Eligible Loans to be acquired with the proceeds of the Series 2004-1 Notes will have a graduated repayment schedule. See "DESCRIPTION OF THE INDENTURE—Funds and Accounts—*Acquisition Fund*." Not more than 3% of the Financed Student Loans which are Consolidation Loans will have original principal balances at the time of purchase by the Issuer of less than $15,000; provided, however, that any Consolidation Loan which was purchased with an original principal balance of less than $15,000 at the time of purchase by the Issuer, but for which a subsequent Add-On Loan has been made and the principal balance of the Add-On Loan, when added to the original principal balance of the Consolidation Loan at the time of purchase by the Issuer, will cause the original principal balance of the Consolidation Loan to exceed $15,000 will be excluded from the 3% limit.

Except as described above, there will be no required characteristics of the Financed Eligible Loans. Therefore, the acquisition of Financed Eligible Loans from funds available for that purpose under the Indenture will cause the aggregate characteristics of the entire pool of Financed Eligible Loans, including the composition of the Financed Eligible Loans and of the borrowers thereof, the distribution by interest rate and the distribution by principal balance, to vary over time. Furthermore, the issuance of additional series of Notes and the acquisition of Financed Eligible Loans with the proceeds thereof may cause the aggregate characteristics of the pool of Financed Eligible Loans to vary still further.

The Financed Eligible Loans may have "graduated repayment characteristics." For example, the Depositor intends to offer one or more graduated repayment programs to prospective Consolidation Loan borrowers. A borrower who participates in such program may be eligible initially to make lower periodic loan payments, which might include paying only interest for a period of time. However, such a borrower would incur a greater amount of interest over the life of the loan and, at one or more further points in time, would incur an increase in his or her periodic loan payment amounts, which may adversely impact a borrower's ability to repay a Financed Eligible Loan.

Initially, the Issuer will acquire the Financed Eligible Loans from each of the Depositor and Consolidation Loan Funding, LLC pursuant to the terms of Loan Purchase Agreements between the Issuer and each of the Depositor and Consolidation Loan Funding, LLC covering Consolidation Loans being originated and funded by the Depositor and Consolidation Loan Funding, LLC, via their respective eligible lender trustees, under the Higher Education Act. Thereafter, the Issuer is expected to acquire additional Consolidation Loans or Student Loans, provided that the aggregate principal of all such Student Loans which are not Consolidation Loans does not exceed $50 million at any given time and provided further that no such Student Loans which are not Consolidation Loans may be "unsubsidized or subsidized Stafford Loans", from the Depositor and/or from other persons under Loan Purchase Agreements and, if Rating Agency Confirmation is first obtained, other Student Loans eligible to be Financed Eligible Loans.

The Depositor has offered and/or may elect in the future to offer borrower incentives (such as, without limitation, reduced payments for automatic electronic payments and on time payment history; rebates of interest and interest or principal reductions) on the Financed Eligible Loans to be acquired by the Issuer. Initially, the borrower incentives are expected to include (i) an interest rebate of 1.0% of the Student Loan principal balance after six months of on time payments and (ii) a 0.25% interest rate reduction for automatic electronic payments. These initial borrower incentives are expected to be available for borrowers whose Consolidation Loan has an interest rate of 5.0% or higher. A Rating Agency Confirmation must first be obtained before the Depositor may offer additional borrower incentives.

In the Loan Purchase Agreements, the Seller of the Financed Eligible Loans will make certain representations and warranties concerning each Student Loan being sold to the Issuer. The Seller will be required to repurchase any Financed Eligible Loan sold to the Issuer if, among other reasons (i) any representation or warranty made by the Seller proves to have been materially incorrect or (ii) the Secretary of Education or a Guarantee Agency refuses to honor all or part of a claim filed with respect to a Financed Eligible Loan on account of any circumstance or event that occurred prior to the sale of such Financed Eligible Loan to the Issuer. In respect of loans purchased by the Issuer from the Depositor, if the Depositor has acquired those loans after they were originated by other entities, the Issuer expects that the Depositor will have entered into agreements with those persons by which they make warranties and representations to the Depositor conforming to those it makes to the Issuer. However, even though the Depositor will have made the aforesaid representations and warranties to the Issuer, the Depositor is not expected to have assets other than its interest in the Issuer and its claims, if any, against persons that supplied the Depositor with loans with which to back the warranties and representations in the Loan Purchase Agreements between the Depositor and the Issuer. With respect to Consolidation Loans originated by the Depositor (via its eligible lender trustee), the only warranties and representations which the Depositor will have received in respect of those loans are the warranties and representations made by the borrowers and the Guarantee Agencies. The sale of Eligible Loans by the Depositor into the Trust Estate will be made at fair market value, which may include a premium to the Depositor.

Servicing and Due Diligence

The Issuer has covenanted in the Indenture to cause a Servicer to administer and collect all Financed Eligible Loans in accordance with all applicable requirements of the Higher Education Act, the Secretary of Education, the Indenture, and the Guarantee Agreements.

The Higher Education Act requires that the originating lender, the Eligible Lender Trustee, and their agents (including the Servicer) exercise due diligence in the making, servicing and collection of Student Loans and that a Guarantee Agency exercise due diligence in collecting loans which it holds. The Higher Education Act defines "due diligence" as requiring the holder of a student loan to utilize servicing and collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans, and requires that certain specified collection actions be taken within certain specified time periods with respect to a delinquent loan or a defaulted loan. The Guarantee Agencies have established procedures and standards for due diligence to be exercised by each Servicer and by lenders (including the Eligible Lender Trustee) which hold loans that are guaranteed by the respective Guarantee Agencies. The Eligible Lender Trustee, the Lender or a Guarantee Agency may not relieve itself of its responsibility for meeting these standards by delegation to any servicing agent. Accordingly, if the originating lender or the Servicer fails to meet any such standards, the Issuer's ability to realize the benefits of guarantee payments (and, with respect to Student Loans eligible for such payments, Interest Subsidy

Payments and Special Allowance Payments) may be adversely affected. If a Guarantee Agency fails to meet such standards with respect to Student Loans, that Guarantee Agency's ability to realize the benefits of federal reinsurance payments may be adversely affected.

However, the Servicing Agreements provide that the Servicer will indemnify the Issuer for certain amounts if, as a result of the activities of the Servicer a Financed Eligible Loan is denied guarantee payments by a Guarantee Agency or Interest Subsidy Payments or Special Allowance Payments.

The initial Servicers of the Financed Eligible Loans originated by the Depositor (through its eligible lender trustee) are Great Lakes Educational Loan Services, Inc. or ACS Education Services, Inc. Eligible Loans to be acquired with proceeds of the Notes may be serviced by one or more other servicers after receipt of a Rating Agency Confirmation.

SERVICING OF FINANCED ELIGIBLE LOANS

The Servicers are required under the Higher Education Act, the rules and regulations of the Guarantee Agencies and the Indenture to use due diligence in the servicing and collection of the Financed Eligible Loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt. The Issuer has entered into Servicing Agreements with Great Lakes Educational Loan Services, Inc. ("GLELSI") (the "Great Lakes Servicing Agreement") and ACS Education Services, Inc. ("ACS-ES") (the "ACS-ES Servicing Agreement").

The Issuer may enter into servicing agreements with other servicers, including, without limitation, CFS-SunTech Servicing LLC, Inc., for the servicing of the Financed Student Loans to be acquired with proceeds of the Notes.

Pursuant to the Great Lakes Servicing Agreement, GLELSI agrees to provide all customary post-origination student loan servicing activities with respect to student loans under the Higher Education Act which are owned by or on behalf of the Issuer, which are guaranteed by Great Lakes Higher Education Guaranty Corporation and which are submitted to GLELSI by the Issuer and accepted by GLELSI for servicing. Such services generally include completing all forms and reports required by the Department of Education and by the Guarantee Agency, accrual and capitalization of interest on those loans not eligible for interest subsidy under the Higher Education Act, verifying the current status of all borrowers, addressing borrower inquiries, collecting principal, interest and fees owed by the borrowers, providing certain reports of its activities and the loan portfolios serviced by GLELSI, complying with all collection procedures required by the Higher Education Act, and preparing and submitting all documentation necessary to comply with the Guarantee Agency's reimbursement procedures. The Servicing Agreement may be terminated only at the end of a calendar quarter, and only if written notice is given (i) by the Issuer to GLELSI at least 30 days prior to the end of the calendar quarter, or (ii) by GLELSI to the Issuer at least 180 days prior to the end of the calendar quarter. The Great Lakes Servicing Agreement may be amended by GLELSI upon 30 days written notice to the Issuer, provided that the provisions of the Great Lakes Servicing Agreement shall at all times be consistent with the Higher Education Act and applicable regulations. In the event of any such modification by GLELSI, the Issuer has 30 days in which to accept or reject the modification by written notice.

Pursuant to the ACS-ES Servicing Agreement, and with respect to Student Loans originated by ACS-ES for the Depositor, ACS-ES agrees to perform all services and duties customary to the servicing of student loans in accordance with generally established procedures and industry standards and practices until each account is paid in full or deconverted from ACS-ES's servicing system in accordance with the ACS-ES Servicing Agreement. Generally, these services and duties include; loan conversion and note examination, borrower relations including, disclosure letters, billing notification, responding to borrower inquiries, and skip tracing procedures, reporting to the Issuer, and related loan servicing activities which may include servicing activities required by the Higher Education Act or Guarantee Agency regulations. ACS-ES agrees to perform its services and duties in material compliance with (i) the Higher Education Act, (ii) the applicable manual of policies and procedures to be followed under the guarantee program operated by applicable Guarantee Agency of the loans serviced by ACS-ES as well as all supplements and amendments thereto, (iii) the applicable contract of insurance or guarantee, and (iv) any other laws and regulations governing the servicing of the loans. ACS-ES will (i) establish and maintain records received by

ACS-ES with respect to each account and complete records of ACS-ES's servicing of the account from the date such servicing commenced, (ii) maintain possession of original promissory notes, loan applications and other required supplements, (iii) otherwise commence servicing the accounts relating to such loan documents, and (iv) microfilm or otherwise reproduce the promissory notes, loan applications, and other required supplements and cause such reproductions to be stored.

The Servicers

The following descriptions have been provided by the entities being referred to. The Issuer has not independently verified this information.

Great Lakes Educational Loan Services, Inc., ("GLELSI") acts as a loan servicing agent for the Issuer. GLELSI is a wholly owned subsidiary of Great Lakes Higher Education Corporation ("GLHEC"), a Wisconsin nonstock, nonprofit corporation. The primary operations center for GLHEC and its affiliates (including GLELSI) is in Madison, Wisconsin, which includes the data processing center and operational staff offices for both guarantee support services provided by GLELSI to GLHEC and affiliates and third-party guaranty agencies and lender servicing and origination functions. GLHEC and affiliates also maintain regional offices in Columbus, Ohio and St. Paul, Minnesota and customer support staff located nationally.

As of January 31, 2004, GLELSI serviced 1,464,130 student and parental accounts with an outstanding balance of $18.5 billion for over 1,200 lenders nationwide. As of January 31, 2004, 63% of the portfolio serviced by GLELSI was in repayment status, 4% was in grace status and the remaining 33% was in interim status. GLELSI will provide a copy of GLHEC's most recent consolidated financial statements on receipt of a written request directed to 2401 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

ACS Education Services, Inc. ACS Education Services, Inc. ("ACS-ES") acts as a loan servicing agent for the Issuer. ACS-ES is a for-profit Delaware corporation and a wholly-owned subsidiary of Affiliated Computer Services, Inc. ("ACSI"). Headquartered in Dallas, Texas, ACSI is a Fortune 1000 company providing business process and technology outsourcing solutions to world-class commercial and government clients. ACSI's Class A common stock trades on the New York Stock Exchange under the symbol "ACS". As of December 2003, ACS-ES provided loan servicing for approximately $97 billion in student and parental loans, including approximately $78 billion in Federal Direct Student Loans under contract with the U.S. Department of Education. ACS-ES has its headquarters at One World Trade Center, Suite 2200, Long Beach, California 90831, and has regional processing centers in Long Beach and Bakersfield, California; Utica, New York; and Lombard, Illinois.

The Issuer may eventually enter into servicing agreements with one or more other servicers, including, without limitation, CFS-SunTech Servicing LLC. Such servicing agreements will be in accordance with the Higher Education Act and the Issuer is required to obtain a Rating Agency Confirmation with respect to such servicing agreements.

CFS-SunTech Servicing, LLC. Collegiate Funding Services, L.L.C. ("CFS") purchased substantially all of the assets of SunTech, Inc. ("SunTech") on April 15, 2003. CFS assigned its interests in the assets purchased, including the servicing of student loans to CFS-SunTech Servicing LLC ("CFS-ST"), a Delaware limited liability company. Almost all of the staff of SunTech was retained by CFS-ST. SunTech had been servicing guaranteed student loans since 1990 in accordance with the requirements of the Higher Education Act. As of June 30, 2003, CFS-ST serviced approximately 565,000 guaranteed student loans with an outstanding principal balance of approximately $7 billion. CFS-ST employs about 220 people in the greater Jackson, Mississippi area.

DESCRIPTION OF THE FFEL PROGRAM

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

The Higher Education Act has been subject to frequent amendments, including several amendments that have changed the terms of and eligibility requirements for the FFELP Loans. Generally, this Offering Memorandum describes only the provisions of the Federal Family Education Loan Program that apply to loans made on or after July 1, 1998. The following summary of the Federal Family Education Loan Program as established by the Higher Education Act does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.

Federal Family Education Loans

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

Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (i) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution, (ii) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution, (iii) has agreed to notify promptly the holder of the loan of any address change, and (iv) meets the applicable "need" requirements. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. With certain exceptions, an institution with a cohort (composite) default rate that is higher than certain specified thresholds in the Higher Education Act is not an eligible institution.

Subsidized Stafford Loans

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

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

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

assurance that further amendment to such provisions will not materially affect the availability of Subsidized Stafford Loan funding to borrowers or the availability of Subsidized Stafford Loans for secondary market acquisition.

Unsubsidized Stafford Loans

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

PLUS Loan Program

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

The FFELP Consolidation Loan Program

The Higher Education Act authorizes a program under which certain borrowers may consolidate their various student loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. FFELP Consolidation Loans ("Consolidation Loans") may be made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured student loans incurred under and pursuant to the Federal Family Education Loan Program (other than PLUS Loans made to "parent borrowers") selected by the borrower, as well as loans made pursuant to the Perkins (formally "National Direct Student Loan") Loan Program, the Health Professional Student Loan Programs and the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"). The borrowers may be either in repayment status or in a grace period preceding repayment. Delinquent or defaulted borrowers are eligible to obtain Consolidation Loans if they agree to re-enter repayment through loan consolidation. Borrowers may add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. Further, a married couple who agrees to be jointly and severally liable is to be treated as one borrower for purposes of loan consolidation eligibility. A Consolidation Loan will be federally insured or reinsured only if such loan is made in compliance with requirements of the Higher Education Act.

In the event that a borrower is unable to obtain a FFELP Consolidation Loan with income sensitive repayment terms acceptable to the borrower from the holders of the borrower's outstanding loans (that are selected for consolidation), or from any other eligible lender, the Higher Education Act authorizes the Secretary of Education to offer the borrower a Direct Consolidation Loan with income contingent terms under the Direct Loan Program. Such Direct Consolidation Loans shall be repaid either pursuant to income contingent repayment or any other repayment provision under the authorizing section of the Higher Education Act. The Direct Loan Program differs from FFELP in several respects, including that funds for origination of the loans come directly from the Department of Education rather than from private lenders, the loans are serviced by the Department of Education rather than by private servicers, loan funds are raised by the federal government through its regular Treasury bill auctions, and the loans may have more flexible repayment options, and a simplified borrowing process. There are three categories of Direct Consolidation Loans: Direct Subsidized Consolidation Loans are for subsidized federal student loans; Direct Unsubsidized Consolidation Loans are for unsubsidized federal student loans; and Direct PLUS Consolidation Loans are for federal parent loans.

Certain Key Differences Between Federal Consolidation Loans and Other Federal Student Loans

Two principal differences between federal Consolidation Loans and the federal student loans being consolidated are: maturity and interest rates. Other than FFELP Consolidation Loans and Direct Consolidation Loans that may be consolidated into FFELP Consolidation Loans, federal Consolidation Loans can in general be of significantly longer maturity than the federal student loans being consolidated and federal Consolidation Loans have fixed interest rates, whereas the federal student loans being consolidated almost always have variable interest rates. The net effect of these differences often allows a borrower to reduce his or her monthly payments and to convert them into a consistent monthly obligation by taking advantage of the longer period for payment until maturity and the fixed interest rate. In doing so, the borrower will generally incur a substantially greater aggregate interest cost over the life of the loan, if the borrower uses the entire maturity period to pay off the consolidation loan.

Interest Rates

Subsidized and Unsubsidized Stafford Loans made between October 1, 1998 and July 1, 2006 under the Federal Family Education Loan Program, and on or after July 1, 1998 under the Direct Loan Program which are in in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.7 percent, with a maximum rate of 8.25 percent. Subsidized Stafford Loans and Unsubsidized Stafford Loans made in all other periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.3 percent, with a maximum rate of 8.25 percent. The rate is adjusted annually on July 1. PLUS Loans bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.1 percent, with a maximum rate of 9 percent. After July 1, 2001 interest on Direct Loan Program PLUS Loans is equal to the weekly average 1-year constant maturity Treasury yield for the last calendar week ending on or before June 26 plus 3.1 percent, with a maximum rate of 9 percent. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998 and prior to July 1, 2003, bear interest at a rate equal to the weighted average of the loans consolidated, rounded to the nearest higher one-eighth of one percent, with a maximum rate of 8.25 percent. Interest rates are fixed on federal Direct Consolidation Loans for which the Department of Education receives applications on or after February 1, 1999. The rate is the lesser of the weighted average of the interest rates of the loans that the borrower is consolidating, rounded up to the nearest one-eighth of one percent, or 8.25%. Federal Direct Consolidation Loans disbursed before February 1, 1999 have a variable interest rate which is calculated annually on June 1 by adding a certain percentage to the bond equivalent rate of Treasury bills auctioned at the final auction before June 1. FFELP Consolidation Loan applications received on or after July 1, 2003 bear interest at a rate equal to the weighted average of the interest rates on the loans being consolidated, rounded upward to the nearest higher 1%.

The Higher Education Act currently provides that for Subsidized and Unsubsidized Stafford Loans made on or after July 1, 2006, the interest rate will be equal to 6.8% per annum and for PLUS loans made after July 1, 2006, the interest rate will be equal to 7.9% per annum.

Loan Limits

The Higher Education Act requires that Subsidized and Unsubsidized Stafford Loans made to cover multiple enrollment periods, such as a semester, trimester or quarter be disbursed by eligible lenders in at least two separate disbursements. A Stafford Loan borrower may receive a subsidized loan, an unsubsidized loan, or a combination of both for an academic period. Generally, the maximum amount of a Stafford Loan for an academic year cannot exceed $2,625 for the first year of undergraduate study, $3,500 for the second year of undergraduate study and $5,500 for the remainder of undergraduate study. The aggregate limit for undergraduate study is $23,000 (excluding PLUS Loans). Independent undergraduate students may receive an additional Unsubsidized Stafford Loan of up to $4,000 per academic year, with an aggregate maximum of $46,000. The maximum amount of the loans for an academic year for graduate students is $8,500, and independent students may borrow an additional Unsubsidized Stafford Loan up to $10,000 per academic year. The Secretary of Education has discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study. For example, certain medical students may now borrow up to $46,000 per academic year, with a maximum aggregate limit of $189,125.

The total amount of all PLUS Loans that parents may borrow on behalf of each dependent student for any academic year may not exceed the student's cost of attendance minus other estimated financial assistance for that student.

Repayment

Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins not more than six months after the borrower ceases to pursue at least a half-time course of study (the six month period is the "Grace Period"). Grace Periods may be waived by borrowers. Repayment of interest on an Unsubsidized Stafford Loan begins immediately upon disbursement of the loan, however the lender may capitalize the interest until repayment of principal is scheduled to begin. Except for certain borrowers as described below, each loan generally must be scheduled for repayment over a period of not more than ten years after the commencement of repayment. The Higher Education Act currently requires minimum annual payments of $600, including principal and interest, unless the borrower and the lender agree to lesser payments; in instances in which a borrower and spouse both have such loans outstanding, the total combined payments for such a couple may not be less than $600 per year. Regulations of the Secretary of Education require lenders to offer standard, graduated or income-sensitive repayment schedules to borrowers. Use of income sensitive repayment plans may extend the ten-year maximum term for up to five years.

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed. Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program.

Consolidation Loans enter repayment on the date the loan is disbursed. The first payment is due within 60 days after that date. Consolidation Loans must be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the Principal Amount of the borrower's outstanding student loans. The following restrictions apply to the length of repayment.

- Loans less than $7,500 must be repaid within 10 years.
- Loans equal to or greater than $7,500 but less than $10,000 must be repaid within 12 years.
- Loans equal to or greater than $10,000 but less than $20,000 must be repaid within 15 years.
- Loans equal to or greater than $20,000 but less than $40,000 must be repaid within 20 years.
- Loans equal to or greater than $40,000 but less than $60,000 must be repaid within 25 years.
- Loans equal to or greater than $60,000 must be repaid within 30 years.

The repayment schedule established with respect to a consolidation loan shall require that the minimum installment payment be an amount equal to not less than the accrued unpaid interest. Repayment shall commence within 60 days after all holders have discharged the liability of the borrower on the loans selected for consolidation. No insurance premium may be charged to the borrower.

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

Deferment and Forbearance Periods. No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest accrues and must be paid. Generally, Deferment Periods include periods (a) when the borrower has returned to an eligible educational institution on a

half-time basis or is pursuing studies pursuant to an approved graduate fellowship or rehabilitation training program, (b) not exceeding three years while the borrower is seeking and unable to find full-time employment, and (c) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which Forbearance is mandatory. Mandatory Forbearance periods exist when the borrower is impacted by a national emergency, military mobilization, or when the geographical area in which the borrower resides or works is declared a disaster area by certain officials. Other mandatory periods include periods during which the borrower is (a) participating in a medical or dental residency and is not eligible for deferment; (b) serving in a qualified medical or dental internship program or certain national service programs; or (c) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, Forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Interest Subsidy Payments

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

Special Allowance Payments

The Higher Education Act provides for Special Allowance Payments to be made by the Secretary of Education to eligible lenders. The rates for Special Allowance Payments are based on formulae that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.5%. The Special Allowance Payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

Subject to the foregoing, the formulae for special allowance payment rates for Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The term "T-Bill" as used in this table and the following table, means the average 91-day Treasury bill rate calculated as a "bond equivalent rate" in the manner applied by the Secretary of Education as referred to in Section 438 of the Higher Education Act. The term "3 Month Commercial Paper Rate" means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper rates reported in the Federal Reserve's Statistical Release H-15.

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.1%(1)
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.8%(2)
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34%(3)

Substitute 2.5% in this formula while such loans are in the in-school or grace period.
Substitute 2.2% in this formula while such loans are in the in-school or grace period.
Substitute 1.74% in this formula while such loans are in the in-school or grace period.

The formula for Special Allowance Payment rates for PLUS and Consolidation Loans are as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.64%

Special Allowance Payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary of Education offsets Interest Subsidy Payments and Special Allowance Payments by the amount of Origination Fees and Lender Loan Fees described in the following section.

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

Loan Fees

Insurance Premium. A Guarantee Agency is authorized to charge a premium, or guarantee fee, of up to 1% of the principal amount of the loan, which may be deducted proportionately from each installment of the loan. Generally, Guarantee Agencies have waived this fee since 1999.

Origination Fee. The lender is required to pay to the Secretary of Education an origination fee equal to 3% of the principal amount of each Subsidized and Unsubsidized Stafford and PLUS Loan. The lender may charge these fees to the borrower by deducting them proportionately from each disbursement of the loan proceeds.

Lender Loan Fee. The lender of any FFELP Loan, which includes Consolidation Loans, is required to pay to the Secretary of Education an additional origination fee equal to 0.5% of the principal amount of the loan.

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

Rebate Fee on Consolidation Loans. In addition, the holder of any Consolidation Loan is required to pay to the Secretary of Education a monthly fee equal to .0875% (1.05% per annum) of the principal amount of plus accrued interest on the loan.

Legislative and Administrative Matters

Certain Recent Developments. The recent release of President Bush's Fiscal Year 2005 budget submission included a number of Higher Education Act reauthorization proposals for student loan programs. The student loan reauthorization proposals would:

- eliminate the scheduled change to a fixed interest rate of 6.8 percent for Stafford loans and maintain the current variable interest rate formula;
- eliminate the "refinancing" capacity for 9.5 floor/half SAP loans;
- require guaranty agencies to collect the 1 percent insurance premium on all loans guaranteed or disbursed after October 1, 2004;
- increase loans limits for first-year students to $3,000;
- standardize extended repayment terms between FFELP and Direct Loans;

- increase loan forgiveness for mathematics, science, and special education teachers serving poor communities, and

- combine all student aid administrative funding under Section 458 of the Higher Education Act into a discretionary Student Aid Administrative Account.

The budget also contains a reserve fund of $3 billion for unspecified further student benefits which could include reduced student fees, default prevention activities, or additional loan limit increases.

INSURANCE AND GUARANTEES

A Student Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments. If the loan is guaranteed by a guarantor in accordance with the provisions of the Higher Education Act, the guarantor is to pay the holder a percentage of such amount of the loss subject to reduction as described in the following paragraphs within 90 days of notification of such default.

Federal Insurance

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

Guarantees

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

Guarantee Agreements. Pursuant to the Guarantee Agreements, the Secretary of Education is to reimburse a guarantor for the amounts expended in connection with a claim resulting from the death, bankruptcy or total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure, borrowers whose borrowing eligibility was falsely certified by the eligible institution, or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a guarantor's claims rate experience for federal reimbursement purposes. Generally, educational loans are non-dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary of Education is to reimburse a guarantor for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below.

The Secretary of Education may terminate Guarantee Agreements if the Secretary of Education determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such agreements, the Secretary of Education is authorized to provide the guarantor with additional advance funds with such restrictions on the use of such funds as is determined

appropriate by the Secretary of Education, in order to meet the immediate cash needs of the guarantor, ensure the uninterrupted payment of claims, or ensure that the guarantor will make loans as the lender-of-last-resort.

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

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

CLAIMS RATE	GUARANTOR REINSURANCE RATE FOR LOANS MADE PRIOR TO OCTOBER 1, 1993 [1]	GUARANTOR REINSURANCE RATE FOR LOANS MADE BETWEEN OCTOBER 1, 1993 AND SEPTEMBER 30, 1998[1]	GUARANTOR REINSURANCE RATE FOR LOANS MADE ON OR AFTER OCTOBER 1, 1998
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%, 85% of claims 5% up to 9%; 75% of claims 9% and over

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

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

Under the Guarantee Agreements, if a payment on a Federal Family Education Loan guaranteed by a guarantor is received after reimbursement by the Secretary of Education, the Secretary of Education is entitled to receive an equitable share of the payment. Guarantor retentions remaining after payment of the Secretary of Education's equitable share on such collections on consolidations of defaulted loans were reduced to 18.5% from 27% effective July 1, 1997 and for other loans were reduced from 27% to 24% (23% effective October 1, 2003).

[1] Other than student loans made pursuant to the lender-of-last resort program or student loans transferred by an insolvent guarantor as to which the amount of reinsurance is equal to 100%.

Lender Agreements. Pursuant to most typical agreements for guarantee between a guarantor and the originator of the loan, any eligible holder of a loan insured by such a Guarantor is entitled to reimbursement from such guarantor of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability or bankruptcy of the student borrower at the rate of 100% of such loss (or, subject to certain limitations, 98% for loans in default made on or after October 1, 1993). Guarantors generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable guarantor in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable guarantor all right accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a guarantor from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

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

Guarantee Agency Reserves

Each Guarantee Agency is required to establish a Federal Student Loan Reserve Fund (the "Federal Fund") which, together with any earnings thereon, are deemed to be property of the United States. Each Guarantor is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary of Education, default collections, insurance premiums, 70% of payments received as administrative cost allowance and other receipts as specified in regulations. A guarantor is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund (described below) at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A guarantor is also required to establish an operating fund (the "Operating Fund") which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the guarantor. A guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.65% of the total principal amount of loans insured during the fiscal year, 30% of payments received after October 7, 1998 for the administrative cost allowance for loans insured prior to that date and the 24% retention of collections on defaulted loans and other receipts as specified in regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, compliance monitoring, and other student financial aid related activities.

The Higher Education Act required the Secretary of Education to recall $1 billion in federal reserve funds from guarantors on September 1, 2002. Each guarantor was required to transfer its equitable share of the $1 billion to a restricted account. Each guarantor must transfer its required share to the restricted account in equal annual installments for each of the five federal fiscal years 1998 through 2002. However, a guarantor with a reserve ratio equal to or less than 1.1% as of September 30, 1996 may transfer its required share to the restricted account in four equal annual installments beginning in federal fiscal year 1999. The guarantor's required reserve ratio has been reduced from 1.1% to .5%.

The Higher Education Act provides for an additional recall of reserves from each Federal Fund, but also provides for certain minimum reserve levels which are protected from recall. The Secretary of Education is authorized to enter into voluntary, flexible agreements with guarantors under which various statutory and regulatory provisions can be waived. In addition, under the Higher Education Act, the Secretary of Education is prohibited

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

GUARANTEE AGENCIES

Information Relating to the Guarantee Agencies

The payment of principal and interest on all of the Student Loans will be guaranteed by designated Guarantee Agencies and will be reinsured by the Secretary of Education. In general, the guarantee provided by each Guarantee Agency is an obligation solely of that Guarantee Agency and is not supported by the full faith and credit of the federal or any state government. However, the Higher Education Act provides that if the Secretary of Education determines a Guarantee Agency is unable to meet its insurance obligations, the Secretary of Education shall assume responsibility for all functions of the Guarantee Agency under its loan insurance program. For further information on the Secretary of Education's authority in the event a Guarantee Agency is unable to meet its insurance obligations see "Description of the FFEL Program" and "Insurance and Guarantees" herein.

As of the date hereof, the Issuer has identified only a portion of the Eligible Loans to be acquired with the proceeds of the Series 2004-1 Notes. However, the Issuer expects that substantially all of the Eligible Loans it acquires with the proceeds of the Series 2004-1 Notes will be guaranteed through Great Lakes Higher Education Guaranty Corporation, a nonprofit Wisconsin corporation ("GLHEGC"), or Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance ("ASA").

Presented below is information with respect to GLHEGC and ASA. Except as otherwise indicated, the information regarding GLHEGC has been obtained from GLHEGC and the information regarding ASA has been provided by ASA. The Issuer has not independently verified this information.

GLHEGC

GLHEGC is a Wisconsin nonstock, nonprofit corporation the sole member of which is Great Lakes Higher Education Corporation ("GLHEC"). GLHEGC's predecessor organization, GLHEC, was organized as a Wisconsin nonstock, nonprofit corporation and began guaranteeing student loans under the Higher Education Act in 1967. GLHEGC is the designated guarantee agency under the Higher Education Act for Wisconsin, Minnesota, Ohio, Puerto Rico and the Virgin Islands. On January 1, 2002, GLHEC (and GLHEGC directly and through its support services agreement with GLHEC), transferred the majority of their student loan program guaranty support operations and personnel to Great Lakes Educational Loan Services, Inc. ("GLELSI") a wholly owned subsidiary of GLHEC. GLHEGC continues as the "guaranty agency" as defined in Section 435(j) of the Higher Education Act and continues its default aversion, claim purchase and compliance, collection support and federal reporting responsibilities as well as custody and responsibility for all revenues, expenses and assets related to that status. GLHEGC (through its support services agreement with GLHEC) also performs oversight of all student loan program guaranty support operations transferred to GLELSI and supportive of GLHEGC's "guaranty agency" responsibilities. The primary operations center for GLHEC and its affiliates (including GLHEGC and GLELSI) is in Madison, Wisconsin, which includes the data processing center and operational staff offices for both guaranty and servicing functions. GLHEC and affiliates also maintain regional offices in Columbus, Ohio and St. Paul, Minnesota and customer support staff located nationally. GLHEGC will provide a copy of GLHEC's most recent consolidated financial statements on receipt of a written request directed to 2401 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

GLHEGC has entered into a voluntary flexible agreement with the U.S. Department of Education pursuant to the 1998 Reauthorization Amendments. Under GLHEGC's agreement, which commenced October 1, 2000 and is currently effective through September 30, 2004, GLHEGC's revenues are tied directly to default aversion performance. Certain sources of GLHEGC's Operating Fund revenues are replaced by a single fee-for-service funding source tied directly to the percentage of delinquent loans that do not default during the measurement period. In lieu of statutory collection retention amounts, the U.S. Department of Education reimburses GLHEGC only for its actual post-default collection related expenses. This agreement also calls for GLHEGC to escrow the liquid assets of GLHEGC's Federal Fund for the benefit of the U.S. Department of Education. GLHEGC may also engage in negotiations with lenders to define whether the lender or GLHEGC will complete each of the due diligence requirements. Finally, this agreement allows GLHEGC to pilot a new approach to the claims review process, under which GLHEGC develops and implements with willing lenders and servicers a post-claim random sampling process that replaces the current claim-by-claim process. The GLHEGC agreement is automatically renewed for one-year effective periods, unless terminated 90 days prior to the end of an effective period (a pending amendment would make the agreement subject to termination by either party on ninety (90) days notice).

The information in the following tables has been provided to the Issuer from reports provided by or to the U.S. Department of Education and has not been verified by the Issuer, GLHEGC or the initial purchasers. No representation is made by the Issuer, GLHEGC or the initial purchasers as to the accuracy or completeness of this information. Prospective investors may consult the United States Department of Education Data Books and Web site http://www.ed.gov/finaid/prof/resources/data/opeloanvol.html for further information concerning GLHEGC or any other guarantee agency.

Guarantee Volume. GLHEGC's guaranty volume for each of the last five federal fiscal years, including Stafford, Unsubsidized Stafford, SLS, PLUS and Consolidation loan volume was as follows:

Federal Fiscal Year	Guaranty Volume (millions)
1999	$1,736.0
2000	$2,141.9
2001	$2,246.7
2002	$4,473.1
2003	$8,721.3

Reserve Ratio. Following are GLHEGC's reserve fund levels as calculated in accordance with 34 CFR 682.410(a)(10) for the last five federal fiscal years:

Federal Fiscal Year	Cumulative Cash Reserves (millions)	Total Loans Outstanding* (millions)	Federal Guaranty Reserve Fund Level
1999	$124.5	$4,885	2.55
2000	$116.5	$5,495	2.12
2001	$116.4	$5,494	2.12
2002	$138.0	$7,408	1.86
2003	$158.0	$12,618	1.25

* In accordance with Section 428(c)(9) of the Higher Education Act, does not include loans transferred from the former Higher Education Assistance Foundation, NorthStar Guarantee Inc., Ohio Student Aid Commission or Puerto Rico Higher Education Assistance Corporation. (Beginning in FFY 1999, under the Higher Education Act, the federal guaranty reserve fund balance is based on net assets with a reserve requirement of .25% as compared to .50% for prior years.)

Claims Rate. For the past five federal fiscal years, GLHEGC's claims rate has not exceeded 5%, and, as a result, the highest allowance reinsurance has been paid on all GLHEGC's claims. The actual claims rates are as follows:

Fiscal Year	Claims Rate
1999	%1.28
2000	%1.17
2001	%1.46
2002	%1.06
2003	%1.27

AMERICAN STUDENT ASSISTANCE

The Massachusetts Higher Education Assistance Corporation d/b/a American Student Assistance ("ASA"), a Massachusetts not-for-profit corporation organized in 1956, headquartered in Boston, Massachusetts, will guarantee a portion of the Financed Student Loans. ASA is one of the oldest and largest guaranty agencies in the United States, and is the designated guarantor for the Commonwealth of Massachusetts and the District of Columbia. Since 1956, ASA has been a leading provider of higher education financing products and services to students, parents, schools and lenders across the country, guaranteeing more than $13 billion in loans. Originally created by the General Court of the Commonwealth of Massachusetts as the Massachusetts Higher Education Assistance Corporation, ASA currently acts on behalf of the U.S. Department of Education to ensure that the public policy purposes and regulatory requirements of the FFEL Program are met. ASA employed 460 individuals as of January 1, 2004 as its principal offices located at 330 Stuart Street, Boston, MA 02116.

Guaranty Volume. The following table sets forth the principal balance of FFELP Loans (excluding Consolidation Loans) guaranteed by ASA in each of the last six ASA fiscal years:

ASA Fiscal Year (Ending June 30)	Net FFELP Loans Guaranteed by ASA (Dollars in Millions)
1997	$639
1998	$645
1999	$656
2000	$683
2001	$680
2002	$779
2003	$914

Under the Higher Education Act, ASA and the U.S. Secretary of Education as of January 1, 2001 entered into a voluntary flexible agreement ("VFA"). Under the VFA, ASA returned its reserve funds that would otherwise have made up its Federal Reserve Fund through an escrow account in the name of the Department of Education. In the event a loan defaults, ASA receives funding from the Department of Education to act as a disbursing agent. The guarantee is, therefore, no longer limited by the funds on deposit in a federal reserve fund. Because ASA holds no federal reserve fund, the concept of a Reserve Ratio is irrelevant. The VFA establishes a "fee for service" model under which ASA is rewarded through the payment of a portfolio maintenance fee or maintaining a healthy portfolio of loans in good standing. The agency is doubly incented to keep the loans in good standing and to work with borrowers to prevent default because the portfolio maintenance fee increases as ASA's trigger default rate improves over the national trigger default rate. ASA's efforts to prevent default are a part of its "Wellness" program of outreach to borrowers from the inception of the loan to educate them on their responsibilities and assist them in making repayment.

Recovery Rates. A Guarantee Agency's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined by dividing the aggregate amount recovered from borrowers by the aggregate amount of default claims paid by the Guarantee Agency. The table below sets forth the recovery rates for ASA as taken from the Department of Education Guarantee Agency Activity Report form 1130:

Federal Fiscal Year	Recovery Rate
1997	42.7%
1998	49.0%
1999	56.4%
2000	77.7%
2001	61.1%
2002	63.8%
2003	67.8%

Claims Rate. ASA's claims rate represents the percentage of loans in repayment at the beginning of a federal fiscal year which default during the ensuing federal fiscal year. For the federal years 1997-2001, ASA's claims rate listed below have not exceeded 5%, and as a result, all claims of ASA have been fully reimbursed at the maximum allowable level by the Department of Education. See "Description of the FFEL Program" herein for more detailed information concerning the FFELP program. Nevertheless, there can be no assurance the Guarantee Agencies will continue to receive full reimbursement for such claims. The following table sets forth the claims rate of ASA for the last six federal fiscal years:

Federal Fiscal Year	Claims Rate
1997	3.5%
1998	2.8%
1999	1.6%
2000	1.0%
2001	1.3%
2002	1.2%
2003	.92%

Net Loan Default Claims. The following table sets forth the dollar value of Default Claims paid net of repurchases and refunds for the last six years.

Federal Fiscal Year	Default Claims (Dollars in Millions)
1997	$140
1998	$122
1999	$82
2000	$53
2001	$64
2002	$72
2003	$80

Default Recoveries. The following table sets forth the amount of recoveries returned to the U.S. Department of Education for the last six years.

Federal Fiscal Year	Default Claims (Dollars in Millions)
1997	$68
1998	$73
1999	$76
2000	$92
2001	$82
2002	$86
2003	$79

DESCRIPTION OF THE SERIES 2004-1 NOTES

General Terms of the Series 2004-1 Notes

The Series 2004-1 Notes will be issued pursuant to the Indenture and the First Supplemental Indenture. The issuance of each series of the Series 2004-1 Notes is subject to the satisfaction of certain conditions precedent as set forth in the First Supplemental Indenture. The Series 2004-1 Notes will each be dated as of their respective Closing Date and, subject to redemption pursuant to the provisions referred to below, will mature on January 1, 2044. The Series 2004-1 Notes will bear interest, payable on the Business Day following the expiration of each Auction Period, at rates determined as described below under "—Interest Rate on the Series 2004-1 Notes." The Series 2004-1 Notes will be issued in fully registered form, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2004-1 Notes. Individual purchases of the Series 2004-1 Notes will be made in book-entry form only in the principal amount of $50,000 or integral multiples thereof. Purchasers of the Series 2004-1 Notes will not receive certificates representing their interest in the Series 2004-1 Notes purchased. See "—Book-Entry-Only System."

Interest Rate on the Series 2004-1 Notes

The Series 2004-1 Notes of each series will bear interest to the respective Initial Interest Rate Adjustment Dates at the initial rates established in the Indenture or, with respect to any Series 2004-1 Notes with a Closing Date other than March 5, 2004, as provided in an Issuer Order. Thereafter, the Series 2004-1 Notes will bear interest at the Applicable Interest Rate for the number of days of the applicable Interest Period generally consisting of 28 days, subject, in each case, to adjustment as described in "Auction of the Series 2004-1 Notes—Changes in Auction Terms—Changes in Auction Period or Periods."

Interest on each series of the Series 2004-1 Notes will be paid on the Business Day following each Auction Period for such series. For each series of the Series 2004-1 Notes during the Initial Interest Period and each Auction Period thereafter, interest will accrue daily and will be computed for the actual number of days elapsed on the basis of a year consisting of 365 days, except that, for any leap year, such calculation shall be computed on the basis of a 366 day year.

The Applicable Interest Rate to be borne by each series of the Series 2004-1 Notes will be determined for each Auction Period as hereinafter described. The Auction Period that immediately follows the Initial Interest Period for a series of the Series 2004-1 Notes will commence on and include the Initial Interest Rate Adjustment Date for that series. Each Auction Period thereafter (i) will commence on and include the first Business Day following the applicable Series Auction Date, and end on (and include) the next applicable Series Auction Date (unless such date is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) and (ii) if the Auction Periods are changed as provided in the First Supplemental Indenture, each period commencing on an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date. By way of example, if an Auction Period ordinarily would end on a Tuesday, but the following Wednesday is not a Business Day, the Auction Period will end on that Wednesday and the new Interest Period will begin on Thursday.

The Applicable Interest Rate on each series of the Series 2004-1 Notes for each Auction Period will be the least of (i) the Maximum Auction Rate in effect for such Auction Period, (ii) the Auction Rate in effect for such Auction Period as determined in accordance with the Auction Procedures described in "Auction of the Series 2004-1 Notes," (iii) during a Net Loan Rate Restriction Period, the Net Loan Rate, and (iv) 17% per annum (or such higher rate as the Issuer may establish with a Rating Agency Confirmation) or such lesser rate as permitted by the applicable law (the "Maximum Interest Rate"); provided that subject to the following paragraph, if, on any Interest Rate Determination Date, an Auction is not held with respect to a series of the Series 2004-1 Notes for any reason, then the Auction Rate on such series for the next succeeding Auction Period shall be the Maximum Rate.

Notwithstanding the preceding paragraph, if an Auction is scheduled to occur for the next Interest Period on a date that was reasonably expected to be a Business Day, but that Auction does not occur because that date is later not considered to be a Business Day, the Auction shall nevertheless be deemed to have occurred. The

applicable Auction Rate in effect for the next Interest Period will be the Auction Rate in effect for the preceding Interest Period and that Interest Period will generally be 28 days in duration, beginning on the calendar day following the date of the deemed Auction and ending on (and including) the next applicable Series Auction Date (unless that Series Auction Date is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day). If the preceding Interest Period was other than generally 28 days in duration, the Auction Rate for the deemed Auction will instead be the rate of interest determined by the Market Agent on equivalently rated auction securities with a comparable length of auction period.

Notwithstanding the foregoing:

- if the ownership of a series of the Series 2004-1 Notes is no longer maintained in Book-Entry Form, the Auction Rate on the Series 2004-1 Notes of such series for any Interest Period commencing after the delivery of certificates representing the Series 2004-1 Notes of such series will equal the Maximum Rate on the Business Day immediately preceding the first day of such subsequent Interest Period; or

- if a Payment Default has occurred with respect to a series of the Series 2004-1 Notes, the Applicable Interest Rate on such series for the Interest Period commencing on or immediately after such Payment Default and for each Interest Period thereafter, to and including the Interest Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured in accordance with the First Supplemental Indenture, will equal the Non–Payment Rate on the first day of each such Interest Period.

In any event, no Auction will be held on any Auction Date during the pendency of a Payment Default (or on the next Business Day after a Payment Default is cured) or if the Series 2004-1 Notes are no longer in Book-Entry-Form.

The Trustee is to notify the Holders of Series 2004-1 Notes of the Applicable Interest Rate with respect to each such series of Series 2004-1 Notes for each Auction Period on the second Business Day of such Auction Period.

If the Auction Agent no longer determines, or fails to determine, when required, the Applicable Interest Rate with respect to a series of Series 2004-1 Notes or if, for any reason, such manner of determination is held to be invalid or unenforceable, the Applicable Interest Rate for the next succeeding Interest Period will be the Maximum Rate.

Carry-Over Amounts on the Series 2004-1 Notes

If the Auction Rate for a series of the Series 2004-1 Notes is greater than the Maximum Rate, then the Applicable Interest Rate with respect to such series for the related Interest Period will be the Maximum Rate. The excess of the amount of interest that would have accrued on the Series 2004-1 Notes at the lesser of the Auction Rate or the Maximum Interest Rate over the amount of interest actually accrued at the Maximum Rate will accrue as the Carry-Over Amount (Interest accrued at the Maximum Interest Rate will not yield a Carry-Over Amount). Such determination of the Carry-Over Amount shall be made separately for each series of Series 2004-1 Notes. Each Carry-Over Amount shall bear interest for each Interest Period calculated at a rate equal to One-Month LIBOR (as determined by the Auction Agent on the related Interest Rate Determination Date, provided the Trustee has received notice of One-Month LIBOR from the Auction Agent, and, if the Trustee shall not have received such notice from the Auction Agent, then as determined by the Trustee) from the Interest Payment Date for the Interest Period with respect to which such Carry-Over Amount was calculated, until paid. Any payment in respect of Carry-Over Amount shall be applied, first, to any accrued interest payable thereon and, thereafter, in reduction of such Carry-Over Amount. For purposes of the First Supplemental Indenture, the Indenture and the Series 2004-1 Notes, any reference to "principal" or "interest" therein shall not include, within the meaning of such words, Carry-Over Amount or any interest accrued on any such Carry-Over Amount. Such Carry-Over Amount shall be separately calculated for each Series 2004-1 Note of each series by the Trustee during such Interest Period in sufficient time for the Trustee to give notice to each Holder of such Carry-Over Amount as required in the next succeeding sentence. On the Interest Payment Date with respect to which such Carry–Over Amount has been calculated by the Trustee, the Trustee shall give written notice to each Holder of the Carry-Over Amount applicable to such Holder's Series

2004-1 Note, which written notice may accompany the payment of interest (if paid by check made to each such Holder on such Interest Payment Date) or otherwise shall be mailed on such Interest Payment Date by first-class mail to each such Holder at such Holder's address as it appears on the registration books maintained by the Note Registrar.

The Carry-Over Amount (and interest accrued thereon) on Outstanding Series 2004-1 Notes of a series shall be paid by the Trustee on the first occurring Interest Payment Date for a subsequent Interest Period with respect to such series if and to the extent that (i) the Eligible Carry-Over Make-Up Amount with respect to such Interest Period is greater than zero, and (ii) moneys in the Collection Fund and Surplus Fund are available on the Monthly Calculation Date immediately preceding the month in which such Interest Payment Date occurs, for transfer to the Interest Account for such purpose in accordance with the priorities and limitations described under "Description of the Indenture—Funds and Accounts—Collection Fund" and "—Surplus Fund," after taking into account all other amounts payable from the Collection Fund and the Surplus Fund as described in such paragraphs on such Monthly Calculation Date. Any Carry-Over Amount (and any interest accrued thereon) with respect to any Series 2004-1 Note which is unpaid as of the Maturity of such Series 2004-1 Note shall be paid to the Holder thereof on the date of such Maturity to the extent that moneys are available therefor in accordance with the provisions described in clause (ii) of the preceding sentence; provided, however, that any Carry-Over Amount (and any interest accrued thereon) which is not so paid on the date of such Maturity shall be cancelled with respect to such Series 2004-1 Note on the date of such Maturity and shall not be paid on any succeeding Interest Payment Date. To the extent that any portion of the Carry-Over Amount (and any interest accrued thereon) remains unpaid after payment of a portion thereof, such unpaid portion shall be paid in whole or in part until fully paid by the Trustee on the next occurring Interest Payment Date or Dates, as necessary, for a subsequent Interest Period or Periods, if and to the extent that the conditions in the first sentence of this paragraph are satisfied. On any Interest Payment Date or Dates on which the Trustee pays less than all of the Carry–Over Amounts (and any interest accrued thereon) with respect to a Series 2004-1 Note, the Trustee is required to give notice as set forth in the immediately preceding paragraph to the Holder of such Series 2004-1 Note of the Carry–Over Amount remaining unpaid on such Series 2004-1 Note.

The Interest Payment Date on which any Carry-Over Amount (and any interest accrued thereon) for a series of the Series 2004-1 Notes will be paid is to be determined by the Trustee as described in the immediately preceding paragraph, and the Trustee is to make payment of the Carry-Over Amount (and any interest accrued thereon) in the same manner as it pays interest on the Series 2004-1 Notes on an Interest Payment Date.

Interest Limited to the Extent Permissible by Law

In no event shall the cumulative amount of interest paid or payable on a series of Series 2004-1 Notes exceed the amount permitted by applicable law. If the applicable law is ever judicially interpreted so as to render usurious any amount called for under the Series 2004-1 Notes of a series or related documents or otherwise contracted for, charged, reserved, taken or received in connection with the Series 2004-1 Notes of such series, or if the redemption or acceleration of the maturity of the Series 2004-1 Notes of such series results in payment to or receipt by the Holder or any former Holder of the Series 2004-1 Notes of such series of any interest in excess of that permitted by applicable law, then, notwithstanding any provision of the Series 2004-1 Notes of such series or related documents to the contrary, all excess amounts theretofore paid or received with respect to the Series 2004-1 Notes of such series shall be credited on the principal balance of the Series 2004-1 Notes of such series (or, if the Series 2004-1 Notes of such series have been paid or would thereby be paid in full, refunded by the recipient thereof), and the provisions of the Series 2004-1 Notes of such series and related documents shall automatically and immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for under the Series 2004-1 Notes of such series and under the related documents.

Redemption of the Series 2004-1 Notes

The Series 2004-1 Notes will be subject to redemption as described in this Offering Memorandum under the captions "Description of the Series 2004-1 Notes—Mandatory Redemption" and "—Optional Redemption."

Book-Entry-Only System

The description which follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2004-1 Notes, payment of principal of and interest on the Series 2004-1 Notes to DTC Participants, or to purchasers of the Series 2004-1 Notes, confirmation and transfer of beneficial ownership interests in the Series 2004-1 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 Issuer or the Trustee.

DTC will act as securities depository for the Series 2004-1 Notes. The Series 2004-1 Notes will be issued as fully-registered notes in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued for each series of Series 2004-1 Notes, in the aggregate principal amount of each series of Series 2004-1 Notes, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest depository, 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 Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2004-1 Notes (in Authorized Denominations) under the DTC system must be made by or through DTC Participants which will receive a credit for Series 2004-1 Notes on DTC's records. The ownership interest of each actual purchaser of each Series 2004-1 Note (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2004-1 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2004-1 Notes, except in the event that use of the book-entry system for the Series 2004-1 Notes is discontinued.

To facilitate subsequent transfers, all Series 2004-1 Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2004-1 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004-1 Notes; DTC's records reflect only the identity of

the Direct Participants to whose accounts such Series 2004-1 Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2004-1 Notes such as redemptions, tenders, defaults, and proposed amendments to the Series 2004-1 Note documents. Beneficial Owners may wish to ascertain that the nominee holding the Series 2004-1 Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each DTC Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2004-1 Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2004-1 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2004-1 Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit DTC Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, agent, or Issuer, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. By purchasing the Series 2004-1 Notes, whether in an Auction or otherwise, each prospective purchaser of the Series 2004-1 Notes or its Broker-Dealer must agree and will be deemed to have agreed: (i) to have its beneficial ownership of the Series 2004-1 Notes maintained at all times in Book-Entry Form for the account of its DTC Participant, which in turn will maintain records of such beneficial ownership, and to authorize such DTC Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request; and (ii) so long as the beneficial ownership of the Series 2004-1 Notes is maintained in Book-Entry Form, to sell, transfer or otherwise dispose of the Series 2004-1 Notes only pursuant to a Bid or a Sell Order in an Auction, or otherwise through a Broker-Dealer, provided that in the case of all transfers other than those pursuant to an Auction, the Existing Holder of the Series 2004-1 Notes so transferred, its DTC Participant or Broker-Dealer advises the Auction Agent of such transfer.

For every transfer of the Series 2004-1 Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

So long as Cede & Co. or its registered assign is the registered holder of the Series 2004-1 Notes, the Issuer and the Trustee will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Issuer or the Trustee, and the Issuer and the Trustee will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Series 2004-1 Notes.

DTC may discontinue providing its services as securities depository with respect to the Series 2004-1 Notes at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2004-1 Notes certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2004-1 Notes certificates will be printed and delivered.

If (i) the Series 2004-1 Notes of any series are not eligible for the services of DTC, (ii) DTC determines to discontinue providing its services with respect to the Series 2004-1 Notes of any series or (iii) the Issuer determines that a system of book-entry transfers for Series 2004-1 Notes of any series, or the continuation thereof, through DTC is not in the best interest of the Beneficial Owners or the Issuer, the Issuer may either identify another qualified securities depository or direct or cause Series 2004-1 Note certificates for such series to be delivered to Beneficial Owners thereof or their nominees and, if certificates are delivered to the Beneficial Owners, the Beneficial Owners or their nominees, upon authentication of the Series 2004-1 Notes of such series in Authorized Denominations and registration thereof in the Beneficial Owners' or nominees' names, shall become the Holders of such Series 2004-1 Notes for all purposes. In any such event, the Trustee is to mail an appropriate notice to the securities depository for notification to DTC Participants and Beneficial Owners of the substitute securities depository or the issuance of Series 2004-1 Note certificates to Beneficial Owners or their nominees, as applicable.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but the Issuer takes not responsibility for the accuracy thereof.

Denomination and Payment

The Series 2004-1 Notes are being issued in denominations of $50,000 and any integral multiple thereof.

The principal of and premium, if any, on the Series 2004-1 Notes, together with interest payable on the Series 2004-1 Notes at the Maturity thereof if the date of such Maturity is not a regularly scheduled Interest Payment Date, shall be payable in lawful money of the United States of America upon, except as otherwise provided in the Indenture with respect to a Securities Depository, presentation and surrender of such Series 2004-1 Notes at the Principal Office of the Trustee, as paying agent with respect to the Series 2004-1 Notes, or a duly appointed successor paying agent. Interest on each series of the Series 2004-1 Notes shall be payable on each regularly scheduled Interest Payment Date with respect to such series, except as otherwise provided in the Indenture with respect to a Securities Depository, by check or draft drawn upon the paying agent and mailed to the person who is the Holder thereof as of 5:00 p.m. in the city in which the Principal Office of the Note Registrar is located on the Regular Record Date for such Interest Payment Date at the address of such Holder as it appears on the Note Register, or, in the case of any Series 2004-1 Note the Holder of which is the Holder of Series 2004-1 Notes in the aggregate Principal Amount of $1,000,000 or more (or, if less than $1,000,000 in Principal Amount of Series 2004-1 Notes is outstanding, the Holder of all Outstanding Series 2004-1 Notes), at the direction of such Holder received by the Paying Agent by 5:00 p.m. on the applicable Regular Record Date, by electronic transfer by the Paying Agent in immediately available funds to an account designated by such Holder. The Regular Record Date with respect to any regularly scheduled Interest Payment Date for a series of the Series 2004-1 Notes is the last Business Day preceding such Interest Payment Date, so long as Interest Payment Dates are specified to occur at the end of each Auction Period. Any interest not so timely paid or duly provided for (herein referred to as "Defaulted Interest") shall cease to be payable to the person who is the Holder thereof at the close of business on the Regular Record Date and shall be payable to the person who is the Holder thereof at the close of business on a special record date established by the Trustee (a "Special Record Date") for the payment of any such Defaulted Interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the Defaulted Interest, and notice of the Special Record Date shall be given to the Holders of the Series 2004-1 Notes not less than 10 days prior thereto by first-class mail to each such Holder as shown on the Note Register on a date selected by the Trustee, stating the date of the Special Record Date and the date fixed for the payment of such Defaulted Interest. All payments of principal of and interest on the Series 2004-1 Notes shall be made in lawful money of the United States of America.

Mandatory Redemption

The Series 2004-1 Notes of any series are subject to mandatory redemption on any Interest Payment Date following the Acquisition Period for such series of the Series 2004-1 Notes in an amount equal to the Remaining

Acquisition Amount. See "Glossary of Certain Defined Terms" and "Description of the Indenture—Funds and Accounts—Acquisition Fund." The Series 2004-1 Notes of each series selected for redemption (see "Selection of Series 2004-1 Notes for Redemption") shall be redeemed on the first regularly scheduled Interest Payment Date for that series following the Acquisition Period. For purposes of determining the amount of Series 2004-1 Notes to be redeemed, the Issuer shall assume that moneys in the Acquisition Fund from the proceeds of the Series 2004-1 Notes were used to acquire or originate Eligible Loans on a "first-in, first-out" basis. The Prepayment Price will be 100% of the Principal Amount of such Notes to be redeemed, plus accrued interest thereon to the Prepayment Date.

The Series 2004-1 Notes of any series also are subject to mandatory redemption on any regularly scheduled Interest Payment Date following the end of each Revolving Period for the Notes from revenues deposited to the Retirement Account of the Debt Service Fund. The Prepayment Price will be 100% of the Principal Amount of such Notes to be redeemed, plus accrued interest thereon to the Prepayment Date.

Revenues deposited to the Collection Fund in any monthly collection period will be applied to the redemption of Series 2004-1 Notes only to the extent that amounts are available for such purpose on the next Monthly Calculation Date.

The First Supplemental Indenture provides that any future series of Notes, or any portion thereof, may be designated for mandatory redemption or principal distributions from moneys on deposit in the Retirement Account before such principal repayments are applied to the redemption of the Series 2004-1 Notes.

Optional Redemption

At the Issuer's option but subject to compliance with the conditions described under "—Senior Asset Requirement" below, Series 2004-1 Notes of any series may be redeemed on any Business Day, in whole or in part, and if in part as described under "—Selection of Series 2004-1 Notes for Redemption" below, at a Prepayment Price of 100% of the Principal Amount of such Notes to be redeemed, plus accrued interest thereon to the Prepayment Date.

Selection of Series 2004-1 Notes for Redemption

If less than all Outstanding Series 2004-1 Notes are to be redeemed such Principal Amounts of each series of Series 2004-1 Notes as the Issuer may designate shall be selected for redemption, to the extent that the provisions of the Indenture will not be violated thereby. In the absence of valid direction by the Issuer, the Series 2004-1 Notes to be redeemed will be selected first from the Series 2004-1 Senior Notes in ascending numerical order of the series designation, and thereafter from the Series 2004-1 Subordinate Notes in ascending numerical order of the series designation.

If less than all of the Outstanding Series 2004-1 Notes of a given series are to be redeemed, the particular Series 2004-1 Notes to be redeemed shall be selected by the Trustee by lot in such manner as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Series 2004-1 Notes in Authorized Denominations.

Senior Asset Requirement

No redemption of any Series 2004-1 Subordinate Note under any of the foregoing provisions is to be made unless, after giving effect to the redemption, while Senior Notes are Outstanding, the Senior Asset Requirement will be met. Compliance with the Senior Asset Requirement will be determined as of the date of the selection of Series 2004-1 Notes or Series 2004-1 Subordinate Notes to be redeemed, and any failure to meet the Senior Asset Requirement as of the Prepayment Date will not affect such determination. Currently, the "Senior Asset Requirement" requires that the Senior Asset Percentage is at least 105% and the Subordinate Asset Percentage is at least 100.5% or such lesser percentage as permitted upon obtaining a Rating Agency Confirmation. See "Glossary of Certain Defined Terms" and "Description of the Indenture—Notes and Other Obligations—Call for Redemption or Purchase of Notes; Senior Asset Requirement."

Notice and Effect of Redemption

Notice of redemption of the Series 2004-1 Notes shall be given by first class mail, mailed not less than 15 days nor more than 45 days prior to the date fixed for redemption to each Holder (which initially will be DTC or its nominee) of Series 2004-1 Notes to be prepaid at the address of such Holder appearing in the Note Register; but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Series 2004-1 Note not affected by such defect or failure. All notices of redemption shall state: (i) the Prepayment Date; (ii) the Prepayment Price; (iii) the name (including series designation), Stated Maturity and CUSIP numbers of the Series 2004-1 Notes to be redeemed, the Principal Amount of Series 2004-1 Notes of each series to be redeemed, and, if less than all Outstanding Series 2004-1 Notes of such series are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2004-1 Notes to be redeemed; (iv) that, on the Prepayment Date, the Prepayment Price of and accrued interest on each such Series 2004-1 Note will become due and payable and interest thereon shall cease to accrue on and after such date; (v) the place or places where such Series 2004-1 Notes are to be surrendered for payment of the Prepayment Price thereof and accrued interest thereon; and (vi) if it be the case, that such Series 2004-1 Notes are to be redeemed by the application of certain specified trust moneys and for certain specified reasons.

Notice of redemption having been given as provided above, the Series 2004-1 Notes designated in such notice shall become due and payable at the applicable Prepayment Price, plus interest accrued thereon to the Prepayment Date, and, upon surrender in accordance with such notice, shall be so paid, and thereafter such Series 2004-1 Notes shall cease to accrue interest.

AUCTION OF THE SERIES 2004-1 NOTES

If not otherwise defined below, capitalized terms used below will have the meanings given such terms under "Glossary of Certain Defined Terms." Unless otherwise noted or the context otherwise requires, the following description of Auctions and related procedures is applicable separately to each series of the Series 2004-1 Notes.

Summary of Auction Procedures

The following summarizes certain procedures that will be used in determining the interest rates on the Series 2004-1 Notes. Immediately following this summary is a more detailed description of these procedures. Prospective investors in the Series 2004-1 Notes should read carefully the following summary, along with the more detailed description.

The interest rate on each series of Series 2004-1 Notes will be determined periodically (generally, for periods ranging from seven days to one year, and initially 28 days for the Series 2004-1 Notes) by means of an Auction. In this Auction, investors and potential investors submit orders through an eligible Broker-Dealer as to the Principal Amount of Series 2004-1 Notes such investors wish to buy, hold or sell at various interest rates. The Broker-Dealers submit their clients' orders to the Auction Agent, who processes all orders submitted by all eligible Broker-Dealers and determines the interest rate for the upcoming Interest Period. The Broker-Dealers are notified by the Auction Agent of the interest rate for the upcoming Interest Period and are provided with settlement instructions relating to purchases and sales of Series 2004-1 Notes.

In the auction procedure, the following orders may be submitted:

- "Bid Orders" — the minimum interest rate that a current investor is willing to accept in order to continue to hold some or all of its Series 2004-1 Notes for the upcoming Interest Period;

- "Sell Orders" — an order by a current investor to sell a specified Principal Amount of Series 2004-1 Notes, regardless of the upcoming interest rate;

- "Hold Order" — an order by a current investor to hold a specified Principal Amount of Series 2004-1 Notes, regardless of the upcoming interest rate; and

- "Potential Bid Orders" — the minimum interest rate that a potential investor (or a current investor wishing to purchase additional Series 2004-1 Notes) is willing to accept in order to buy a specified Principal Amount of Series 2004-1 Notes.

If an existing investor does not submit orders with respect to all its Series 2004-1 Notes of a particular series, the investor will be deemed to have submitted a Hold Order for that portion of such series for which no order was received.

In connection with each Auction, Series 2004-1 Notes will be purchased and sold between investors and potential investors at a price equal to their then-outstanding principal balance (i.e., par) plus any accrued interest. The following example helps illustrate how the above-described procedures are used in determining the interest rate on the Series 2004-1 Notes.

Assumptions:
Denominations (Units) = $50,000
Principal Amount Outstanding = $25 million (500 units)
Summary of All Orders received for the Auction:

Bid Orders	Sell Orders	Potential Bid Orders
10 Units at 5.90%	50 Units Sell	20 Units of 5.95%
30 Units at 6.02%	50 Units Sell	30 Units of 6.00%
60 Units at 6.05%	100 Units Sell	50 Units of 6.05%
100 Units at 6.10%	200 Units	50 Units of 6.10%
100 Units at 6.12%		50 Units of 6.11%
300 Units		50 Units of 6.14%
		100 Units of 6.15%
		350 Units

Total units under existing Bid Orders, Hold Orders and Sell Orders always equal issue size (in this case 500 units).

Auction Agent Organizes Orders in Ascending Order:

Order Number	Number Of Units	Cumulative Total (Units)	Interest Rate	Order Number	Number of Units	Cumulative Total (Units)	Interest Rate
1.	10(W)	10	5.90%	7.	100(W)	300	6.10%
2.	20(W)	30	5.95	8.	50(W)	350	6.10
3.	30(W)	60	6.00	9.	50(W)	400	6.11
4.	30(W)	90	6.02	10.	100(W)	500	6.12
5.	60(W)	150	6.05	11.	50(L)		6.14
6.	50(W)	200	6.05	12.	100(L)		6.15

(W) Winning Order (L) Losing Order

Order #10 is the order that clears the market of all available units. All winning orders are awarded the winning rate (in this case, 6.12%) as the Auction Rate for the next Interest Period, when another Auction will be held. To the extent there are multiple orders at the winning rate, the Series 2004-1 Notes will be allocated among the winning orders as described under the caption "Auction Procedures -- Acceptance and Rejection of Submitted Bids and Submitted Sell Orders" below. Notwithstanding the foregoing, in no event will the Applicable Interest Rate exceed the Maximum Rate.

The above example assumes that a successful Auction has occurred (i.e., all Sell Orders and all Bid Orders below the new interest rate were fulfilled). In certain circumstances, there may be insufficient Potential Bid Orders to purchase all the Series 2004-1 Notes offered for sale. In such circumstances, the Applicable Interest Rate for the upcoming Interest Period will equal the Maximum Rate. Also, if all the Series 2004-1 Notes are subject to Hold

Orders (i.e., each Holder of Series 2004-1 Notes wishes to continue holding its Series 2004-1 Notes, regardless of the interest rate), the interest rate for the upcoming Interest Period will equal the All Hold Rate.

The foregoing is only a summary of the Auction Procedures. The remainder of this section is a more detailed description of these procedures.

Auction Participants

Existing Holders and Potential Holders

Participants in each Auction will include: (i) "Existing Holders," which shall include any Person (including a Broker-Dealer) who is a holder of Series 2004-1 Notes in the records of the Auction Agent (described below) at the close of business on the Business Day preceding each Auction Date and (ii) "Potential Holders," which shall include any Person (including a Broker-Dealer), including any Existing Holder, who may be interested in acquiring the Series 2004-1 Notes (or, in the case of an Existing Holder, an additional Principal Amount of the Series 2004-1 Notes). See "—Broker-Dealer" below.

By purchasing the Series 2004-1 Notes, whether in an Auction or otherwise, each purchaser of the Series 2004-1 Notes or its Broker-Dealer must agree and will be deemed to have agreed: (i) to participate in Auctions on the terms described in the First Supplemental Indenture; (ii) to have its beneficial ownership of the Series 2004-1 Notes maintained at all times in Book-Entry Form for the account of its Participant, which in turn will maintain records of such beneficial ownership; (iii) to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request; (iv) that a Sell Order placed by an Existing Holder will constitute an irrevocable offer to sell the Principal Amount of the Series 2004-1 Notes specified in such Sell Order; (v) that a Bid placed by an Existing Holder will constitute an irrevocable offer to sell the Principal Amount, or a lesser Principal Amount, of the Series 2004-1 Notes specified in such Bid if the rate specified in such Bid is greater than, or in some cases equal to, the Applicable Interest Rate, determined as described herein; and (vi) that a Bid placed by a Potential Holder will constitute an irrevocable offer to purchase the Principal Amount, or a lesser Principal amount, of the Series 2004-1 Notes specified in such Bid if the rate specified in such Bid is, respectively, less than or equal to the Applicable Interest Rate, determined as described herein. So long as the beneficial ownership of the Series 2004-1 Notes is maintained in Book-Entry Form, an Existing Holder may sell, transfer or otherwise dispose of the Series 2004-1 Notes only pursuant to a Bid (as defined below) or a Sell Order (as defined below) placed in an Auction, or otherwise sell, transfer or dispose of Series 2004-1 Notes through a Broker-Dealer, provided that in the case of all transfers other than those pursuant to an Auction, the Existing Holder of the Series 2004-1 Notes so transferred, or its Participant or Broker-Dealer, advises the Auction Agent of such transfer.

The Principal Amount of the Series 2004-1 Notes purchased or sold may be subject to proration procedures on the Auction Date. Each purchase or sale of the Series 2004-1 Notes on the Auction Date will be made for settlement on the first day of the Interest Period immediately following such Auction Date at a price equal to 100% of the principal amount thereof plus, unless such day is an Interest Payment Date, accrued interest thereon to but not including such day. The Auction Agent is entitled to rely upon the terms of any Order submitted to it by a Broker-Dealer.

Auction Agent

The Bank of New York is appointed in the First Supplemental Indenture as the initial Auction Agent to serve as agent for the Issuer in connection with Auctions with respect to Series 2004-1 Notes. The Trustee and the Issuer will enter into an Auction Agent Agreement relating to Series 2004-1 Notes with The Bank of New York as the initial Auction Agent. Any substitute Auction Agent shall be (i) a bank, national banking association or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the Trustee in writing, and having a combined capital stock or surplus of at least $50,000,000, or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least $50,000,000, and, in either case, authorized by law to perform all the duties imposed upon it under the First Supplemental Indenture and the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations

created by the First Supplemental Indenture by giving at least 90 days' notice to the Trustee, each Market Agent and the Issuer. The Auction Agent may be removed at any time by the Trustee upon the written direction of an Authorized Officer of the Issuer or the Holders of 66-2/3% of the aggregate principal amount of the Series 2004-1 Senior Notes of all series then Outstanding (or if there are no Series 2004-1 Senior Notes Outstanding, the Holders of 66-2/3% of the aggregate Principal Amount of the Series 2004-1 Subordinate Notes), and, if by such Holders, by an instrument signed by such Holders or their attorneys and filed with the Auction Agent, the Issuer and the Trustee upon at least 90 days' notice. Neither resignation nor removal of the Auction Agent as described in the preceding two sentences shall be effective unless and until a substitute Auction Agent has been appointed and has accepted such appointment. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 25 days after notifying the Trustee, each Market Agent and the Issuer in writing that it has not received payment of any Auction Agent fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment.

If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, an Authorized Officer of the Issuer in consultation with the Market Agent, shall use its best efforts to appoint a substitute Auction Agent.

The Auction Agent is acting as agent for the Issuer in connection with Auctions. In the absence of bad faith, negligent failure to act or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

The Issuer will pay the Auction Agent the Auction Agent fee on each Interest Payment Date and will reimburse the Auction Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Auction Agent in accordance with any provision of the Auction Agent Agreement or the Broker-Dealer Agreements (including the reasonable compensation and the expenses and disbursements of its agents and counsel). Such amounts are payable from the Administration Fund. The Issuer will indemnify and hold harmless the Auction Agent for and against any loss, liability or expense incurred without negligence or bad faith on the Auction Agent's part, arising out of or in connection with the acceptance or administration of its agency under the Auction Agent Agreement and the Broker-Dealer Agreements, including the reasonable costs and expenses (including the reasonable fees and expenses of its counsel) of defending itself against any such claim or liability in connection with its exercise or performance of any of its respective duties thereunder.

Broker-Dealer

Existing Holders and Potential Holders may participate in Auctions only by submitting orders (in the manner described below) through a Broker-Dealer, initially UBS Financial Services Inc., which initially will be the sole Broker-Dealer, or any other broker or dealer (each as defined in the Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth below which (i) is a Participant or an affiliate of a Participant, (ii) has been selected as such with respect to such series of Series 2004-1 Notes by the Issuer, and (iii) has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective, in which the Broker-Dealer agrees to participate in Auctions as described in the Auction Procedures, as from time to time amended or supplemented.

The Broker-Dealers are entitled to a Broker-Dealer fee, which is payable by the Auction Agent from monies received from the Issuer, on each Interest Payment Date. Such Broker-Dealer fee is payable from the Administration Fund as provided in the First Supplemental Indenture.

Broker-Dealers may submit Orders in Auctions for their own accounts. Any Broker-Dealer submitting an Order for its own account in any Auction might have an advantage over other bidders in that it would have knowledge of other Orders placed through it in that Auction (but it would not have knowledge of Orders submitted by other Broker-Dealers, if any). The Broker-Dealer Agreements provide that a Broker-Dealer shall handle its customers' Orders in accordance with its duties under applicable securities laws and rules.

Market Agent

UBS Financial Services Inc. will initially be the Market Agent. The Market Agent is a member of the National Association of Securities Dealers, Inc., has a capitalization of at least $50,000,000 and is authorized by law to perform all the duties imposed on it by any Supplemental Indenture.

Auction Procedures

General

Pursuant to the First Supplemental Indenture, Auctions to establish the Auction Rates for each series of the Series 2004-1 Notes will be held on each Series Auction Date, except as described under "Description of the Series 2004-1 Notes—Interest Rate on the Series 2004-1 Notes," by application of the Auction Procedures described herein. Such procedures are to be applicable separately to each series of Series 2004-1 Notes. "The Auction Date" means, initially, with respect to the Series 2004-1A-1 Senior Notes, March 29, 2004; with respect to the Series 2004-1A-2 Senior Notes, March 30, 2004; with respect to the Series 2004-1A-3 Senior Notes, April 5, 2004; with respect to the Series 2004-1A-4 Senior Notes, April 6, 2004; with respect to the Series 2004-1A-5 Senior Notes, April 12, 2004, with respect to the Series 2004-1A-6 Senior Notes, the Series 2004-1A-7 Senior Notes, the Series 2004-1A-8 Senior Notes, the Series 2004-1A-9 Senior Notes, the Series 2004-1A-10 Senior Notes, the Series 2004-1A-11 Senior Notes, the Series 2004-1A-12 Senior Notes, the Series 2004-1A-13 Senior Notes, the Series 2004-1A-14 Senior Notes, the Series 2004-1A-15 Senior Notes, as provided in an Issuer Order; with respect to the Series 2004-1B-1 Subordinate Notes, April 12, 2004; and with respect to the Series 2004-1B-2 Subordinate Notes, as set forth in an Issuer Order and, thereafter, with respect to each such series of Series 2004-1 Notes, the Auction Date means the Business Day immediately preceding the first day of each related Auction Period, other than: (i) an Auction Period commencing after the ownership of such series is no longer maintained in Book-Entry Form; (ii) an Auction Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) an Auction Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default. Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed as described below under "—Changes in Auction Terms."

The Auction Agent will calculate the Maximum Auction Rate, the All Hold Rate and the Applicable LIBOR–Based Rate on each Auction Date. If the ownership of the Series 2004-1 Notes is no longer maintained in Book-Entry Form, the Trustee in consultation with the Market Agent, will calculate the Maximum Rate on the Business Day immediately preceding the first day of each Interest Period commencing after delivery of definitive Series 2004-1 Notes. If a Payment Default has occurred, the Trustee in consultation with the Market Agent, will calculate the Non–Payment Rate on the Interest Rate Determination Date for (i) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Interest Period commencing less than two Business Days after the cure of any Payment Default. The Auction Agent shall determine the Applicable LIBOR–Based Rate for each Interest Period other than the first Interest Period; provided that if the ownership of the Series 2004-1 Notes is no longer maintained in Book–Entry Form, or if a Payment Default has occurred, then the Trustee shall determine the Applicable LIBOR–Based Rate for each such Interest Period. The determination by the Trustee or the Auction Agent, as the case may be, of the foregoing shall (in the absence of manifest error) be final and binding upon all parties.

The Issuer shall determine on each Auction Date whether the Net Loan Rate Restriction Period is applicable for the next Auction Period and, if it is, the Issuer shall notify the Trustee, the Auction Agent and the Broker-Dealers of such event. If the Net Loan Rate Restriction Period is applicable for an Auction Period, the Issuer shall calculate the Net Loan Rate, the Adjusted Student Loan Portfolio Rate of Return and the Program Expense Percentage, and shall notify the Trustee, the Auction Agent and the Broker-Dealers of such calculations.

No Auction is to be held on any Auction Date during the continuance of a Payment Default.

Submission by Existing Holders and Potential Holders to a Broker–Dealer

Prior to the Submission Deadline (defined as 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time) on each Auction Date:

- each Existing Holder of Series 2004-1 Notes may submit to a Broker-Dealer by telephone or otherwise information as to: (i) the Principal Amount of Outstanding Series 2004-1 Notes, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period (a "Hold Order"); (ii) the Principal Amount of Outstanding Series 2004-1 Notes, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Auction Period will be less than the rate per annum specified by such Existing Holder (a "Bid"); and/or (iii) the Principal Amount of Outstanding Series 2004-1 Notes, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Auction Period (a "Sell Order"); and

- one or more Broker-Dealers may contact Potential Holders to determine the Principal Amount of Series 2004-1 Notes which each such Potential Holder offers to purchase, if the Auction Rate for the next succeeding Auction Period will not be less than the rate per annum specified by such Potential Holder (also a "Bid").

Each Hold Order, Bid and Sell Order will be an "Order." Each Existing Holder and each Potential Holder placing an Order is referred to as a "Bidder."

Subject to the provisions of the First Supplemental Indenture described below under "—Validity of Orders," a Bid by an Existing Holder will constitute an irrevocable offer to sell: (i) the Principal Amount of Outstanding Series 2004-1 Notes specified in such Bid if the Auction Rate will be less than the rate specified in such Bid, (ii) such Principal Amount or a lesser Principal Amount of Outstanding Series 2004-1 Notes to be determined as described below under "—Acceptance and Rejection of Submitted Bids and Submitted Sell Orders," if the Auction Rate will be equal to the rate specified in such Bid, or (iii) such Principal Amount or a lesser Principal Amount of Outstanding Series 2004-1 Notes to be determined as described below under "—Acceptance and Rejection of Submitted Bids and Submitted Sell Orders," if the rate specified therein will be higher than the Maximum Rate and Sufficient Bids (as defined below) have not been made.

Subject to the provisions of the First Supplemental Indenture described below under "—Validity of Orders," a Sell Order by an Existing Holder will constitute an irrevocable offer to sell: (i) the Principal Amount of Outstanding Series 2004-1 Notes specified in such Sell Order or (ii) such Principal Amount or a lesser Principal Amount of Outstanding Series 2004-1 Notes as described below under "—Acceptance and Rejection of Submitted Bids and Submitted Sell Orders," if Sufficient Bids have not been made.

Subject to the provisions of the First Supplemental Indenture described below under "—Validity of Orders," a Bid by a Potential Holder will constitute an irrevocable offer to purchase: (i) the Principal Amount of Outstanding Series 2004-1 Notes specified in such Bid if the Auction Rate will be higher than the rate specified in such Bid or (ii) such Principal Amount or a lesser Principal Amount of Outstanding Series 2004-1 Notes as described below under "—Acceptance and Rejection of Submitted Bids and Submitted Sell Orders," if the Auction Rate is equal to the rate specified in such Bid.

Submission by Broker–Dealer to the Auction Agent

Each Broker-Dealer will submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and will specify with respect to each such Order: (i) the name of the Bidder placing such Order; (ii) the aggregate Principal Amount of Series 2004-1 Notes that are the subject of such Order; (iii) to the extent that such Bidder is an Existing Holder: (a) the Principal Amount of Series 2004-1 Notes, if any, subject to any Hold Order placed by such Existing Holder; (b) the Principal Amount of Series 2004-1 Notes, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(c) the Principal Amount of Series 2004-1 Notes, if any, subject to any Sell Order placed by such Existing Holder; and (iv) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next highest .001%.

If an Order or Orders covering all Outstanding Series 2004-1 Notes held by any Existing Holder are not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Holder covering the Principal Amount of Outstanding Series 2004-1 Notes owned by such Existing Holder and not subject to an Order submitted to the Auction Agent.

Neither the Issuer, the Trustee nor the Auction Agent will be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

An Existing Holder may submit multiple Orders, of different types and specifying different rates, in an Auction with respect to Series 2004-1 Notes then held by such Existing Holder. An Existing Holder that offers to purchase additional Series 2004-1 Notes is, for purposes of such offer, treated as a Potential Holder.

Neither the Issuer nor any affiliate of the Issuer may submit an Order (other than a Sell Order) in any Auction.

Validity of Orders

If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the Principal Amount of Outstanding Series 2004-1 Notes held by such Existing Holder, such Orders will be considered valid as follows and in the order of priority described below.

Hold Orders. All Hold Orders will be considered valid, but only up to the aggregate Principal Amount of Outstanding Series 2004-1 Notes held by such Existing Holder, and if the aggregate Principal Amount of Series 2004-1 Notes subject to such Hold Orders exceeds the aggregate Principal Amount of Series 2004-1 Notes held by such Existing Holder, the aggregate Principal Amount of Series 2004-1 Notes subject to each such Hold Order will be reduced pro rata so that the aggregate Principal Amount of Series 2004-1 Notes subject to such Hold Order equals the aggregate Principal Amount of Outstanding Series 2004-1 Notes held by such Existing Holder.

Bids. Any Bid will be considered valid up to an amount equal to the excess of the Principal Amount of Outstanding Series 2004-1 Notes held by such Existing Holder over the aggregate Principal Amount of Series 2004-1 Notes subject to any Hold Orders referred to above. Subject to the preceding sentence, if multiple Bids with the same rate are submitted on behalf of such Existing Holder and the aggregate Principal Amount of Outstanding Series 2004-1 Notes subject to such Bids is greater than such excess, such Bids will be considered valid up to and including an amount equal to such excess, and the stated amount of Outstanding Series 2004-1 Notes subject to each Bid with the same rate shall be reduced pro rata to cover the stated amount of Outstanding Series 2004-1 Notes equal to such excess. Subject to the two preceding sentences, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids will be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to the amount of such excess. In any event, the aggregate Principal Amount of Outstanding Series 2004-1 Notes, if any, subject to Bids not valid under the provisions described above will be treated as the subject of a Bid by a Potential Holder at the rate therein specified.

Sell Orders. All Sell Orders will be considered valid up to an amount equal to the excess of the Principal Amount of Outstanding Series 2004-1 Notes held by such Existing Holder over the aggregate Principal Amount of Series 2004-1 Notes subject to valid Hold Orders and valid Bids as referred to above.

If more than one Bid for Series 2004-1 Notes is submitted on behalf of any Potential Holder, each Bid submitted will be a separate Bid with the rate and Principal Amount therein specified. Any Bid or Sell Order submitted by an Existing Holder covering an aggregate Principal Amount of Series 2004-1 Notes not equal to an Authorized Denomination will be rejected and will be deemed a Hold Order. Any Bid submitted by a Potential

Holder covering an aggregate Principal Amount of Series 2004-1 Notes not equal to an Authorized Denomination will be rejected. Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate, and any such Bid shall be considered as valid and shall be selected in ascending order of the respective rates in the Submitted Bids. An Existing Holder that offers to purchase additional Series 2004-1 Notes is, for purposes of such offer, treated as a Potential Holder. Any Bid specifying a rate higher than the applicable Maximum Interest Rate will (i) be treated as a Sell Order if submitted by an Existing Holder and (ii) not be accepted if submitted by a Potential Holder.

A Hold Order, a Bid or a Sell Order that has been determined valid pursuant to the procedures described above is referred to as a "Submitted Hold Order," a "Submitted Bid" and a "Submitted Sell Order," respectively (collectively, "Submitted Orders").

Determination of Sufficient Bids, Auction Rate, and Winning Bid Rate

Not earlier than the Submission Deadline on each Auction Date, the Auction Agent will assemble all valid Submitted Orders and will determine:

(a) the excess of the total Principal Amount of Outstanding Series 2004-1 Notes over the sum of the aggregate Principal Amount of Outstanding Series 2004-1 Notes subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Series 2004-1 Notes"); and

(b) from such Submitted Orders whether: (i) the aggregate Principal Amount of Outstanding Series 2004-1 Notes subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Interest Rate exceeds or is equal to the sum of (ii) the aggregate Principal Amount of Outstanding Series 2004-1 Notes subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Interest Rate and (iii) the aggregate Principal Amount of Outstanding Series 2004-1 Notes subject to Submitted Sell Orders (in the event such excess or such equality exists other than because the sum of the Principal Amount of Series 2004-1 Notes in clauses (ii) and (iii) above is zero because all of the Outstanding Series 2004-1 Notes are subject to Submitted Hold Orders, such Submitted Bids by Potential Holders described in (i) above will be hereinafter referred to collectively as " Sufficient Bids"); and

(c) if Sufficient Bids exist, the "Winning Bid Rate," which will be the lowest rate specified in such Submitted Bids such that if:

  (i) each such Submitted Bid from Existing Holders specifying such lowest rate and all other Submitted Bids from Existing Holders specifying lower rates were rejected (thus entitling such Existing Holders to continue to own the Principal Amount of Series 2004-1 Notes subject to such Submitted Bids); and

  (ii) each such Submitted Bid from Potential Holders specifying such lowest rate and all other Submitted Bids from Potential Holders specifying lower rates were accepted;

  (iii) the result would be that such Existing Holders described in subparagraph (c)(i) above would continue to hold an aggregate Principal Amount of Outstanding Series 2004-1 Notes which, when added to the aggregate Principal Amount of Outstanding Series 2004-1 Notes to be purchased by such Potential Holders described in subparagraph (c)(ii) above would equal not less than the Available Series 2004-1 Notes.

Determination of Auction Rate and Applicable Interest Rate; Notice

Promptly after the Auction Agent has made the determinations described above, the Auction Agent is to advise the Trustee, the Broker–Dealer and the Issuer of the Maximum Auction Rate, the Maximum Interest Rate, the All Hold Rate, One–Month LIBOR and the Applicable LIBOR–Based Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Interest Period as follows:

(a) if Sufficient Bids exist, that the Auction Rate for the next succeeding Interest Period will be equal to the Winning Bid Rate so determined;

(b) if Sufficient Bids do not exist (other than because all of the Outstanding Series 2004-1 Notes are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period will be equal to the Maximum Rate; or

(c) if all Outstanding Series 2004-1 Notes are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Interest Period will be equal to the All Hold Rate.

Promptly after the Auction Agent has determined the Auction Rate, the Auction Agent will determine and advise the Trustee of the Applicable Interest Rate, which rate will not exceed the Maximum Rate.

If for any Interest Period the Auction Rate exceeds the Maximum Rate the Applicable Interest Rate will be equal to the Maximum Rate. If the Maximum Auction Rate is less than the Auction Rate, the Applicable Interest Rate will be the Maximum Auction Rate. If the Auction Agent has not received Sufficient Bids (other than because all of the Outstanding Series 2004-1 Notes are subject to Submitted Hold Orders), the Applicable Interest Rate will be the Maximum Rate. In any of the cases described above in this paragraph, Submitted Orders will be accepted or rejected and the Auction Agent will take such other action as described below under "—Insufficient Bids."

Acceptance and Rejection of Submitted Bids and Submitted Sell Orders

Existing Holders will continue to hold the Principal Amount of Series 2004-1 Notes that are subject to Submitted Hold Orders and based upon the determinations made as described above under "—Determination of Sufficient Bids, Auction Rate, and Winning Bid Rate," Submitted Bids and Submitted Sell Orders will be accepted or rejected and the Auction Agent will take such other action as provided in the First Supplemental Indenture and described below under "—Sufficient Bids."

Sufficient Bids. If Sufficient Bids have been made all Submitted Sell Orders will be accepted and, subject to the denomination requirements described below, Submitted Bids will be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(a) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate will be accepted, thus requiring each such Existing Holder to sell the aggregate Principal Amount of Series 2004-1 Notes subject to such Submitted Bids;

(b) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate will be rejected, thus entitling each such Existing Holder to continue to hold the aggregate Principal Amount of Series 2004-1 Notes subject to such Submitted Bids;

(c) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate will be accepted thus requiring such Potential Owner to purchase the aggregate Principal Amount of Series 2004-1 Notes subject to such Submitted Bid.

(d) Each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate will be rejected, thus entitling such Existing Holder to continue to hold the aggregate Principal Amount of Series 2004-1 Notes subject to such Submitted Bid, unless the aggregate Principal Amount of

Series 2004-1 Notes subject to all such Submitted Bids will be greater than the Principal Amount of Series 2004-1 Notes (the "Remaining Principal Amount") equal to the excess of the Available Series 2004-1 Notes over the aggregate Principal Amount of Series 2004-1 Notes subject to Submitted Bids described in subparagraphs (b) and (c) above, in which event such Submitted Bid of such Existing Holder will be rejected in part and such Existing Holder will be entitled to continue to hold the Principal Amount of Series 2004-1 Notes subject to such Submitted Bid, but only in an amount equal to the aggregate Principal Amount of Series 2004-1 Notes obtained by multiplying the Remaining Principal Amount by a fraction, the numerator of which will be the Principal Amount of Outstanding Series 2004-1 Notes held by such Existing Holder subject to such Submitted Bid and the denominator of which will be the sum of the Principal Amount of Outstanding Series 2004-1 Notes subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(e) Each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate will be accepted, but only in an amount equal to the Principal Amount of Series 2004-1 Notes obtained by multiplying the excess of the aggregate Principal Amount of Available Series 2004-1 Notes over the aggregate Principal Amount of Series 2004-1 Notes subject to Submitted Bids described in subparagraphs (b), (c) and (d) above by a fraction, the numerator of which will be the aggregate Principal Amount of Outstanding Series 2004-1 Notes subject to such Submitted Bid and the denominator of which will be the sum of the Principal Amount of Outstanding Series 2004-1 Notes subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

Insufficient Bids. If Sufficient Bids have not been made (other than because all of the Outstanding Series 2004-1 Notes are subject to Submitted Hold Orders), subject to the denomination requirements described below, Submitted Orders will be accepted or rejected as follows in the following order of priority and all other Submitted Bids will be rejected:

(a) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate will be rejected, thus entitling such Existing Holders to continue to hold the aggregate Principal Amount of Series 2004-1 Notes subject to such Submitted Bids;

(b) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate will be accepted, thus requiring each Potential Holder to purchase the aggregate Principal Amount of Series 2004-1 Notes subject to such Submitted Bids; and

(c) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Rate and the Submitted Sell Order of each Existing Holder will be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the Series 2004-1 Notes subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate Principal Amount of Series 2004-1 Notes obtained by multiplying the aggregate Principal Amount of Series 2004-1 Notes subject to Submitted Bids described in subparagraph (b) above by a fraction, the numerator of which will be the aggregate Principal Amount of Outstanding Series 2004-1 Notes held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which will be the aggregate Principal Amount of Outstanding Series 2004-1 Notes subject to all such Submitted Bids and Submitted Sell Orders.

All Hold Orders. If all Outstanding Series 2004-1 Notes are subject to Submitted Hold Orders, all Submitted Bids will be rejected.

Authorized Denominations Requirement. If, as a result of the procedures described above regarding Sufficient Bids and Insufficient Bids, any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a Principal Amount of Series 2004-1 Notes that is not equal to an Authorized Denomination, the Auction Agent will, in such manner as in its sole discretion it may determine, round up or down the Principal Amount of Series 2004-1 Notes to be purchased or sold by any Existing Holder or

Potential Holder so that the Principal Amount of Series 2004-1 Notes purchased or sold by each Existing Holder or Potential Holder will be equal to an Authorized Denomination. If, as a result of the procedures described above regarding Sufficient Bids, any Potential Holder would be entitled or required to purchase less than a Principal Amount of Series 2004-1 Notes equal to an Authorized Denomination, the Auction Agent will, in such manner as in its sole discretion it may determine, allocate Series 2004-1 Notes for purchase among Potential Holders so that only Series 2004-1 Notes in an Authorized Denomination are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any Series 2004-1 Notes.

Based on the results of each Auction, the Auction Agent is to determine the aggregate Principal Amount of Series 2004-1 Notes to be purchased and the aggregate Principal Amount of Series 2004-1 Notes to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate Principal Amount of Series 2004-1 Notes to be sold differs from such aggregate principal amount of Series 2004-1 Notes to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer will deliver, or from which Broker-Dealers acting for one or more sellers such Broker-Dealer will receive, as the case may be, Series 2004-1 Notes.

Settlement Procedures

The Auction Agent is required to advise each Broker-Dealer that submitted an Order in an Auction of the Applicable Interest Rate for the next Interest Period and, if such Order was a Bid or Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, by telephone not later than 3:00 p.m., New York City time, on the Auction Date, if the Applicable Interest Rate is the Auction Rate; provided that such notice is not required until 4:00 p.m., New York City time, on the Auction Date, if the Applicable Interest Rate is the Maximum Auction Rate. Each Broker-Dealer that submitted an Order on behalf of a Bidder is required to then advise such Bidder of the Applicable Interest Rate for the next Interest Period and, if such Order was a Bid or a Sell Order, whether such Bid or Sell Order was accepted or rejected, in whole or in part, confirm purchases and sales with each Bidder purchasing or selling Series 2004-1 Notes as a result of the Auction and advise each Bidder purchasing or selling Series 2004-1 Notes as a result of the Auction to give instructions to its Participant to pay the purchase price against delivery of such Series 2004-1 Notes or to deliver such Series 2004-1 Notes against payment therefor, as appropriate. Pursuant to the Auction Agent Agreement, the Auction Agent is to record each transfer of Series 2004-1 Notes on the Existing Holders Registry to be maintained by the Auction Agent.

In accordance with DTC's normal procedures, on the Business Day after the Auction Date, the transactions described above will be executed through DTC, so long as DTC is the Securities Depository, and the accounts of the respective Participants at DTC will be debited and credited and Series 2004-1 Notes delivered as necessary to effect the purchases and sales of Series 2004-1 Notes as determined in the Auction. Purchasers are required to make payment through their Participants in same-day funds to DTC against delivery through their Participants. DTC will make payment in accordance with its normal procedures, which now provide for payment against delivery by its Participants in immediately available funds.

If any Existing Holder selling Series 2004-1 Notes in an Auction fails to deliver such Series 2004-1 Notes, the Broker-Dealer of any person that was to have purchased Series 2004-1 Notes in such Auction may deliver to such person a principal amount of Series 2004-1 Notes that is less than the principal amount of Series 2004-1 Notes that otherwise was to be purchased by such person but in any event equal to an Authorized Denomination. In such event, the principal amount of Series 2004-1 Notes to be delivered will be determined by such Broker-Dealer. Delivery of such lesser principal amount of Series 2004-1 Notes will constitute good delivery. Neither the Trustee nor the Auction Agent will have any responsibility or liability with respect to the failure of a Potential Holder, Existing Holder or their respective Broker-Dealer or Participant to deliver the principal amount of Series 2004-1 Notes or to pay for the Series 2004-1 Notes purchased or sold pursuant to an Auction or otherwise. For a further description of the settlement procedures, see "Settlement Procedures for Series 2004-1 Notes."

Trustee Not Responsible for Auction Agent, Market Agent and Broker-Dealers

The Trustee shall not be liable or responsible for the actions of or failure to act by the Auction Agent, the Market Agent or any Broker-Dealer under the First Supplemental Indenture, the Auction Agent Agreement or any Broker-Dealer Agreement. The Trustee may conclusively rely upon any information required to be furnished by the Auction Agent, the Market Agent or any Broker-Dealer without undertaking any independent review or investigation of the truth or accuracy of such information.

Changes in Auction Terms

Changes in Auction Period or Periods

While any of the Series 2004-1 Notes are Outstanding, the Issuer may, from time to time, change the length of one or more Auction Periods (an "Auction Period Adjustment") in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such series of the Series 2004-1 Notes. The Issuer will not initiate such change in the length of the Auction Period unless it shall have received, not less than ten days nor more than 20 days prior to the Auction Period Adjustment, the written consent of the Market Agent, which consent shall not be unreasonably withheld. The Issuer will initiate an Auction Period Adjustment by giving written notice to the Trustee, the Auction Agent, the Market Agent and the Securities Depository in substantially the form of, or containing substantially the information contained in, the First Supplemental Indenture at least ten days prior to the Auction Date for such Auction Period.

Any such Auction Period Adjustment shall not result in an Auction Period of less than seven days nor more than one year.

An Auction Period Adjustment will take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Issuer authorizing an Auction Period Adjustment specified in such certificate, the written consent of the Market Agent and the Rating Agency Confirmations described above and, if applicable, the written statement of the Trustee, the Auction Agent and the Securities Depository described above, and (B) Sufficient Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) is not met, the Applicable Interest Rate applicable for the next Auction Period will be determined pursuant to the Auction Procedures and the Auction Period will be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Applicable Interest Rate for the next Auction Period will be the Maximum Rate, and in either case the Auction Period will be the Auction Period determined without reference to the proposed change.

Changes in the Auction Date

The Market Agent, with the written consent of an authorized officer of the Issuer, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" set forth above under "—Auction Procedures—General," with respect to one or more specified Auction Periods for one or more series of Series 2004-1 Notes in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the Applicable Interest Rate on the Series 2004-1 Notes of such series. The Market Agent shall deliver a written request for consent to such change in the Auction Date to the Issuer not less than three days nor more than 20 days prior to the effective date of such change. The Market Agent shall provide notice of its determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least three days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the Issuer and the Securities Depository. Such notice will be substantially in the form of, or contain substantially the information contained in, the First Supplemental Indenture.

Notice of Changes in Auction Terms

In connection with any change in Auction Terms described above, the Auction Agent is to provide such further notice to such parties as is specified in the Auction Agent Agreement.

SETTLEMENT PROCEDURES FOR SERIES 2004-1 NOTES

If not otherwise defined below, capitalized terms used below will have the meanings given such terms under "Glossary of Certain Defined Terms" or "Auction of the Series 2004-1 Notes." These Settlement Procedures apply separately to each series of Series 2004-1 Notes.

(a) On each Auction Date, not later than 3:00 p.m., New York City time, if the Applicable Interest Rate is the Auction Rate, the Auction Agent is to notify by telephone each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of an Existing Holder or Potential Holder of:

(i) the Auction Rate fixed for the next Interest Period;

(ii) whether there were Sufficient Bids in such Auction;

(iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Series 2004-1 Notes, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Series 2004-1 Notes, if any, to be purchased by such Potential Holder;

(v) if the aggregate principal amount of Series 2004-1 Notes to be sold by all Existing Holders on whose behalf such Seller's Broker-Dealer submitted Bids or Sell Orders exceeds the aggregate principal amount of Series 2004-1 Notes to be purchased by all Potential Holders on whose behalf such Buyer's Broker-Dealer submitted a Bid, the name or names of one or more Buyer's Broker-Dealers (and the name of the Participant, if any, of each such Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of Series 2004-1 Notes and the principal amount of Series 2004-1 Notes to be purchased from one or more Existing Holders on whose behalf such Seller's Broker-Dealer acted by one or more Potential Holders on whose behalf each of such Buyer's Broker-Dealers acted;

(vi) if the aggregate principal amount of Series 2004-1 Notes to be purchased by all Potential Holders on whose behalf such Buyer's Broker-Dealer submitted a Bid exceeds the aggregate principal amount of Series 2004-1 Notes to be sold by all Existing Holders on whose behalf such Seller's Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the Participant, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of Series 2004-1 Notes and the principal amount of Series 2004-1 Notes to be sold to one or more Potential Holders on whose behalf such Buyer's Broker-Dealer acted by one or more Existing Holders on whose behalf each of such Seller's Broker-Dealers acted;

(vii) unless previously provided, a list of all Applicable Interest Rates and related Interest Periods (or portions thereof) since the last Interest Payment Date; and

(viii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder is to:

(i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) in the case of a Broker-Dealer that is a Buyer's Broker-Dealer, advise each Potential Holder on whose behalf such Buyer's Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Participant to pay to such Buyer's Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of the Series 2004-1 Notes to be purchased pursuant to such Bid against receipt of such Series 2004-1 Notes;

(iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Holder on whose behalf such Seller's Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Holder's Participant to deliver to such Seller's Broker-Dealer (or its Participant) through the Securities Depository the principal amount of the Series 2004-1 Notes to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Applicable Interest Rate for the next Interest Period;

(iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and

(vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it in connection with such Auction pursuant to paragraph (b)(ii) above, and any Series 2004-1 Notes received by it in connection with such Auction pursuant to paragraph (b)(iii) above, among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, if any on whose behalf such Broker-Dealer submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction pursuant to paragraph (a)(v) or (a)(vi) above.

(d) On each Auction Date:

(i) each Potential Holder and Existing Holder with an Order in the Auction on such Auction Date will instruct its Participant as provided in paragraph (b)(ii) or (b)(iii) above, as the case may be;

(ii) each Seller's Broker-Dealer that is not a Participant of the Securities Depository will instruct its Participant (A) to pay through the Securities Depository of the Existing Owner delivering Series 2004-1 Notes to such Broker-Dealer following such Auction pursuant to (b)(iii) above the amount necessary, including accrued interest if any, to purchase Series 2004-1 Notes against receipt of such Series 2004-1 Notes; and (B) to deliver such Series 2004-1 Notes through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to paragraph (a)(v) above against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not a Participant of the Securities Depository will instruct its Participant to (A) pay through the Securities Depository to Seller's Broker-Dealer (or its Participant) identified to such Buyer's Broker-Dealer pursuant to paragraph (a)(vi) above the amount necessary to purchase the Series 2004-1 Notes to be purchased pursuant to paragraph (b)(ii) above against receipt of such Series 2004-1 Notes and (B) deliver such Series 2004-1 Notes through the Securities Depository to the Participant of the purchaser thereof against payment therefor.

(e) On the first Business Day of the Interest Period next following each Auction Date:

(i) each Participant for a Bidder in the Auction on such Auction Date referred to in paragraph (d)(i) above will instruct the Securities Depository to execute the transactions described under paragraph (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository will execute such transactions;

(ii) each Seller's Broker-Dealer or its Participant will instruct the Securities Depository to execute the transactions described in paragraph (d)(ii) above for such Auction, and the Securities Depository will execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Participant will instruct the Securities Depository to execute the transactions described in paragraph (d)(iii) above for such Auction, and the Securities Depository will execute such transactions.

If an Existing Holder selling Series 2004-1 Notes in an Auction fails to deliver such Series 2004-1 Notes (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of Series 2004-1 Notes that is less than the principal amount of Series 2004-1 Notes that otherwise was to be purchased by such Potential Holder (but only in an Authorized Denomination). In such event, the principal amount of Series 2004-1 Notes to be so delivered will be determined solely by such Broker-Dealer (but only in Authorized Denominations). Delivery of such lesser principal amount of Series 2004-1 Notes will constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or nondelivery of Series 2004-1 Notes which will represent any departure from the results of an Auction, as determined by the Auction Agent, will be of no effect unless and until the Auction Agent will have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent Agreement and the Broker-Dealer Agreements. Neither the Trustee nor the Auction Agent will have any responsibility or liability with respect to the failure of a Potential Holder, Existing Holder or their respective Broker-Dealer or Participant to take delivery of or deliver, as the case may be, the principal amount of the Series 2004-1 Notes purchased or sold pursuant to an Auction or otherwise.

DESCRIPTION OF THE INDENTURE

General

The Issuer, the Eligible Lender Trustee and the Trustee have entered into an Indenture of Trust, dated as of January 1, 2004 (the "Indenture"), which authorizes the issuance of series of Notes from time to time, as further

provided in Supplemental Indentures. The Issuer and the Trustee have entered into a First Supplemental Indenture of Trust, dated as of January 1, 2004 (the "First Supplemental Indenture") which will authorize the particular terms of the Series 2004-1 Notes. See "Description of the Series 2004-1 Notes." The following is a summary of the material terms of the Indenture and certain terms of the First Supplemental Indenture. The summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the Indenture and the First Supplemental Indenture.

The Indenture establishes the general provisions of Notes issued thereunder and sets forth various covenants and agreements relating thereto, default and remedy provisions, and responsibilities and duties of the Trustee and establishes the various Funds into which revenues related to the Financed Student Loans and the Notes are deposited and transferred for various purposes.

Funds and Accounts

Acquisition Fund

The Indenture establishes an Acquisition Fund. With respect to each series of Notes, the Trustee will, upon delivery to the initial purchasers thereof and from the proceeds thereof, credit to the Acquisition Fund the amount, if any, specified in the Supplemental Indenture providing for the issuance of such series of Notes. The Trustee will also deposit in the Acquisition Fund: (1) any funds to be transferred thereto from the Collection Fund or the Surplus Fund, and (2) any other amounts specified in a Supplemental Indenture.

Balances in the Acquisition Fund will be used only for (a) the acquisition of Eligible Loans, including the payment of any related Premium and origination and guarantee fees, if any, and any related Add-On Loan, (b) the redemption or purchase of, or distribution of principal with respect to, Notes as provided in a Supplemental Indenture providing for the issuance of such Notes, (c) the payment of debt service on the Notes and Other Obligations when due, (d) following the Acquisition Period, the deposit of amounts into the Debt Service Fund, (e) the deposit of amounts into the Administration Fund to pay Administration Fees, Servicing Fees and Note Fees or (f) such other purposes related to the Issuer's loan programs as may be provided in the Supplemental Indenture authorizing a series of Notes. The Trustee will make payments from the Acquisition Fund to Lenders for the acquisition of Eligible Loans, including all related Premiums, if any, in connection therewith and any related Add-On Loan (such payments to be made at a purchase price not in excess of any limitation specified in a Supplemental Indenture). The Trustee will also make payments from the Acquisition Fund for the origination of Eligible Loans, including all origination, guarantee and other fees, if any, in connection therewith, and any related Add-On Loan. Notwithstanding the foregoing, and unless the Issuer has established a Premium in the Supplemental Indenture or any future Supplemental Indenture or unless the Issuer has obtained a Rating Agency Confirmation, (i) the Issuer shall not pay any Premium and (ii) after giving effect to the acquisition of any Eligible Loan, the Balance of the Financed Eligible Loans with "graduated repayment qualities" (bearing interest only for the first-one third of the payment term) held in the Acquisition Fund shall not exceed 80% of the Balance of all Financed Eligible Loans purchased with the sale proceeds of the Series 2004-1 Notes.

If, on any Monthly Calculation Date, the balance in the Acquisition Fund available for such purpose is less than the amount set forth in a certificate of the Issuer as the amount expected to be needed to pay such origination, guarantee fees, related premiums and other fees due in the next month, the Trustee will transfer an amount equal to such deficiency to the Acquisition Fund from the following Funds in the following order of priority: the Collection Fund and the Surplus Fund.

Balances in the Acquisition Fund (other than any portion of such balances consisting of Student Loans) will be transferred to the Debt Service Fund on any Monthly Calculation Date to the extent required to pay the debt service due on the Notes and any Other Obligations, as described under "—Debt Service Fund" below. If any amounts have been transferred to the Debt Service Fund as described in this paragraph, the Trustee will, to the extent necessary to cure the deficiency in the Acquisition Fund as a result of such transfer, transfer to the Acquisition Fund amounts from the Collection Fund as described below under "—Collection Fund."

On the first Monthly Calculation Date following the end of the Acquisition Period relating to a series of Notes, the Trustee will transfer from the Acquisition Fund to the Retirement Account of the Debt Service Fund, for

the redemption of, or distribution of principal with respect to, Notes, an amount equal to the Remaining Acquisition Amount as described below under "—Debt Service Fund."

Except as otherwise set forth in a Supplemental Indenture, which Supplemental Indenture shall be executed by the Issuer only after receipt of a Rating Agency Confirmation, or with Rating Agency Confirmation, the Issuer may direct the Trustee and the Eligible Lender Trustee to sell to any purchaser one or more Student Loans Financed with moneys in the Acquisition Fund only in the following circumstances: (a) to the Depositor or other seller if such party is required to repurchase such Financed Student Loan pursuant to a Student Loan Purchase Agreement; (b) in order to avoid an Event of Default under the Indenture; (c) to a Guarantee Agency; or (d) if all of the Financed Student Loans are sold at a price sufficient to defease all Obligations Outstanding under the Indenture and such proceeds are so used. Prior to any such sale, the Trustee will have received an Issuer Certificate certifying that such sale will not materially adversely affect the Issuer's ability to pay Debt Service on the Outstanding Notes and Outstanding Other Obligations, Carry-Over Amounts (including accrued interest thereon) with respect to Outstanding Notes, Servicing Fees, Administration Fees or Note Fees. Any money received by the Issuer in connection with a sale of Financed Student Loans pursuant to this paragraph, including those moneys representing the excess of the aggregate Principal Balance of and accrued borrower interest on such Financed Student Loans released from the Indenture over the aggregate Principal Balance of and accrued borrower interest on the Eligible Loans transferred to the Indenture in exchange therefor, will be deposited to the credit of the Collection Fund in accordance with the Indenture. Notwithstanding the foregoing, the Issuer may not direct the Trustee or the Eligible Lender Trustee to sell any Student Loans Financed with moneys in the Acquisition Fund to the Depositor pursuant to clause (a) of this paragraph (unless the Depositor is required to repurchase such Student Loan pursuant to a Student Loan Purchase Agreement).

Any acquisition or sale of Eligible Loans may be for an amount of principal, interest and Special Allowance Payments as of a cut-off date determined by the Issuer, and, notwithstanding any other provision of the Indenture to the contrary, compensatory payments and receipts may be made to and from the Acquisition Fund in amounts necessary to reconcile the same. Pending application of moneys in the Acquisition Fund for one or more authorized purposes, such moneys will be invested in investment securities, as described under "—Investments" below, and any income from said investments will be deposited in the Collection Fund.

Collection Fund

The Indenture establishes a Collection Fund. The Trustee will credit to the Collection Fund: (1) all amounts received as interest, including Interest Subsidy Payments, late fees and principal payments with respect to Financed Student Loans, including all guarantee payments, and all Special Allowance Payments with respect to Financed Student Loans (excluding, unless otherwise provided in a Supplemental Indenture, any Interest Subsidy Payments and Special Allowance Payments that accrued prior to the date on which such Student Loans were Financed), (2) unless otherwise provided in a Supplemental Indenture, proceeds of the sale of any Financed Student Loans held in the Acquisition Fund, (3) any amounts transferred from the Acquisition Fund, the Administration Fund, the Reserve Fund and the Borrower Benefits Fund, (4) all amounts received as earnings on income from investment securities in the Acquisition Fund, the Reserve Fund, the Administration Fund, the Surplus Fund, the Borrower Benefits Fund, the Collection Fund and the Debt Service Fund, (5) all Counterparty Swap Payments, and (6) any amount representing proceeds of the Notes as specified in a Supplemental Indenture.

On each Monthly Calculation Date, the Trustee will transfer the moneys received during the preceding month in the Collection Fund in the following order:

- first, to make any payments due and payable by the Issuer to the U.S. Department of Education related to the Financed Student Loans or any other payment due and payable to a Guarantee Agency relating to its Guarantee of Financed Student Loans or any other payment due to another entity or trust estate if amounts due by the Issuer or the Eligible Lender Trustee to the U.S. Department of Education or a Guarantee Agency with respect to Financed Student Loans were paid by or offset against such other entity or trust estate;

- second, to the Administration Fund, to increase the balance thereof to such amounts as an authorized officer of Lord as Issuer Administrator shall direct for certain costs and expenses, subject to the limitations set forth in any Supplemental Indenture;

- third, to the Interest Account, to provide for the payment of interest on Senior Notes or Other Senior Obligations (except termination payments due under Senior Swap Agreements as a result of Swap Counterparty default) payable therefrom as described under "—Interest Account" below;

- fourth, to the Principal Account, to provide for the payment of principal of Senior Notes at their stated maturity or on mandatory sinking fund payment dates or the reimbursement of Senior Credit Facility Providers for the payment of principal of the Notes as described under "—Principal Account" below;

- fifth, to the Interest Account, to provide for the payment of interest on Subordinate Notes or Other Subordinate Obligations (except termination payments due under Subordinate Swap Agreements as a result of Swap Counterparty default) payable therefrom as described under "—Interest Account" below;

- sixth, to the Principal Account, to provide for the payment of principal of Subordinate Notes at their stated maturity or on mandatory sinking fund payment dates or the reimbursement of Subordinate Credit Facility Providers for the payment of principal of the Notes as described under "—Principal Account" below;

- seventh, to the Reserve Fund if necessary to increase the balance thereof to the Reserve Fund Requirement;

- eighth, to the Interest Account to provide for the payment of interest on Junior Subordinate Notes or Other Junior Subordinate Obligations (except termination payments due under Junior Subordinate Swap Agreements as a result of Swap Counterparty default) payable therefrom as described under "—Interest Account" below;

- ninth, to the Principal Account, to provide for the payment of principal of Junior Subordinate Notes at their stated maturity or on mandatory sinking fund payment dates or the reimbursement of Junior Subordinate Credit Facility Providers for the payment of principal of the Notes as described under "—Principal Account" below;

- tenth, to make such other payments as may be set forth in a Supplemental Indenture;

- eleventh, to the Acquisition Fund (but only during the Revolving Period) for the acquisition of other Student Loans, such amount as directed by the Issuer;

- twelfth, to the Retirement Account, at the direction of the Issuer, for the redemption of, or distribution of principal with respect to, Notes (or the reimbursement of Credit Facility Providers for the payment of the prepayment price of the Notes);

- thirteenth, to the Interest Account for the payment of Carry-Over Amounts (and interest thereon) due with respect to the Senior Notes;

- fourteenth (but only if the Senior Asset Percentage would be at least 100% upon the application of such amounts), to the Interest Account for the payment of Carry-Over Amounts (and interest thereon) due with respect to the Subordinate Notes;

- fifteenth, (but only if the Senior Asset Percentage and the Subordinate Asset Percentage would be at least 100% upon the application of such amounts), to the credit of the Interest Account, for the payment of Carry–Over Amounts (and interest thereon) with respect to the Junior Subordinate Notes;

- sixteenth, to the Interest Account for the payment of termination payments due under Senior Swap Agreements as a result of a Swap Counterparty default;

- seventeenth, to the Interest Account for the payment of termination payments due under Subordinate Swap Agreements as a result of a Swap Counterparty default;

- eighteenth, to the Interest Account for the payment of termination payments due under Junior Subordinate Swap Agreements as a result of a Swap Counterparty default; and

- nineteenth, to the Surplus Fund.

Pending transfers from the Collection Fund, the moneys therein will be invested in investment securities as described under "—Investments" below, and any income from said investments will be retained therein.

Administration Fund

With respect to each series of Notes, the Trustee will, upon delivery thereof and from the proceeds thereof, credit to the Administration Fund established under the Indenture the amount, if any, specified in the Supplemental Indenture providing for the issuance of such series of Notes. The Trustee will also credit to the Administration Fund, all amounts transferred thereto from the Collection Fund, and the Surplus Fund. Amounts in the Administration Fund will be used to pay costs of issuance (to the extent provided by a Supplemental Indenture), Servicing Fees, Administration Fees and Note Fees. For so long as any Series 2004-1 Notes shall be Outstanding, the Issuer covenants and agrees that the Note Fees with respect to the Series 2004-1 Notes to be paid, or reimbursed to the Issuer, from the Administration Fund shall not, in any year, exceed the sum of (1) the annual fees of the Trustee, the Eligible Lender Trustee, the Delaware Trustee and the Market Agents in effect as of the Closing Date, (2) the Broker-Dealer Fees payable at the Broker-Dealer Fee Rate in effect as of the Closing Date, plus (3) the Auction Agent Fees payable at the Auction Agent Fee Rate in effect as of the Closing Date, unless the Issuer delivers to the Trustee written confirmation from each of the Rating Agencies then rating the Series 2004-1 Notes to the effect that payment or reimbursement of such additional Note Fees will not result in a reduction or withdrawal of the rating of the Series 2004-1 Notes.

On each Monthly Calculation Date, the Trustee will transfer to the Administration Fund moneys available under the Indenture for transfer thereto from the sources set forth in the following sentence and in such amounts and at such times as an authorized officer of the Issuer Administrator shall direct, for the payment of Servicing Fees, Administration Fees or Note Fees. Deposits to the Administration Fund will be made from the following sources in the following order of priority: the Collection Fund, and the Surplus Fund.

Pending transfers from the Administration Fund, the moneys therein will be invested in investment securities, as described under "—Investments" below, and any income from such investments will be deposited in the Collection Fund.

Debt Service Fund

The Indenture establishes a Debt Service Fund which comprises three Accounts: the Interest Account, the Principal Account and the Retirement Account. The Debt Service Fund will be used only for the payment, when due, of principal of and premium, if any, and interest on the Notes, the purchase price of Notes, Other Obligations and Carry-Over Amounts (including any accrued interest thereon). Any Supplemental Indenture providing for the issuance of any series of Notes, the payment of which is to be provided pursuant to or secured by a Credit Enhancement Facility, shall also provide for the creation of separate sub-accounts within the Interest Account, the Principal Account and the Retirement Account. Any payment received pursuant to such Credit Enhancement Facility shall be deposited into such sub-accounts, and moneys deposited therein shall be used only for the payment of principal of and premium, if any, and interest on Notes of such series, or for such other purposes as may be permitted by such Supplemental Indenture, upon the conditions set forth in such Supplemental Indenture.

Interest Account. The Trustee will deposit in the Interest Account: (1) proceeds of the issuance of Notes if directed by the Supplemental Indenture authorizing the Notes, (2) that portion of the proceeds from the sale of the Issuer's refunding bonds, notes or other evidences of indebtedness, if any, to be used to pay interest on the Notes, (3) all payments under any Credit Enhancement Facilities to be used to pay interest on the Notes, and (4) all amounts required to be transferred thereto from the Funds described below.

With respect to each series of Notes on which interest is paid no less frequently than every 30 days, the Trustee shall deposit to the Interest Account on each Monthly Calculation Date an amount equal to the interest that will become payable on such Notes during the following calendar month. With respect to each series of Notes on which interest is paid less frequently than every 30 days, the Trustee shall make equal monthly deposits to the Interest Account on each Monthly Calculation Date preceding each Interest Payment Date, to aggregate the full amount of such interest. With respect to Variable Rate Notes for which any such amount cannot be determined on the Monthly Calculation Date, the Trustee will make such deposit based upon assumptions set forth in the Supplemental Indenture authorizing such Notes. The First Supplemental Indenture provides that such deposits shall be made on the assumption that the Series 2004-1 Notes will bear interest at the rate determined by the Issuer and set forth in an Issuer Order.

With respect to each Swap Agreement or Credit Enhancement Facility under which Issuer Swap Payments or Credit Enhancement Facility fees, as the case may be, are paid no less frequently than every 30 days, the Trustee shall deposit to the credit of the Interest Account on each Monthly Calculation Date an amount equal to the Issuer Swap Payments or fees that will become payable during the following calendar month. With respect to each Swap Agreement or Credit Enhancement Facility under which Issuer Swap Payments or Credit Enhancement Facility fees, as the case may be, are paid less frequently than every 30 days, the Trustee shall make equal monthly deposits to the Interest Account on each Monthly Calculation Date preceding each payment date, to aggregate the full amount of such Issuer Swap Payments or Credit Enhancement Facility, as the case may be. With respect to any Swap Agreement for which any such amount cannot be determined on the Monthly Calculation Date, the Trustee will make such deposit based upon assumptions set forth in the Supplemental Indenture authorizing such Swap Agreement.

Each deposit required by the preceding paragraphs will be made by transfer from the following Funds and Accounts, in the following order of priority: the Collection Fund, the Surplus Fund, the Acquisition Fund (other than that portion of the balance thereof consisting of Financed Student Loans) and the Reserve Fund

On each Monthly Calculation Date, if any Carry-Over Amount (including any accrued interest thereon) will be due and payable with respect to a series of Notes during the next month, as provided in the related Supplemental Indenture, the Trustee will transfer to the Interest Account (to the extent amounts are available therefor in the Collection Fund or the Surplus Fund, after taking into account all prior application of moneys in such Funds on such Monthly Calculation Date) an amount equal to such Carry-Over Amount (including any accrued interest thereon) so due and payable.

The moneys in the Interest Account will be invested in investment securities as described under "—Investments" below, and any income from such investments will be deposited in the Collection Fund.

Principal Account. The Trustee will deposit to the Principal Account (1) that portion of the proceeds from the sale of the Issuer's bonds, notes or other evidences of indebtedness, if any, to be used to pay principal of the Notes, (2) all payments under any Credit Enhancement Facilities to be used to pay principal of Notes, and (3) all amounts required to be transferred thereto from the Funds described below.

Such deposits shall be made by transfer from the following Funds in the following order of priority (after transfers therefrom to the Interest Account required on the date of any such transfer as described under "—Interest Account" above): the Collection Fund, the Surplus Fund, the Acquisition Fund and the Reserve Fund.

Balances in the Principal Account may also be applied to the purchase of Notes at a purchase price not to exceed the Principal Amount thereof plus accrued interest, or to the redemption of or distribution of principal with respect to Notes at a prepayment price not to exceed the Principal Amount thereof plus accrued interest upon transfer to the Retirement Account, as determined by the Issuer at such time. Any such purchase, redemption or

distribution of principal will be limited to those Notes whose stated maturity or mandatory sinking fund payment date is the next succeeding principal payment date.

The moneys in the Principal Account will be invested in investment securities as described under "—Investments" below, and any income from such investments will be deposited in the Collection Fund.

Retirement Account. The Trustee will deposit to the Retirement Account (1) any amounts transferred thereto from the Acquisition Fund, the Collection Fund, the Reserve Fund, the Surplus Fund, or the Principal Account to provide for the redemption of the distribution of principal with respect to the Notes, (2) that portion of the proceeds from the sale of the Issuer's bonds, notes or other evidences of indebtedness, if any, to be used to pay the principal or Prepayment Price of Notes on a date other than the stated maturity thereof or a mandatory sinking fund payment date therefor, (3) that portion of the proceeds of the sale or securitization of an Eligible Loan, if any, to be used to pay the principal or prepayment price of Notes on a date other than the stated maturity date thereof or a mandatory sinking fund payment date thereof, and (4) all payments under any Credit Enhancement Facilities to be used to pay the principal or Prepayment Price of Notes payable from the Retirement Account. All Notes which are to be redeemed, or with respect to which principal distributions are to be made, other than at stated maturity or on a mandatory sinking fund payment date, will be redeemed or paid with moneys deposited to the Retirement Account. Moneys in the Retirement Account shall also be used for the reimbursement to any Credit Facility Provider for the payment of such amounts pursuant to a Credit Enhancement Facility.

Subject to the provisions of the Indenture described under "—Notes and Other Indenture Obligations—Call for Redemption or Purchase of Notes; Senior Asset Requirement," amounts deposited to the credit of the Retirement Account to provide for the payment of the Prepayment Price of Notes subject to mandatory redemption, or for mandatory principal distributions with respect to Notes, shall be applied to such payments with respect to Notes of all series subject to prepayment in such order of priority as may be established by the Supplemental Indentures pursuant to which such Notes have been issued (or in the absence of direction from such Supplemental Indentures, in the order in which Notes mature, and among Notes with the same stated maturity, in the order in which such Notes were issued).

Balances in the Retirement Account may also be applied to the purchase of Notes at a purchase price not to exceed the Principal Amount thereof plus accrued interest plus any then applicable redemption premium, as determined by the Issuer at such time.

The moneys in the Retirement Account will be invested in investment securities as described under "—Investments" below, and any income from such investment will be deposited in the Collection Fund.

Reserve Fund

Upon the delivery of any series of Notes, and from the proceeds thereof or, at the option of the Issuer, from any amounts to be transferred thereto from the Surplus Fund and from any other available moneys of the Issuer not otherwise credited to or payable into any Fund or Account under or otherwise subject to the pledge and security interest created by the Indenture, the Trustee will credit to the Reserve Fund the amount, if any, specified in the Supplemental Indenture providing for the issuance of that series of Notes, such that, upon issuance of such Notes, the balance in the Reserve Fund shall not be less than the Reserve Fund Requirement.

If on any Monthly Calculation Date the balance in the Reserve Fund is less than the Reserve Fund Requirement, which will be calculated by the Trustee on such Monthly Calculation Date, the Trustee will transfer thereto an amount equal to the deficiency from moneys available therefor in the following Funds and Accounts in the following order of priority (to the extent not required for credit to the Administration Fund, the Debt Service Fund or the Acquisition Fund): the Collection Fund and the Surplus Fund.

The balance in the Reserve Fund will be used and applied solely for the payment when due of principal of and interest on the Notes and any Other Obligations payable from the Debt Service Fund (see "Debt Service Fund" above), and will be so used and applied by transfer by the Trustee to the Debt Service Fund at any time and to the extent that the balance in such Fund and the balances available for deposit to the credit thereof from the Collection Fund and the Surplus Fund are insufficient to meet the requirements specified in the Indenture for deposit to such

Fund at such time (provided, however, that such amounts shall be applied in the following order of priority: (a) to the payment of interest on the Senior Notes and the payment of Other Senior Obligations payable from the Interest Account, (b) to the payment of principal and the purchase price of the Senior Notes and the payment of Other Senior Obligations payable from the Principal Account, (c) to the payment of interest on the Subordinate Notes and the payment of Other Subordinate Obligations payable from the Interest Account, (d) to the payment of principal and the purchase price of the Subordinate Notes and the payment of Other Subordinate Obligations payable from the Principal Account, (e) to the payment of interest on the Junior Subordinate Notes and the payment of Other Junior Subordinate Obligations payable from the Interest Account, and (f) to the payment of principal and the purchase price of the Junior Subordinate Notes and the payment of Other Junior Subordinate Obligations payable from the Principal Account.). If on any Monthly Calculation Date the balance in the Reserve Fund exceeds the Reserve Fund Requirement, such excess will, upon order of an authorized officer of the Issuer, be transferred to the Collection Fund.

Pending transfers from the Reserve Fund, the moneys therein will be invested in investment securities as described under "—Investments" below and any income from such investments will be deposited in the Collection Fund.

Surplus Fund

On each Monthly Calculation Date, the Trustee will deposit to the Surplus Fund balances in the Collection Fund not required for deposit to any other Fund or Account.

At any time there is a deficiency in any of the other Funds or Accounts, Balances in the Surplus Fund shall be transferred to such Funds or Accounts to remedy such deficiency in the same order of priority as for the application of moneys in the Collection Fund (see "—Collection Fund").

Amounts in the Surplus Fund may be applied to any one or more of the following purposes at any time as determined by the Issuer: (1) transfer to the Retirement Account for the redemption or purchase of, or distribution of principal with respect to, Notes; (2) the acquisition of Eligible Loans, or transfer to the Acquisition Fund for such purpose; or (3) so long as no Event of Default has occurred, paid to the Issuer on a quarterly basis in an amount equal to the Taxes which would be theoretically incurred by the Issuer during the preceding calendar quarter; provided, however, no amounts in the Surplus Fund shall be paid out for Taxes on amounts released by the Trustee to the Issuer from the Surplus Fund.

Any amounts in the Surplus Fund shall also be released upon Issuer Order free and clear of the lien of the Indenture if, after taking into account any such release and excluding, for these purposes only, from the calculation of the value of the Aggregate Value, any Financed Student Loans which are not Eligible Loans, (i) the Senior Asset Percentage will not be less than 107% plus any other amounts as required by any Supplemental Indenture, and the Subordinate Asset Percentage will not be less than 101.5% plus any other amounts as required by any Supplemental Indenture and (ii) the Aggregate Value of assets held under the Indenture, less the Principal Amount of all Notes outstanding will exceed $3,000,000 after release or payment; or in all cases such lesser percentages or amounts as may be permitted with a Rating Agency Confirmation. Amounts in the Surplus Fund may also be released free and clear of the lien of the Indenture to make indemnity payments required pursuant to the terms of any Servicing Agreement, any Custodian Agreement, any Guarantee Agreement, any Note Purchase Agreement, any Auction Agency Agreement, any Eligible Lender Trustee Agreement and the Administrative Agreement.

Pending transfers from the Surplus Fund, the moneys therein will be invested in investment securities as described under "—Investments" below, and any earnings on or income from such investments will be deposited in the Collection Fund.

Borrower Benefits Fund

An amount equal to 1% of the original principal amount of each Consolidation Loan with an interest rate of 5.00% or greater purchased with the proceeds from the sale of the Series 2004-1 Notes on deposit in the Acquisition Fund will be deposited to the Borrower Benefits Fund. Amounts on deposit in the Borrower Benefits Fund, unless released to the Collection Fund as provided in the Indenture, will be used solely for the Borrower Benefit rebate

payment of up to 1% of the principal balance of the Consolidation Loan if the borrower maintains certain on-time payment requirements established by the Depositor. Any amount returned by the entity engaged by the Issuer to disburse such funds to borrowers under such Consolidation Loans (due to the borrower under the Consolidation Loan not cashing his or her disbursement check or otherwise) will be deposited to the Borrower Benefits Fund and will remain in the Borrower Benefits Fund until the borrower under the related Consolidation Loan is unable to make a claim for such moneys against the Issuer.

Any amounts on deposit in the Borrower Benefits Fund which relate to Consolidation Loans for which the borrower under such Consolidation Loans has failed to qualify for the Borrower Benefit on the Consolidation Loans described above shall, upon Issuer Order, be transferred to the Collection Fund.

Pending transfers from the Borrower Benefits Fund, the moneys therein will be invested in investment securities as described under "—Investments" below, and any earnings on or income from such investments will be deposited in the Collection Fund.

Notes and Other Obligations

The Notes of each series will be issued pursuant to the terms of the Indenture, as supplemented by a Supplemental Indenture relating to that series. The following summary describes the material terms of the Notes. The summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the Notes, the Indenture and the applicable Supplemental Indenture, which provisions are incorporated by reference herein. See "Description of the Series 2004-1 Notes" for a more complete description of the terms of the Series 2004-1 Notes.

General Terms of Notes

Each series of Notes will be created by and issued pursuant to a Supplemental Indenture, which will designate the Notes of that series as Senior Notes, Subordinate Notes or Junior Subordinate Notes.

The stated maturity dates, mandatory sinking fund payment dates (if any), redemption or principal distribution provisions, interest rates and other terms of each series of Notes will be established in the related Supplemental Indenture.

The Notes, including the principal thereof, premium, if any, and interest thereon and any Carry-Over Amounts (and accrued interest thereon) with respect thereto, and Other Indenture Obligations are limited obligations of the Issuer, payable solely from the revenues and assets of the Issuer pledged therefor under the Indenture.

Issuance of Additional Notes

Additional Notes may be issued under the Indenture for the purposes of (a) providing funds for the acquisition of Eligible Loans, (b) refunding at or before their stated maturity any or all Outstanding Notes, (c) paying Servicing Fees, Administration Fees, Note Fees, costs of issuance and capitalized interest on the Notes, (d) making deposits to the Reserve Fund, and (e) such other purposes relating to the Issuer's loan programs as may be provided in a Supplemental Indenture.

At any time, one or more series of Additional Notes may be issued upon compliance with certain conditions specified in the Indenture (including the requirement that each Rating Agency shall have confirmed that no outstanding ratings on any of the Outstanding Notes will be reduced or withdrawn as a result of such issuance) and any additional conditions specified in a Supplemental Indenture.

Comparative Security of Noteholders and Other Beneficiaries

The Senior Notes will be equally and ratably secured under the Indenture with any Other Senior Obligations. The Senior Obligations will have payment and certain other priorities over the Subordinate Notes, the

Other Subordinate Obligations, the Junior Subordinate Notes and the other Junior Subordinate Obligations. The Subordinate Notes will be equally and ratably secured under the Indenture with any Other Subordinate Obligations and will have payment and certain other priorities over the Junior Subordinate Notes and the Other Junior Subordinate Obligations. See "Source of Payment and Security for the Notes—Priorities."

The Issuer may at any time issue a series of Notes, as either Senior Notes, Subordinate Notes or Junior Subordinate Notes. In connection with any such Senior Notes, Subordinate Notes or Junior Subordinate Notes, the Issuer may enter into a Swap Agreement or Credit Enhancement Facility as it deems in its best interest, and the Swap Counterparty or the Credit Enhancement Provider may become a Senior Beneficiary, a Subordinate Beneficiary or a Junior Subordinate Beneficiary, as herein described. See "Source of Payment and Security for the Notes—Additional Indenture Obligations."

Call for Redemption or Purchase of Notes; Senior Asset Requirement

No redemption (other than mandatory sinking fund redemption) of, or principal distribution with respect to, Subordinate Notes will be permitted under the Indenture unless, prior to the Trustee giving notice of such redemption or allocating revenues to such distribution, the Issuer furnishes the Trustee a certificate to the effect that, after giving effect to such redemption or distribution, the Senior Asset Requirement will be met.

In general, compliance with the foregoing condition is determined as of the date of selection of Notes which are to be redeemed or with respect to which principal is to be distributed, and any failure to satisfy such conditions as of the payment date will not affect such determination; provided that, if Notes have been defeased and are to be prepaid, compliance with such conditions will be determined on the date of defeasance instead of as of the date of selection. See "—Discharge of Notes and Indenture" below.

Any election to redeem or distribute principal with respect to Notes may also be conditioned upon such additional requirements as may be set forth in the Supplemental Indenture authorizing the issuance of such Notes.

Credit Enhancement Facilities and Swap Agreements

The Issuer may from time to time, pursuant to a Supplemental Indenture, enter into any Credit Enhancement Facilities or Swap Agreements with respect to any Notes of any series. No Supplemental Indenture will authorize the Issuer to enter into a Swap Agreement or obtain a Credit Enhancement Facility unless the Trustee shall have received a Rating Agency Confirmation.

Any Supplemental Indenture authorizing the execution by the Issuer of a Swap Agreement or Credit Enhancement Facility may include provisions with respect to the application and use of all amounts to be paid thereunder. No amounts paid under any such Credit Enhancement Facility will be part of the Trust Estate except to the extent, if any, specifically provided in such Supplemental Indenture and no Beneficiary will have any rights with respect to any such amounts so paid except as may be specifically provided in such Supplemental Indenture.

Pledge; Encumbrances

The Notes and all Other Obligations are limited obligations of the Issuer specifically secured by the pledge of the proceeds of the sale of Notes (until expended for the purpose for which the Notes were issued), the Financed Student Loans and the revenues, moneys and securities in the various Funds, in the manner and subject to the prior applications provided in the Indenture. Financed Student Loans purchased with the proceeds of the Issuer's bonds, notes or other evidences of indebtedness or sold to or exchanged with another party in accordance with the provisions of the Indenture, will, contemporaneously with receipt by the Trustee of the purchase price thereof, no longer be pledged to nor serve as security for the payment of the principal of, premium, if any, or interest on, or any Carry-Over Amounts (or accrued interest thereon) with respect to the Notes or any Other Obligations.

The Issuer agrees that it will not create, or permit the creation of, any pledge, lien, charge or encumbrance upon the Financed Student Loans or the revenues and other assets pledged under the Indenture, except only as to a lien subordinate to the lien of the Indenture created by any other indenture authorizing the issuance of bonds, notes or other evidences of indebtedness of the Issuer, the proceeds of which have been or will be used to refund or

otherwise retire all or a portion of the Outstanding Notes or as otherwise provided in or permitted by the Indenture. The Issuer agrees that it will not issue any bonds or other evidences of indebtedness, other than the Notes as permitted by the Indenture and other than Swap Agreements and Credit Enhancement Facilities relating to Notes as permitted by the Indenture, secured by a pledge of the revenues and other assets pledged under the Indenture, creating a lien or charge equal or superior to the lien of the Indenture. Nothing in the Indenture is intended to prevent the Issuer from issuing obligations secured by revenues and assets of the Issuer other than the revenues and other assets pledged in the Indenture.

Covenants

Certain covenants with the Holders of the Notes and Other Beneficiaries contained in the Indenture are summarized as follows:

Enforcement and Amendment of Guarantee Agreements. So long as any Notes or Other Obligations are Outstanding and Financed Eligible Loans are Guaranteed by a Guarantee Agency, the Issuer agrees that it will (1) from and after the date on which the Eligible Lender Trustee on its behalf shall have entered into, or succeeded to the rights and interests of the Lender under, any Guarantee Agreement covering Financed Eligible Loans cause the Eligible Lender Trustee to maintain the same and diligently enforce the Eligible Lender Trustee's rights thereunder, (2) cause the Eligible Lender Trustee to enter into such other similar or supplemental agreements as shall be required to maintain benefits for all Financed Eligible Loans covered thereby, and (3) 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 same which in any manner will materially adversely affect the rights of the Noteholders or Other Beneficiaries under the Indenture. Notwithstanding the foregoing, the Issuer may amend any Guarantee Agreement or may cause the Eligible Lender Trustee to amend any Guarantee Agreement in any respect if it receives Rating Agency Confirmation with respect to such amendment.

Acquisition, Collection and Assignment of Student Loans. The Issuer agrees that it will, except as otherwise provided with regard to the Surplus Fund (see "—Funds and Accounts—Surplus Fund" above), purchase only Eligible Loans with moneys in any of the Funds and (subject to any adjustments referred to in the following paragraph) will diligently cause to be collected all principal and interest payments on all the Financed Student Loans and other sums to which the Issuer is entitled with respect to such Financed Student Loan, and all Special Allowance Payments and all defaulted payments guaranteed by any Guarantee Agency which relate to such Financed Student Loans.

Enforcement of Financed Student Loans. The Issuer agrees that it will cause to be diligently enforced, 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 (as such payments may be adjusted to take into account (1) any discount the Issuer may cause to be made available to borrowers who make payments on Financed Student Loans through automatic withdrawals, and (2) any reduction in the interest payable on Financed Student Loans provided for in any borrower incentive or other special program under which such loans were originated) and all other amounts due the Issuer thereunder. The Issuer further agrees that it will not permit the release of the obligations of any borrower under any Financed Student Loan and will at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of the Issuer, the Eligible Lender Trustee, the Trustee and the Beneficiaries under or with respect to each Financed Student Loan and agreement in connection therewith. The Issuer will not consent or agree to or permit any amendment or modification of any Financed Student Loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the Beneficiaries. Nothing in the provisions of the Indenture described in this paragraph, however, shall be construed to prevent the Issuer from (a) settling a default or curing a delinquency on any Financed Student Loan on such terms as shall be permitted by law, (b) amending the terms of a Financed Student Loan to provide for a different rate of interest thereon to the extent permitted by law, or (c) if the Trustee shall have received a Rating Agency Confirmation with respect to such action, otherwise amending the terms of any Financed Student Loan or agreement in connection therewith.

Administration and Collection of Financed Student Loans. The Issuer agrees to service and collect, or enter into one or more Servicing Agreements pursuant to which Servicers agree to service or collect all Student Loans in accordance with all requirements of the Higher Education Act, the Secretary of Education, the Indenture

and each Guarantee Agreement, provided that each such Servicer shall (a) be in compliance with the laws of each state necessary to enable it to perform its obligations under the related Servicing Agreement and (b) either have a net worth of at least $5,000,000 or be an affiliate of the Issuer. The Issuer may enter into the Administration Agreement with the Issuer Administrator and into other administration agreements with other administrators, provided that the Issuer Administrator and each such other administrator shall (a) be in compliance with the laws of each state necessary to enable it to perform its obligations under the Administration Agreement or related administration agreement (as applicable), and (b) either have a net worth of at least $5,000,000 or be an affiliate of the Issuer. The Issuer agrees to cause to be diligently enforced all terms, covenants and conditions of all Servicing Agreements, the Administration Agreement, the Eligible Lender Trust Agreement, the Student Loan Repurchase Agreement, the Student Loan Purchase Agreements, and all other administration agreements, including the prompt payment of all principal and interest payments and all other amounts due the Issuer or the Trustee thereunder, including, in the case of the Servicing Agreements, all Special Allowance Payments and all defaulted payments guaranteed by any Guarantee Agency which relate to any Financed Student Loans. The Issuer shall not permit the release of the obligations of any Servicer under any Servicing Agreement, the Eligible Lender Trustee under the Eligible Lender Trust Agreement, SLCC under the Student Loan Repurchase Agreement, any parties to the Student Loan Purchase Agreements, or the Issuer Administrator or any other administrator under the Administration Agreement or the related administration agreement, as applicable, except in accordance with the terms thereof, 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 Issuer, the Trustee and the Beneficiaries under or with respect to each Servicing Agreement, the Administration Agreement and each other administration agreement. The Issuer agrees not to consent or agree to or permit any amendment or modification of any Servicing Agreement, the Eligible Lender Trust Agreement, the Student Loan Repurchase Agreement, any Student Loan Purchase Agreement, Administration Agreement or any other administration agreement which will in any manner materially adversely affect the rights or security of the Beneficiaries unless, in the case of the Administration Agreement or any other administration agreement, the requisite amount of Beneficiaries vote in favor of such amendment or modification in accordance with the terms thereof. Notwithstanding the foregoing, the Issuer or the Eligible Lender Trustee may amend any Servicing Agreement, the Administration Agreement or any other administration agreement in any respect if it shall receive a Rating Agency Confirmation with respect to such amendment .

Limitation on Note Fees. The Issuer covenants and agrees in the First Supplemental Indenture that the Note Fees will not exceed certain levels unless it obtains a Rating Agency Confirmation.

Tax Treatment. The Issuer agrees, and each holder of Series 2004-1 Notes, by its acceptance of its Series 2004-1 Notes, agrees, to treat the Series 2004-1 Notes for federal, state and local income, business and franchise tax purposes as indebtedness of the Issuer.

Continuing Existence; Merger and Consolidation. The Issuer agrees to maintain its existence as a Delaware statutory trust and not to dispose of all or substantially all of its assets (by sale, lease or otherwise), except as otherwise specifically authorized in the Indenture, or consolidate with or merge into another entity or permit any other entity to consolidate with or merge into it unless either the Issuer is the surviving entity or each of the following conditions is satisfied:

- the surviving, resulting or transferee entity, as the case may be, shall be a corporation, limited liability company or other legal entity organized under the laws of the United States or one of the states thereof;

- at least 30 days before any merger, consolidation or transfer of assets becomes effective, the Issuer shall give the Trustee written notice of the proposed transaction;

- immediately after giving effect to any merger, consolidation or transfer of assets, no Event of Default shall have occurred and be continuing;

- a Rating Agency Confirmation shall have been obtained with respect to such merger, consolidation or transfer of assets; and

- prior to or concurrently with any merger, consolidation or transfer of assets, (a) any action as is necessary to maintain the lien and security interest created in favor of the Trustee by the Indenture shall have been taken, (b) the surviving, resulting or transferee entity, as the case may be, shall deliver to the Trustee an instrument assuming all of the obligations of the Issuer under the Indenture and related agreements, together with any necessary consents, and (c) the Issuer shall have delivered to the Trustee and each Rating Agency a certificate and an opinion of counsel (which shall describe the actions taken as required by clause (a) of this paragraph or that no such action need be taken) each stating that all conditions precedent to such merger, consolidation or transfer of assets have been complied with.

Investments

Moneys from time to time on deposit in the Funds and Accounts may be invested in one or more of the following investment securities:

- direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided such obligations are backed by the full faith and credit of the United States, FHA debentures, Freddie Mac senior debt obligations, Federal Home Loan Bank consolidated senior debt obligations, and Fannie Mae senior debt obligations, but excluding any of such securities whose terms do not provide for payment of a fixed dollar amount upon maturity or call for redemption;

- federal funds, certificates of deposit, time deposits and banker's acceptances (having original maturities of not more than 365 days) of any bank or trust company incorporated under the laws of the United States or any state thereof, provided that the short-term debt obligations of such bank or trust company at the date of acquisition thereof have been rated "A-1+" or better by S&P and "P-1" or better by Moody's;

- deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of at least $3,000,000 which deposits are held only up to the limits insured by the Bank Insurance Fund or Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation, provided that the unsecured long-term debt obligations of such bank or savings and loan association have been rated "BBB" or better by S&P and "Baa3" or better by Moody's;

- commercial paper (having original maturities of not more than 365 days) rated "A-1+" or better by S&P and "P-1" or better by Moody's;

- debt obligations rated "AAA" by S&P and "Aaa" by Moody's (other than any such obligations that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

- investments in money market funds (including those funds managed or advised by the Trustee or an affiliate thereof) rated "AAAm" by S&P and "Aaa" by Moody's;

- guaranteed investment contracts or surety bonds for which a Rating Agency Confirmation has been obtained and providing for the investment of funds in an account or insuring a minimum rate of return on investments of such funds, which contract or surety bond shall:

    - be an obligation of an insurance company or other corporation whose debt obligations or insurance financial strength or claims paying ability are rated "AAA" by S&P and "Aaa" by Moody's;

    - provide that the Trustee may exercise all of the rights of the Issuer under such contract or surety bond without the necessity of the taking of any action by the Issuer;

- a repurchase agreement between the Trustee and a dealer bank or securities firm described in (A) or (B) below:

    - Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and "Aa3" or better by Moody's, or

    - Banks rated "A" or above by S&P and "Aa3" or above by Moody's; and

- any other investment for which a Rating Agency Confirmation has been obtained.

Events of Default

If any of the following events occur, it is an "Event of Default" under the Indenture:

- default in the due and punctual payment of any interest on any Senior Note; or

- default in the due and punctual payment of the principal of, or premium, if any, on any Senior Note, whether at the stated maturity thereof, at the date fixed for redemption thereof (including, but not limited to, mandatory sinking fund payment dates) or otherwise upon the maturity thereof; or

- default by the Issuer in its obligation to purchase any Senior Note on a Tender Date therefor; or

- default in the due and punctual payment of any amount owed by the Issuer to any Other Senior Beneficiary under a Senior Swap Agreement or Senior Credit Enhancement Facility; or

- if no Senior Obligations are Outstanding, default in the due and punctual payment of any interest on any Subordinate Note; or

- if no Senior Obligations are Outstanding, default in the due and punctual payment of the principal of, or premium, if any, on, any Subordinate Note, whether at the stated maturity thereof, at the date fixed for redemption thereof (including but not limited to, mandatory sinking fund payment dates) or otherwise upon the maturity thereof; or

- if no Senior Obligations are Outstanding, default by the Issuer in its obligation to purchase any Subordinate Note on a Tender Date therefor; or

- if no Senior Obligations are Outstanding, default in the due and punctual payment of any amount owed by the Issuer to any Other Subordinate Beneficiary under a Subordinate Swap Agreement or a Subordinate Credit Enhancement Facility; or

- if no Senior Obligations and no Subordinate Obligations are Outstanding, default in the due and punctual payment of any interest on any Junior Subordinate Note; or

- if no Senior Obligations and no Subordinate Obligations are Outstanding, default in the due and punctual payment of the principal of, or premium, if any, on, any Junior Subordinate Note, whether at the stated maturity thereof, at the date fixed for prepayment thereof (including, but not limited to, mandatory sinking fund payment dates) or otherwise upon the maturity thereof; or

- if no Senior Obligations and no Subordinate Obligations are Outstanding, default by the Issuer in its obligation to purchase any Junior Subordinate Note on a Tender Date therefor; or

- if no Senior Obligations and no Subordinate Obligations are Outstanding, default in the due and punctual payment of any amount owed by the Issuer to any Other Junior Subordinate Beneficiary under a Junior Subordinate Swap Agreement or Junior Subordinate Credit Enhancement Facility; or

- default in the performance of any of the Issuer's obligations with respect to the transmittal of moneys to be credited to the Collection Fund, the Acquisition Fund or the Debt Service Fund under the provisions of the Indenture and such default shall have continued for a period of 30 days; or

- default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in the Indenture or in the Notes, and such default shall have continued for a period of 30 days after written notice thereof, specifying such default, shall have been given to the Issuer by the Trustee (which may give such notice in its discretion and will give such notice at the written request of the Acting Beneficiaries Upon Default); provided that, if the default is such that it can be corrected, but not within such 30 days, it will not constitute an Event of Default if corrective action is instituted by the Issuer within such 30 days and is diligently pursued until the default is corrected; or

- certain events of bankruptcy or insolvency of the Issuer.

Remedies

Whenever any Event of Default shall have occurred and be continuing, the Trustee may (and, upon the written request of the Acting Beneficiaries Upon Default, the Trustee shall), by notice in writing delivered to the Issuer, declare the principal of and interest accrued on all Notes then Outstanding due and payable and such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the Acting Beneficiaries Upon Default, by written notice to the Issuer and the Trustee, may rescind and annul such declaration and its consequences if:

(1) There has been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee has been made for the payment of, a sum sufficient to pay:

(A) if Senior Obligations are Outstanding: (i) all overdue installments of interest on all Senior Notes; (ii) the principal of (and premium, if any, on) any Senior Notes which have become due other than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Senior Notes; (iii) to the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Senior Notes at the rate or rates borne by such Senior Notes; (iv) all Other Senior Obligations which have become due other than as a direct result of such declaration of acceleration; (v) all other sums required to be paid to satisfy the Issuer's obligations with respect to the transmittal of moneys to be credited to the Collection Fund, the Acquisition Fund and the Interest Account under the provisions of the Indenture; and (vi) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any paying agents, remarketing agents, tender agents, auction agents, market agents and broker-dealers; or

(B) if no Senior Obligations are Outstanding, but Subordinate Obligations are Outstanding: (i) all overdue installments of interest on all Subordinate Notes; (ii) the principal of (and premium, if any, on) any Subordinate Notes which have become due other than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Subordinate Notes; (iii) to the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Subordinate Notes at the rate or rates borne by such Subordinate Notes; (iv) all Other Subordinate Obligations which have become due other than as a direct result of such declaration of acceleration; (v) all other sums required to be paid to satisfy the Issuer's obligations with respect to the transmittal of moneys to be credited to the Collection Fund, the Acquisition Fund and the Interest Account under the provisions of the Indenture; and (vi) all sums paid or advanced by the Trustee under the Indenture and the

reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any paying agents, remarketing agents, tender agents, auction agents and broker-dealers; or

(C) if no Senior Obligations and no Subordinate Obligations are Outstanding but Junior Subordinate Notes are Outstanding: (i) all overdue installments of interest on all Junior Subordinate Notes; (ii) the principal of (and premium, if any, on) any Junior Subordinate Notes which have become due other than by such declaration of acceleration, together with interest thereon at the rate or rates borne by such Junior Subordinate Notes; (iii) to the extent that payment of such interest is lawful, interest upon overdue installments of interest on the Junior Subordinate Notes at the rate or rates borne by such Junior Subordinate Notes; (iv) all Other Junior Subordinate Obligations which have become due other than as a direct result of such declaration or acceleration; (v) all other sums required to be paid to satisfy the Issuer's obligations with respect to the transmittal of moneys to be credited to the Collection Fund, the Acquisition Fund and the Interest Account under the provisions of the Indenture; and (vi) all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel and any paying agents, remarketing agents, tender agents, auction agents, market agents and broker-dealers; and

(2) All Events of Default, other than the nonpayment of the principal of and interest on Notes or Other Obligations which have become due solely by, or as a direct result of, such declaration of acceleration, have been cured or waived as provided in the Indenture.

If an Event of Default has occurred and is continuing, the Trustee may, subject to applicable law, pursue any available remedy by suit at law or in equity to enforce the covenants of the Issuer in the Indenture and may pursue such appropriate judicial proceedings as the Trustee shall deem most effective to protect and enforce, or aid in the protection and enforcement of, the covenants and agreements in the Indenture. The Trustee is also authorized to file proofs of claims in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings.

If an Event of Default has occurred and is continuing, and if it shall have been requested so to do by the Acting Beneficiaries Upon Default and shall have been indemnified as provided in the Indenture, the Trustee is obliged to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee shall deem most expedient in the interests of the Beneficiaries; provided, however, that the Trustee has the right to decline to comply with any such request if the Trustee shall be advised by counsel that the action so requested may not lawfully be taken or if the Trustee receives, before exercising such right or power, contrary instructions from the Acting Beneficiaries Upon Default.

The Acting Beneficiaries Upon Default have the right 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; provided that (a) such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture; (b) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders of Notes or Other Beneficiaries not taking part in such direction, other than by effect of the subordination of any of their interests thereunder; and (c) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Except as may be permitted in a Supplemental Indenture with respect to an Other Beneficiary, no Holder of any Note or Other Beneficiary will have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust under the Indenture or for the appointment of a receiver or any other remedy under the Indenture unless (1) an Event of Default shall have occurred and be continuing, (2) the Acting Beneficiaries Upon Default shall have made written request to the Trustee, (3) such Beneficiary or Beneficiaries shall have offered to the Trustee the indemnity required by the Indenture, (4) the Trustee shall have thereafter failed for a period of 60 days after the receipt of the request and indemnification or refused to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and (5) no direction inconsistent with such written request shall have been given to the Trustee during such sixty-day period by the Holders of not less than a majority in aggregate Principal Amount of the Notes then Outstanding or by any Other Beneficiary. No one or more Holders of the Notes or any Other Beneficiary shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his, her, its or their action or to enforce any right hereunder except in the manner described herein, and all proceedings at law or in

equity shall be instituted, had and maintained in the manner herein described and for the benefit of the Holders of all Outstanding Notes and Other Beneficiaries as their interests may appear. Notwithstanding the foregoing provisions of the Indenture, the Acting Beneficiaries Upon Default may institute any such suit, action or proceeding in their own names for the benefit of the holders of all Outstanding Notes and Other Beneficiaries under the Indenture.

Unless the Trustee has declared the principal of and interest on all Outstanding Notes immediately due and payable and has obtained a judgment or decree for payment of the money due, the Trustee, will waive any Event of Default and its consequences upon written request of the Acting Beneficiaries Upon Default; except that the Trustee is not permitted to waive (a) any Event of Default arising from the acceleration of the maturity of the Notes, except upon the rescission and annulment of such declaration as described in the second paragraph under this caption "Remedies;" (b) any Event of Default in the payment when due of any amount owed to any Beneficiary (including payment of principal of or interest on any Note) except with the consent of such Beneficiary or unless, prior to such waiver, the Issuer has paid or deposited with the Trustee a sum sufficient to pay all amounts owed to such Beneficiary (including, to the extent permitted by law, interest upon overdue installments of interest); (c) any Event of Default arising from the failure of the Issuer to pay unpaid expenses of the Trustee, its agents and counsel, and any authenticating agent, paying agents, note registrars, tender agents, remarketing agents, auction agents, market agents and broker-dealers as required by the Indenture, unless, prior to such waiver, the Issuer has caused to be paid or deposited with the Trustee sums required to satisfy such obligations of the Issuer under the provisions of the Indenture; or (d) any default in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the Holder of each Note affected thereby.

Notwithstanding any other provisions of the Indenture, if an "Event of Default" (as defined therein) occurs under a Swap Agreement or a Credit Enhancement Facility and, as a result, any Other Beneficiary that is a party thereto is entitled to exercise one or more remedies thereunder, such Other Beneficiary may exercise such remedies, including, without limitation, the termination of such agreement, as provided therein, in its own discretion; provided that the exercise of any such remedy does not adversely affect the legal ability of the Trustee or Acting Beneficiaries Upon Default to exercise any remedy available under the Indenture.

Application of Proceeds

All moneys received by the Trustee pursuant to any remedy will, after payment of servicing fees and the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee with respect thereto, be applied as follows:

(A) Unless the principal of all the Outstanding Notes shall have become or shall have been declared due and payable, all such moneys will be applied as follows:

- FIRST, to the payment to the Senior Beneficiaries of all installments of principal and interest then due on the Senior Notes and all Other Senior Obligations (except termination payments due under Swap Agreements as a result of Swap Counterparty default), and if the amount available will not be sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due without regard to due date, to the Holders of Senior Notes and to each Other Senior Beneficiary, without any discrimination or preference, and the Trustee will apply the amount so apportioned to the Holders of Senior Notes first to the payment of interest and thereafter to the payment of principal;

- SECOND (only if the Senior Asset Percentage would be at least 100% upon the application of such amounts or if there are no Senior Notes Outstanding), to the payment to the Subordinate Beneficiaries of all installments of principal and interest then due on the Subordinate Notes and all Other Subordinate Obligations (except termination payments due under Swap Agreements as a result of Swap Counterparty default), and if the amount available will not be sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the Holders of Subordinate Notes and to each Other Subordinate Beneficiary, without any discrimination or preference, and the Trustee will apply the amount so apportioned to the Holders of Subordinate Notes first to the payment of interest and thereafter to the payment of principal;

- THIRD (only if the Subordinate Asset Percentage would be at least 100% upon the application of such amounts or there are no Senior Notes or Subordinate Notes Outstanding), to the payment to the Junior Subordinate Beneficiaries of all installments of principal and interest then due on the Junior Subordinate Notes and all Other Junior Subordinate Obligations (except termination payments due under Swap Agreements as a result of Swap Counterparty default), and if the amount available shall not be sufficient to pay all such amounts in full, then to the payment ratably, in proportion to the amounts due, without regard to due date, to the Holders of Junior Subordinate Notes and to each Other Junior Subordinate Beneficiary, without any discrimination or preference, and the Trustee will apply the amount so apportioned to the Holders of Junior Subordinate Notes first to payment of interest and thereafter to the payment of principal;

- FOURTH, to the payment of the Holders of the Senior Notes of all Carry-Over Amounts (together with interest thereon) then due and payable in the order in which such amounts became due and payable, and if the amount available shall not be sufficient to pay in full all such Carry-Over Amounts (and interest thereon) which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the Holders of Senior Notes entitled thereto, without any discrimination or preference;

- FIFTH (only if the Senior Asset Percentage would be at least 100% upon the application of such amounts or if there are no Senior Notes Outstanding), to the payment to the Holders of the Subordinate Notes of all Carry-Over Amounts (together with interest thereon) then due and payable in the order in which such amounts became due and payable, and if the amount available shall not be sufficient to pay in full all such Carry-Over Amounts (and interest thereon) which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the Holders of Subordinate Notes entitled thereto, without any discrimination or preference;

- SIXTH (only if the Subordinate Asset Percentage would be at least 100% upon the application of such amounts or there are no Senior Notes or Subordinate Notes Outstanding), to the payment to the Holders of the Junior Subordinate Notes of all Carry–Over Amounts (together with interest thereon) then due and payable in the order in which such amounts became due and payable, and if the amount available shall not be sufficient to pay in full all such Carry–Over Amounts (and interest thereon) which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the Holders of Junior Subordinate Notes entitled thereto, without any discrimination or preference;

- SEVENTH, to the payment of termination payments then due and payable to Swap Counterparties under Senior Swap Agreements as a result of Swap Counterparty default, in the order in which such termination payments became due and payable, and if the amount available shall not be sufficient to pay in full all such termination payments which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the Senior Swap Counterparties entitled thereto, without any discrimination or preference;

- EIGHTH (only if the Senior Asset Percentage would be at least 100% upon the application of such amounts or if there are no Senior Notes Outstanding), to the payment of termination payments then due and payable to Swap Counterparties under Subordinate Swap Agreements as a result of Swap Counterparty default, in the order in which such termination payments became due and payable, and if the amount available shall not be sufficient to pay in full all such termination payments which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the Subordinate Swap Counterparties entitled thereto, without any discrimination or preference; and

- NINTH (only if the Subordinate Asset Percentage would be at least 100% upon the application of such amounts or if there are no Senior Notes or Subordinate Notes Outstanding), to the payment of termination payments then due and payable to Swap Counterparties under Junior Subordinate Swap Agreements as a result of Swap Counterparty default, in the order in which such termination payments became due and payable, and if the amount available shall not be sufficient to pay in full all such termination payments

which became due and payable on any particular date, then to the payment, ratably, according to the amounts due on such date, to the Junior Subordinate Swap Counterparties entitled thereto, without any discrimination or preference.

(B) If the principal of all Outstanding Notes shall have become due or shall have been declared due and payable and such declaration has not been annulled and rescinded under the provisions of the Indenture, all such moneys will be applied as follows:

- FIRST, to the payment to the Senior Beneficiaries of all principal and interest then due on the Senior Notes and all Other Senior Obligations (except termination payments due under Swap Agreements, as a result of a Swap Counterparty default), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Senior Beneficiary over any other Senior Beneficiary, ratably, according to the amounts due, to the persons entitled thereto without any discrimination or preference;

- SECOND, to the payment to the Subordinate Beneficiaries of the principal and interest then due on the Subordinate Notes and all Other Subordinate Obligations (except termination payments due under Swap Agreements, as a result of a Swap Counterparty default), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Beneficiary over any other Subordinate Beneficiary, ratably, according to the amounts due, to the person entitled thereto without any discrimination or preference;

- THIRD, to the payment to the Junior Subordinate Beneficiaries of the principal and interest then due and unpaid upon the Junior Subordinate Notes and all Other Junior Subordinate Obligations (except termination payments due under Swap Agreements as a result of Swap Counterparty Default), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Junior Subordinate Beneficiary over any other Junior Subordinate Beneficiary, ratably, according to the amounts due, to the Persons entitled thereto without any discrimination or preference;

- FOURTH, to the payment of the Holders of the Senior Notes of all Carry-Over Amounts (together with interest thereon) then due and unpaid, without any preference or priority of Carry-Over Amounts over interest thereon or of interest thereon over Carry-Over Amounts, ratably, according to the amounts due, to the Holders of Senior Notes entitled thereto, without any discrimination or preference;

- FIFTH, to the payment to the Holders of the Subordinate Notes of all Carry-Over Amounts (together with interest thereon) then due and unpaid, without any preference or priority of Carry-Over Amounts over interest thereon or of interest thereon over Carry-Over Amounts, ratably, according to the amounts due, to the Holders of Subordinate Notes entitled thereto, without any discrimination or preference;

- SIXTH, to the payment to the Holders of the Junior Subordinate Notes of all Carry–Over Amounts (together with interest thereon) then due and unpaid, without any preference or priority of Carry–Over Amounts over interest thereon or of interest thereon over Carry–Over Amounts, ratably, according to the amounts due, to the Holders of Junior Subordinate Notes entitled thereto, without any discrimination or preference;

- SEVENTH, to the payment of termination payments then due and unpaid to Swap Counterparties under Senior Swap Agreements as a result of Swap Counterparty default, ratably, according to the amounts due on such date, to the Senior Swap Counterparties entitled thereto, without any discrimination or preference;

- EIGHTH, to the payment of termination payments then due and unpaid to Swap Counterparties under Subordinate Swap Agreements as a result of Swap Counterparty default, ratably, according to the amounts

due on such date, to the Subordinate Swap Counterparties entitled thereto, without any discrimination or preference; and

- NINTH, to the payment of termination payments then due and unpaid to Swap Counterparties under Junior Subordinate Swap Agreements as a result of Swap Counterparty default, ratably, according to the amounts due on such date, to the Junior Subordinate Swap Counterparties entitled thereto, without any discrimination or preference.

(C) If the principal of all Outstanding Notes shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled, then (subject to the provisions described in paragraph (B) above, if the principal of all the Outstanding Notes shall later become or be declared due and payable) the money held by the Trustee under the Indenture will be applied in accordance with the provisions described in paragraph (A) above.

Trustee

Prior to the occurrence of an Event of Default which has not been cured, the Trustee is required to perform such duties and only such duties as are specifically set forth in the Indenture. Upon the occurrence and continuation of an Event of Default, the Trustee is required to exercise the rights and powers vested in it by Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in his own affairs.

Before taking any action under the Indenture, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all expenses to which it may be put and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct.

The Trustee may at any time resign upon 60 days' notice to the Issuer and to the Beneficiaries, such resignation to take effect upon the appointment of a successor Trustee. The Trustee may be removed at any time by the Issuer, and the Issuer agrees to remove the Trustee at the request of the Holders of a majority in Principal Amount of Notes Outstanding except during the existence of an Event of Default. No such removal will be effective until the appointment of a successor Trustee.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Beneficiaries

The Issuer and the Trustee may, from time to time and at any time, without the consent of, or notice to, any of the Holders or any Other Beneficiary, enter into an indenture or indentures supplemental to the Indenture to, among other things:

- cure any ambiguity or formal defect or omission in the Indenture or in any Supplemental Indenture,

- grant to the Trustee for the benefit of the Beneficiaries any additional rights, remedies, powers, authority or security,

- describe or identify more precisely any part of the Trust Estate or subject additional revenues, properties or collateral to the lien and pledge of the Indenture,

- evidence the appointment of a separate trustee or a co–trustee or the succession of a new Trustee under the Indenture,

- authorize the issuance of a series of Notes, subject to the requirements of the Indenture (see "Description of the Indenture—Notes and Other Obligations—Issuance of Additional Notes"),

- modify, eliminate from or add to the Indenture as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939 or any similar federal statute, excluding, however, the provisions referred to in Section 316(a)(2) of the Trust Indenture Act of 1939,

- modify, eliminate from or add to the Indenture as shall be necessary to acquire Eligible Loans described in clause (b) of the definition thereof,

- modify the Indenture as required by any Credit Facility Provider or Swap Counterparty, or otherwise necessary to give effect to any Credit Enhancement Facility, Swap Agreement or Swap Counterparty Guarantee at the time of Issuance of a series of Notes to which such agreement relates; provided that a Rating Agency Confirmation is obtained with respect to such modifications; and provided further that no such modifications will be effective if the consent of any Noteholders would be required therefor under the proviso described under "—Supplemental Indentures Requiring Consent of Noteholders" below and such consent has not been obtained or if the Trustee determines that such modifications are to the prejudice of any Other Beneficiary,

- create additional funds, accounts or sub–accounts under the Indenture,

- to provide for an additional class of Indenture Obligations which is subordinate to each class of Indenture Obligations any of which are then Outstanding, except to the extent specifically authorized or permitted by the Supplemental Indenture authorizing the issuance of such Outstanding Indenture Obligations or to the extent consented to by each Beneficiary who would be adversely affected thereby; provided that a Rating Agency Confirmation is obtained with respect to such additional class of Indenture Obligations, or

- make any other change in the Indenture which is not materially adverse to Holders of the Notes.

Supplemental Indentures Requiring Consent of Noteholders

In addition to Supplemental Indentures described in the preceding paragraph, upon receipt of an instrument evidencing the consent to the below-mentioned Supplemental Indenture by: (1) if they are affected thereby, the Holders of not less than two-thirds of the aggregate Principal Amount of the Outstanding Senior Notes, (2) if they are affected thereby, the Holders of not less than two–thirds of the aggregate Principal Amount of the Outstanding Subordinate Notes, (3) if they are affected thereby, the Holders of not less than two–thirds of the aggregate Principal Amount of the Outstanding Junior Subordinate Notes, and (4) each other person which must consent to such Supplemental Indenture as provided in any Supplemental Indenture, the Trustee will join with the Issuer in the execution of any Supplemental Indentures for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture; provided, however, that no such Supplemental Indenture will permit without the consent of each Beneficiary which would be affected thereby: (a) an extension of the maturity of the principal of or the interest on any Note, whether at stated maturity, on a mandatory sinking fund payment date or otherwise, (b) a reduction in the Principal Amount, Prepayment Price or purchase price of any Note or the rate of interest thereon, (c) a privilege or priority of any Senior Obligation over any other Senior Obligation, (d) a privilege or priority of any Subordinate Obligation over any other Subordinate Obligation, (e) a privilege of any Senior Notes over any Subordinate Notes or Junior Subordinate Notes, other than as theretofore provided in the Indenture, (f) a privilege of any Subordinate Notes over any Junior Subordinate Notes other than as provided herein, (g) the surrendering of a privilege or a priority granted by the Indenture if, in the judgment of the Trustee, to the detriment of another Beneficiary under the Indenture, (h) a reduction or an increase in the aggregate Principal Amount of the Notes required for consent to such Supplemental Indenture, (i) the creation of any lien ranking prior to or on a parity with the lien of the Indenture on the Trust Estate or any part thereof, except as expressly permitted in the Indenture, (j) any Beneficiary to be deprived of the lien created on the rights, title, interest, privileges, revenues, moneys and securities pledged under the Indenture, (k) the modification of any of the provisions of the Indenture described in this paragraph, or (l) the modification of any provision of a Supplemental Indenture which states that it may not be modified without the consent of the Holders of Notes issued pursuant thereto or any Notes of the same class or any Beneficiary that has provided a Credit Enhancement Facility or Swap Agreement of such class.

Rights of Trustee

If, in the opinion of the Trustee, any Supplemental Indenture adversely affects the rights, duties or immunities of the Trustee under the Indenture or otherwise, the Trustee may, in its discretion, decline to execute such Supplemental Indenture, except to the extent that the execution of such Supplemental Indenture may be required by the Indenture.

Consent of Tender Agent

So long as any tender agent agreement is in effect, no Supplemental Indenture which materially adversely affects the rights, duties or immunities of the tender agent will become effective unless and until delivery to the Trustee of a written consent of the tender agent to such Supplemental Indenture.

Discharge of Notes and Indenture

The obligations of the Issuer under the Indenture, and the liens, pledges, charges, trusts, covenants and agreements of the Issuer therein made or provided for, will be fully discharged and satisfied as to any Note and such Note will no longer be deemed to be Outstanding thereunder:

(1) when such Note shall have been canceled, or shall have been purchased by the Trustee from moneys held by it under the Indenture; or

(2) as to any Note not canceled or so purchased, when payment of the principal of and the applicable redemption premium, if any, on such Note, plus interest on such principal to the due date thereof (whether by reason of stated maturity, upon prepayment or otherwise), either (a) shall have been made in accordance with the terms of the Indenture, or (b) shall have been provided for by irrevocably depositing with the Trustee in an escrow account exclusively for such payment, (i) moneys sufficient to make such payment or (ii) Government Obligations maturing as to principal and interest in such amount and at such times as will ensure the availability of sufficient moneys to make such payment and, if payment of all then Outstanding Notes is to be so provided for, the payment of all fees and expenses of the Trustee and any other fiduciaries under the Indenture.

Rights of Other Beneficiaries

All rights of any Other Beneficiary under the Indenture to consent to or direct certain remedies, waivers, actions and amendments thereunder will cease for so long as such Other Beneficiary is in default of any of its obligations or agreements under the Swap Agreement or the Credit Enhancement Facility by reason of which such person is an Other Beneficiary.

GLOSSARY OF CERTAIN DEFINED TERMS

Set forth below is a glossary of the principal defined terms used in this Offering Memorandum and not otherwise defined herein.

"*Account*" means any of the accounts created or established by the Indenture.

"Acquisition Fund" means the Acquisition Fund created and established pursuant to the Indenture and further described under the caption "Description of the Indenture–Funds and Accounts–Acquisition Fund."

"*Acquisition Period"* means, with respect to the use of proceeds of any series of the Series 2004-1 Notes in the Acquisition Fund, the period beginning on the Closing Date for such series and ending on and including (i) May 31, 2004 with respect to the Series 2004-1A-1 Senior Notes, the Series 2004-1A-2 Senior Notes, the Series 2004-1A-3 Senior Notes, the Series 2004-1A-4 Senior Notes, the Series 2004-1A-5 Senior Notes and the Series 2004-1B-1 Subordinate Notes and (ii) the date which is 90 days from the Closing Date for such series with respect to the Series 2004-1 Notes issued on a date other than March 5, 2004, or such later dates as may be provided by

Issuer Order; provided that a Rating Agency Confirmation shall have been obtained with respect to each such Issuer Order.

"*Acting Beneficiaries Upon Default*" means*:*

(1) at any time that any Senior Obligations are Outstanding: (a) with respect to directing the Trustee to accelerate the Outstanding Notes (x) upon an Event of Default described in clauses (i) through (iv) of the definition thereof, inclusive, the Holders of a majority in aggregate Principal Amount of Senior Notes Outstanding and (y) upon any other Event of Default, the Holders of a majority in aggregate Principal Amount of all Notes Outstanding; (b) with respect to requesting the Trustee to exercise rights and powers under the Indenture, directing the conduct of proceedings in connection with the enforcement of the Indenture and requiring the Trustee to waive Events of Default: (i) the Holders of a majority in aggregate Principal Amount of the Senior Notes Outstanding, unless the Trustee shall receive conflicting requests or directions from an Other Senior Beneficiary; or (ii) any Other Senior Beneficiary, unless the Trustee determines that the requested action is not in the overall interest of the Senior Beneficiaries or receives conflicting requests or directions from another Other Senior Beneficiary or the Holders of a majority in aggregate Principal Amount of the Senior Notes Outstanding; and (c) with respect to all other matters under the Indenture, the Holders of a majority in aggregate Principal Amount of Senior Notes Outstanding or any Other Senior Beneficiary; and

(2) at any time that no Senior Obligations are Outstanding but Subordinate Obligations are Outstanding: (a) with respect to directing the Trustee to accelerate the Outstanding Notes (x) upon an Event of Default described in clauses (i) through (iv) of the definition thereof, inclusive, the Holders of a majority in aggregate Principal Amount of Subordinate Notes Outstanding and (y) upon any other Event of Default, the Holders of a majority in aggregate Principal Amount of all Notes Outstanding; (b) with respect to requesting the Trustee to exercise rights and powers under the Indenture, directing the conduct of proceedings in connection with the enforcement of the Indenture and requiring the Trustee to waive Events of Default: (i) the Holders of a majority in aggregate Principal Amount of the Subordinate Notes Outstanding, unless the Trustee receives conflicting requests or directions from an Other Subordinate Beneficiary; or (ii) any Other Subordinate Beneficiary, unless the Trustee determines that the requested action is not in the overall interest of the Subordinate Beneficiaries or receives conflicting requests or directions from another Other Subordinate Beneficiary or the Holders of a majority in aggregate Principal Amount of the Subordinate Notes Outstanding; and (c) with respect to all other matters under the Indenture, the Holders of a majority in aggregate Principal Amount of Subordinate Notes Outstanding or any Other Subordinate Beneficiary.

(3) at any time that no Senior Obligations and no Subordinate Obligations are Outstanding but any Junior Subordinate Obligations are Outstanding: (a) with respect to directing the Trustee to accelerate the Outstanding Junior Subordinate Notes, the Holders of a majority in aggregate Principal Amount of Junior Subordinate Notes Outstanding; (b) with respect to requesting the Trustee to exercise rights and powers under the Indenture, directing the conduct of proceedings in connection with the enforcement of the Indenture and requiring the Trustee to waive Events of Default: (i) the Holders of a majority in aggregate Principal Amount of the Junior Subordinate Notes Outstanding, unless the Trustee receives conflicting requests or directions from an Other Junior Subordinate Beneficiary; or (ii) any Other Junior Subordinate Beneficiary, unless the Trustee determines that the requested action is not in the overall interest of the Junior Subordinate Beneficiaries or receives conflicting requests or directions from another Other Junior Subordinate Beneficiary or the Holders of a majority in aggregate Principal Amount of the Junior Subordinate Notes Outstanding; and (c) with respect to all other matters under the Indenture, the Holders of a majority in aggregate Principal Amount of Junior Subordinate Notes Outstanding or any Other Junior Subordinate Beneficiary.

"Add-On Loan" means, with respect to any Consolidation Loan owned by the Issuer, an amount equal to the increased balance of such Consolidation Loan arising out of amounts required to be paid to a Lender at the

request of the related borrower within 180 days of the date such Consolidation Loan was originated.

"*Administration Fee*" means a monthly fee equal to the greater of (i) 1/12 of 0.05% of the ending Principal Balance of the Financed Student Loans, plus accrued interest thereon, during the preceding month and (ii) $20,833, or such greater or lesser amount as may be directed by the Issuer (provided that a Rating Agency Confirmation has been obtained with respect to any increase in such amount,), which shall be released to the Issuer Administrator or any Subadministrator each month to cover its expenses (other than Servicing Fees and Note Fees) incurred in connection with carrying out and administering its powers, duties and functions under the Indenture and any related agreements.

"Administration Fund" means the Administrative Fund created and established pursuant to the Indenture and further described under the caption "Description of the Indenture–Funds and Accounts–Administration Fund."

"*Aggregate Value*" means on any calculation date the sum of the Values of all assets of the Trust Estate.

"*All Hold Rate*" means, on any date of determination, the Applicable LIBOR-Based Rate less 0.25%, provided that in no event shall the applicable All Hold Rate be greater than the applicable Maximum Rate.

"Alternative Loan" means a student loan which is not made pursuant to the Higher Education Act, but which may be (but is not required to be) guaranteed by a third party.

"*Applicable Interest Rate*" means the rate of interest per annum borne from time to time by a series of the Series 2004-1 Notes, which shall be (i) during the Initial Interest Period for such series, the Initial Interest Rate identified in the First Supplemental Indenture and (ii) during each Interest Period thereafter, the rate of interest determined in accordance with the Auction Procedures.

"*Applicable LIBOR-Based Rate*" means (i) for an Auction Period of 35 days or less, One-Month LIBOR, (ii) for an Auction Period of more than 35 days but less than 115 days, Three-Month LIBOR, (iii) for an Auction Period of more than 114 days but less than 195 days, Six-Month LIBOR, and (iv) for an Auction Period of more than 194 days, One-Year LIBOR.

"*Applicable Number of Business Days*" means the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.

"*Auction*" means the implementation of the Auction Procedures on an Auction Date.

"*Auction Date*" means, initially, with respect to the Series 2004-1A-1 Senior Notes, March 29, 2004; with respect to the Series 2004-1A-2 Senior Notes, March 30, 2004; with respect to the Series 2004-1A-3 Senior Notes, April 5, 2004; with respect to the Series 2004-1A-4 Senior Notes, April 6, 2004; with respect to the Series 2004-1A-5 Senior Notes, April 12, 2004; with respect to the Series 2004-1A-6 Senior Notes, the Series 2004-1A-7 Senior Notes, the Series 2004-1A-8 Senior Notes, the Series 2004-1A-9 Senior Notes, the Series 2004-1A-10 Senior Notes, the Series 2004-1A-11 Senior Notes, the Series 2004-1A-12 Senior Notes, the Series 2004-1A-13 Senior Notes, the Series 2004-1A-14 Senior Notes and the Series 2004-1A-15 Senior Notes, as set forth in an Issuer Order; with respect to the Series 2004-1B-1 Subordinate Notes, April 12, 2004; and with respect to the Series 2004-1B-2 Subordinate Notes, as set forth in an Issuer Order; provided that if the initial Auction Date with respect to any Series specified above is not a Business Day, the initial Auction Date shall be the Business Day immediately preceding the date so listed. Thereafter, with respect to each such series of Series 2004-1 Notes, the Auction Date means the Business Day immediately preceding the first day of each Auction Period for such series, other than:

(i) an Auction Period commencing after the ownership of such series is no longer maintained in Book-Entry Form by the Securities Depository;

(ii) an Auction Period commencing after the occurrence and during the continuance of a Payment Default; or

(iii) an Auction Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default.

"*Auction Period*" means the Interest Period applicable to each series of the Series 2004-1 Notes, which Auction Period (after the Initial Interest Period for each such series) initially shall consist generally of 28 days, as the same may be adjusted pursuant to the First Supplemental Indenture.

"*Auction Period Adjustment*" means an adjustment to the Auction Period as provided in the First Supplemental Indenture.

"*Auction Procedures*" means the auction procedures that will be used in determining the interest rates on the Series 2004-1 Notes, as set forth in this Offering Memorandum under "Auction Procedures."

"*Auction Rate*" means the rate of interest per annum that results from implementation of the Auction Procedures.

"*Authorized Denominations*" means, with respect to the Series 2004-1 Notes, $50,000 and any integral multiple thereof.

"*Authorized Officer,*" when used with reference to the Issuer, means those individuals authorized to act for the Issuer Administrator, as set forth in the list of Authorized Officers delivered by the Issuer Administrator to the Trustee and the Delaware Trustee, as such list may be amended from time to time by the Issuer Administrator.

"*Beneficial Owner*" means the person in whose name a Note is recorded as beneficial owner of such Note by the Securities Depository under a book–entry system or by a Participant or Indirect Participant, as the case may be.

"*Beneficiaries*" means, collectively, all Senior Beneficiaries, all Subordinate Beneficiaries and all Junior Subordinate Beneficiaries.

"*Borrower Benefits*" means (i) but only with respect to a Consolidation Loan with an interest rate of 5.00% or greater, (A) a rebate payment up to 1% of the principal balance of the Consolidation Loan if the borrower thereunder makes the first six monthly payments when due and (B) a 0.25% reduction in the interest rate on the Consolidation Loan if the borrower thereunder uses an ACH direct debit system, and (ii) with respect to any Eligible Loans, any other borrower benefit programs for which the Issuer receives a Rating Agency Confirmation.

"*Borrower Benefits Fund*" means the Borrower Benefits Fund created and established by the Indenture.

"*Broker-Dealer*" means (i) initially, with respect to the Series 2004-1 Notes, UBS Financial Services Inc.; and (ii) with respect to any series of 2004-1 Notes, any other broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that (A) is a Participant (or an affiliate of a Participant), (B) has been appointed as such with respect to such Series 2004-1 Notes by the Issuer pursuant to the First Supplemental Indenture and (C) has entered into a Broker–Dealer Agreement that is in effect on the date of reference.

"*Business Day*" means any day other than April 14, April 15, December 30, December 31, such other dates as may be agreed to in writing by the Trustee, the Market Agent, the Auction Agent, the Broker-Dealer and the Issuer, or a Saturday, Sunday, holiday or day on which banks located in the city of New York, New York, or the New York Stock Exchange, the Trustee or the Auction Agent, are authorized or permitted by law or executive order to close.

"*Carry-Over Amount*" means the excess, if any, of (i) the amount of interest on a Series 2004-1 Note that would have accrued with respect to the related Auction Period at the lesser of the Auction Rate or the Maximum Interest Rate over (ii) the amount of interest on such Series 2004-1 Note actually accrued with respect to such Series 2004-1 Note, with respect to such Auction Period based on the Maximum Rate, together with the unpaid portion of

any such excess from prior Auction Periods; provided that any reference to "principal" or "interest" shall not include within the meanings of such words any Carry-Over Amount or any interest accrued on any Carry-Over Amount.

"Closing Date" means (i) with respect to the Series 2004-1A-1 Senior Notes, the Series 2004-1A-2 Senior Notes, the Series 2004-1A-3 Senior Notes, the Series 2004-1A-4 Senior Notes, the Series 2004-1A-5 Senior Notes and the Series 2004-1B-1 Subordinate Notes, March 5, 2004; (ii) with respect to the Series 2004-1A-6 Senior Notes, the Series 2004-1A-7 Senior Notes, the Series 2004-1A-8 Senior Notes and the Series 2004-1B-2 Subordinate Notes, on or about April 1, 2004, or such other date set forth in an Issuer Order; (iii) with respect to the Series 2004-1A-9 Senior Notes, the Series 2004-1A-10 Senior Notes, the Series 2004-1A-11 Senior Notes and the Series 2004-1A-12 Senior Notes, on or about May 5, 2004, or such other date set forth in an Issuer Order; and (iv) with respect to the Series 2004-1A-13 Senior Notes, the Series 2004-1A-14 Senior Notes and the Series 2004-1A-15 Senior Notes, on or about June 2, 2004, or such other date set forth in an Issuer Order; in each case the date of initial issuance and delivery of the Series 2004-1 Notes as provided in the First Supplemental Indenture.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"Collection Fund" means the Collection Fund created and established pursuant to the Indenture and further described under the caption "Description of the Indenture–Funds and Accounts–Collection Fund."

"*Consolidation Loan*" means a Student Loan originated pursuant to Section 428C of the Higher Education Act.

"*Counterparty Swap Payment*" means a payment due to or received by the Issuer from a Swap Counterparty pursuant to a Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement) and amounts received by the Issuer under any related Swap Counterparty Guaranty.

"*CP Rate*" means, for each month, the rate as will be in effect on the second Business Day preceding the 25th day of such month (such date, the "Reset Date") that is the bond equivalent yield of the rate set forth in H.15(519) for that Reset Date opposite the 90 day maturity and under the caption "Commercial paper- Financial." If, by 5:00 p.m., New York City time, on the Business Day immediately following the Reset Date, such rate for the Reset Date is not yet published in H.15(519), the CP Rate for such month will be the bond equivalent yield of the rate for the first preceding day for which such rate is set forth in H.15(519) opposite the 90 day maturity and under the caption "Commercial paper-Financial."

"*Credit Enhancement Facility*" means, if and to the extent provided for in a Supplemental Indenture with respect to Notes of one or more series, (i) an insurance policy insuring, or a letter of credit or surety bond providing a direct or indirect source of funds for, the timely payment of principal of and interest on such Notes (but not necessarily principal due upon acceleration thereof) or (ii) a letter of credit, standby purchase agreement, or similar instrument, providing for the purchase of such Notes on a Tender Date, and in either case, all agreements entered into by the Issuer or the Trustee and the Credit Facility Provider with respect thereto.

"*Credit Facility Provider*" means any institution engaged by the Issuer pursuant to a Credit Enhancement Facility to provide credit enhancement or liquidity for the payment of the principal of and interest on any or all of the Notes of one or more series, or for the Issuer's obligation to purchase Notes of one or more series on a Tender Date.

"*Date of Issuance*" means, with respect to the Series 2004-1 Notes, the date of initial issuance and delivery of such Series 2004-1 Notes.

"Debt Service Fund" means the Debt Service Fund created and established pursuant to the Indenture and further described under the caption "Description of the Indenture–Funds and Accounts–Debt Service Fund."

"*Department of Education*" means U.S. Department of Education.

"*DTC*" means The Depository Trust Company.

"*Eligible Borrower*" means a borrower who is eligible under the Higher Education Act to be the obligor of a loan for consolidating two or more Student Loans, or who is eligible under the Higher Education Act to be an obligor of a loan made pursuant to the Higher Education Act.

"*Eligible Carry-Over Make-Up Amount*" means, with respect to each Interest Period relating to a series of Series 2004-1 Notes as to which, as of the first day of such Interest Period, there is any unpaid Carry-Over Amount, an amount equal to the lesser of (i) interest computed on the principal balance of such series in respect of such Interest Period at a per annum rate equal to the excess, if any, of the Maximum Rate over the Applicable Interest Rate, and (ii) the aggregate Carry-Over Amount remaining unpaid as of the first day of such Interest Period together with interest accrued and unpaid thereon through the end of such Interest Period. The Eligible Carry-Over Make-Up Amount shall be $0.00 for any Interest Period with respect to which the Maximum Auction Rate equals or exceeds the Auction Rate.

"*Eligible Institution*" means (i) an institution of higher education; (ii) a vocational school; or (iii) with respect to students who are nationals of the United States, an institution outside the United States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Secretary of Education.

"*Eligible Lender Trust Agreement*" means the Eligible Lender Trust Agreement dated as of January 1, 2004 between the Issuer, as grantor, and the Eligible Lender Trustee, as trustee, and any similar agreement entered into by the Issuer and an "eligible lender" under the Higher Education Act pursuant to which such "eligible lender" holds Financed Student Loans as legal owner in trust for the Issuer as beneficial owner, in each case as supplemented or amended from time to time.

"*Eligible Lender Trustee*" means The Bank of New York, as trustee under the Eligible Lender Trust Agreement, and its successors and assigns in such capacity.

"*Eligible Loan*" means a Student Loan which: (i) has been or will be made to a borrower for post-secondary education; (ii) is Guaranteed; and (iii) is an "eligible loan" as defined in Section 438 of the Higher Education Act for purposes of receiving Special Allowance Payments; provided, however, that if, after any reauthorization or amendment of the Higher Education Act, loans authorized thereunder, including their benefits, are materially different from loans authorized prior to such reauthorization or amendment, such loans authorized after such reauthorization or amendment shall not constitute Eligible Loans unless a Rating Agency Confirmation is obtained.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"*Event of Default*" means an event of default under the Indenture, as described under "Description of the Indenture - Events of Default."

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

"*Existing Holder*" means (i) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction and (ii) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a Person who is a Beneficial Owner of Series 2004-1 Notes.

"*Federal Reimbursement Contract*" means any agreement between a Guarantee Agency and the Secretary of Education providing for the payment by the Secretary of Education of amounts authorized to be paid pursuant to the Higher Education Act, including (but not necessarily limited to) partial reimbursement of amounts paid or payable upon defaulted Financed Student Loans and other student loans guaranteed or insured by the Guarantee Agency and Interest Subsidy Payments to holders of qualifying student loans Guaranteed by the Guarantee Agency.

"*Financed*," when used with respect to Student Loans or Eligible Loans means Student Loans or Eligible Loans,, as the case may be, acquired by the Issuer or the Eligible Lender Trustee on behalf of the Issuer with moneys in the Acquisition Fund, any Eligible Loans received in exchange for Financed Student Loans upon the sale thereof or substitution therefor in accordance with the Indenture and any other Student Loans deemed "Financed" with moneys in the Acquisition Fund, but does not include Student Loans released from the lien of the Indenture and sold to any purchaser, including a trustee for the holders of the Issuer's bonds, notes or other evidences of indebtedness issued other than pursuant to the Indenture.

"First Supplemental Indenture" means the First Supplemental Indenture of Trust, dated as of January 1, 2004, between the Issuer and the Trustee, as amended or supplemented in accordance with the terms hereof and the Indenture.

"*Fund*" means any of the funds created or established by the Indenture.

"*Government Obligations*" means direct obligations of, or obligations the full and timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"*Grace Period*" means a period of time, following a borrower's ceasing to pursue at least a half-time course of study and prior to the commencement of a repayment period, during which principal need not be paid on certain Financed Student Loans.

"*Guarantee*" or "*Guaranteed*" means with respect to a Student Loan, the insurance or guarantee by a Guarantee Agency, to the extent provided in the Higher Education Act, of the principal of and accrued interest on such Student Loan and the coverage of such Student Loan by one or more Federal Reimbursement Contracts providing, among other things, for reimbursement to the Guarantee Agency for losses incurred by it on defaulted Financed Student Loans insured or guaranteed by the Guarantee Agency to the extent provided in the Higher Education Act.

"*Guarantee Agency*" means any state agency or private nonprofit institution or organization which has Federal Reimbursement Contracts in place and has entered into a Guarantee Agreement with the Eligible Lender Trustee, and any such guarantor's successors and assigns.

"*Guarantee Agreements*" means the blanket guarantee and other guarantee agreements issued by or from any Guarantee Agency to the Eligible Lender Trustee for the purpose of Guaranteeing Student Loans to be Financed, and any amendment of any of the foregoing entered into in accordance with the provisions thereof.

"*Higher Education Act*" means the Higher Education Act of 1965, as amended or supplemented from time to time, and all regulations promulgated thereunder.

"*Holder*," when used with respect to any Note, means the Person in whose name such Note is registered in the Note Register, except that to the extent and for the purposes provided in a Supplemental Indenture for a series of Notes (including, without limitation, for purposes of the definition of "*Acting Beneficiaries Upon Default*"), a Credit Facility Provider that has delivered a Credit Enhancement Facility with respect to such series of Notes may instead be treated as the Holder of the Notes of such series.

"*Indenture*" means the Indenture of Trust, dated as of January 1, 2004, from the Issuer and the Eligible Lender Trustee to the Trustee, as amended and supplemented from time to time.

"*Indenture Obligations*" means the Senior Obligations, the Subordinate Obligations and the Junior Subordinated Obligations.

"*Indirect Participant*" means any financial institution for whom any Direct Participant holds an interest in any Note.

"*Interest Payment Date*" means (i) each regularly scheduled interest payment date on the Series 2004-1 Notes, which for each series of Series 2004-1 Notes shall be the Business Day immediately following the expiration of the Initial Interest Period for such series and each related Interest Period thereafter; or (ii) with respect to the payment of interest upon redemption or acceleration of the Series 2004-1 Notes or the payment of Defaulted Interest, such date on which such interest is payable under the Indenture.

"Interest Period" means (i) with respect to each series of Series 2004-1 Notes, unless otherwise changed as described in the First Supplemental Indenture, initially, the Initial Interest Period for the applicable series of Series 2004-1 Notes and, thereafter, each successive period of generally 28 days, commencing on the first Business Day following the applicable Series Auction Date, and ending on (and including) the applicable Series Auction Date (unless such date is not followed by a Business Day, in which case on the next succeeding day that is followed by a Business Day) and (ii) if the Auction Periods are changed as provided in the First Supplemental Indenture, each period commencing on an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date. By way of example, if an Interest Period ordinarily would end on a Tuesday, but the following Wednesday is not a Business Day, the Interest Period will end on that Wednesday and the new Interest Period will begin on Thursday.

"*Interest Rate Adjustment Date*" means the date on which the interest rate on a series of Series 2004-1 Notes is effective, which for each series of Series 2004-1 Notes shall be the date of commencement of each Auction Period for such series.

"*Interest Rate Determination Date*" means for each series of Series 2004-1 Notes, the Auction Date for such series, or, if no Auction Date is applicable to such series, the Business Day immediately preceding the date of commencement of an Auction Period.

"*Issuer Administrator*" means Lord Securities Corporation in its capacity as administrator under that certain Administration Agreement, or any other Person providing similar services upon receipt of a Rating Agency Confirmation.

"*Issuer Order*" or "*Issuer Certificate*" means, respectively, a written order or certificate (which may be a standing order or certificate) signed in the name of the Issuer by an Authorized Officer and delivered to the Trustee.

"Issuer Swap Payment" means a payment due to a Swap Counterparty from the Issuer pursuant to the applicable Swap Agreement (including, but not limited to, payments in respect of any early termination of such Swap Agreement).

"*Junior Subordinate Beneficiaries*" means (i) the Holders of any Outstanding Junior Subordinate Notes, and (ii) any Other Junior Subordinate Beneficiary holding any Other Junior Subordinate Obligation that is Outstanding.

"*Junior Subordinate Credit Enhancement Facility*" means a Credit Enhancement Facility designated as a Junior Subordinate Credit Enhancement Facility in the Supplemental Indenture pursuant to which such Credit Enhancement Facility is furnished by the Issuer.

"*Junior Subordinate Credit Facility Provider*" means any person who provides a Junior Subordinate Credit Enhancement Facility.

"*Junior Subordinate Notes*" means any Notes designated in a Supplemental Indenture as Junior Subordinate Notes, which are secured under the Indenture on a basis subordinate to any Senior Obligations and Subordinate Obligations (as such subordination is described in the Indenture, and on a parity with Other Junior Subordinate Obligations).

"*Junior Subordinate Obligations*" means, collectively, the Junior Subordinate Notes and any Other Junior Subordinate Obligations.

"*Junior Subordinate Swap Agreement*" means a Swap Agreement designated as a Junior Subordinate Swap Agreement in the Supplemental Indenture pursuant to which such Swap Agreement is furnished by the Issuer.

"*Junior Subordinate Swap Counterparty*" means any Person who provides a Junior Subordinate Swap Agreement.

"*Lender*" means any party from which the Issuer or the Depositor (or the Eligible Lender Trustee on behalf of the Issuer or the Depositor) acquires Financed Student Loans, which, in the case of Student Loans, must be an "eligible lender" (as defined in the Higher Education Act).

"*LIBOR Determination Date*" means the Auction Date, or if no Auction Date is applicable, the Business Day immediately preceding the first day of the applicable Interest Period.

"*Maturity,*" when used with respect to any Note, means the date on which the entire outstanding Principal Amount of such Note becomes due and payable as therein or in the Indenture provided, whether at the Stated Maturity thereof or by declaration of acceleration, redemption, distribution of principal or otherwise.

"*Maximum Auction Rate*" means, for any Auction, a per annum interest rate on the Series 2004-1 Notes which, when taken together with the interest rate on the Series 2004-1 Notes for the one-year period ending on the final day of the proposed Auction Period, would result in the average interest rate on the Series 2004-1 Notes for such period either (i) not being in excess (on a per annum basis) of the average of the Ninety-One Day United States Treasury Bill Rate plus 1.20% for such one-year period (if any one of the ratings assigned by the Rating Agencies to the Series 2004-1 Notes are "Aa3" or "AA-" or better), (ii) not being in excess (on a per annum basis) of the Ninety-One Day United States Treasury Bill Rate plus 1.50% for such one-year period (if any one of the ratings assigned by the Rating Agencies to the Series 2004-1 Notes is less than "Aa3" or "AA-" but both are at least any category of "A"), or (iii) not being in excess (on a per annum basis) of the average of Ninety-One Day United States Treasury Bill Rate plus 1.75% for such one-year period (if any one of the ratings assigned by the Rating Agencies to the Series 2004-1 Notes is less than the lowest category of "A"); provided, however, that if the Series 2004-1 Notes have not been Outstanding for at least such one-year period then for any portion of such period during which such Series 2004-1 Notes were not Outstanding, the interest rates on the Series 2004-1 Notes for purposes of this definition shall be deemed to be equal to such rates as the Market Agent shall determine were the rates of interest on equivalently rated auction securities with comparable lengths of auction periods during such period; provided further, however, that for any Auction with respect to any Series 2004-1 Notes rated any category of "A" or better by Moody's & S&P, respectively, the Maximum Auction Rate shall not exceed the Applicable LIBOR-Based Rate plus 1.50%; and, provided further, however, that this definition may be modified at the direction of the Issuer upon receipt by the Trustee of (A) written consent of the Market Agent and (B) written consent from each Rating Agency then rating the Series 2004-1 Notes that such change will not in and of itself result in a reduction of the rating on any Series 2004-1 Notes. For purposes of the Auction Agent Agreement and the Auction Procedures, the ratings referred to in this definition shall be the last ratings of which the Auction Agent has been given notice pursuant to the Auction Agent Agreement. The percentage amount to be added to the Ninety-One Day United States Treasury Bill Rate in any one or more of (i), (ii) or (iii) above may be increased by delivery to the Auction Agent and the Trustee of a certificate signed by an Authorized Officer of the Issuer directing such increase, together with a Rating Agency Confirmation with respect to such increase.

"*Maximum Interest Rate*" means the lesser of (i) 17% per annum (or such higher rate as the Issuer may establish with a Rating Agency Confirmation) or (ii) the highest rate the Issuer may legally pay, from time to time, as interest on the Series 2004-1 Notes.

"*Maximum Rate*" on any date of determination, means the interest rate per annum equal to the least of: (i) the Maximum Auction Rate, (ii) the Maximum Interest Rate and (iii) during the occurrence of a Net Loan Rate Restriction Period, the Net Loan Rate, in each case rounded to the nearest one thousandth (0.001) of 1%.

"*Monthly Calculation Date*" means the 25th day of each calendar month (or, if such 25th day is not a Business Day, the next succeeding Business Day).

"*Monthly Servicing Report*" means the monthly report concerning the Financed Student Loans prepared by the Issuer in accordance with the Indenture.

"*Moody's*" means Moody's Investors Service Inc., and its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee at the written direction of the Issuer.

"*Net Loan Rate*" means, with respect to any Auction Period, the rate of interest per annum (rounded to the next highest 0.01%) equal to the amount determined by dividing (i) the product of 12 times the sum of the following amounts accrued during the most recent calendar month that ended at least 25 days before the start of such Auction Period (except for (A) below, whether or not actually received or paid): (A) interest (including Interest Subsidy Payments), assumed Special Allowance Payments and late fees collected with respect to the Financed Student Loans, after giving effect to borrower incentives and similar programs, plus (B) investment earnings on amounts in the Funds, plus (C) any Counterparty Swap Payments minus (D) any rebate fees due to the U.S. Department of Education with respect to Financed Student Loans that are Consolidation Loans, minus (E) any Issuer Swap Payments, minus (F) the interest accrued on all Outstanding Notes other than those that bear interest based upon an auction mode, minus (G) the Note Fees, Administration Fees and Servicing Fees; by (ii) the aggregate principal balance of all Notes bearing interest based upon an auction mode that are Outstanding on the date of such calculation. For this purpose, the Special Allowance Payment shall be computed based upon the bond equivalent yield of 91-day United States Treasury Bills most recently auctioned, or the CP Rate, as applicable (whether or not the actual Special Allowance Payment rate could then be determined); and, provided further, however, that this definition may be modified at the direction of the Issuer upon receipt by the Trustee of (A) written consent of the Market Agent and (B) written consent from each Rating Agency then rating the Series 2004-1 Notes that such change will not in and of itself result in a reduction of the rating on any Series 2004-1 Notes.

"*Net Loan Rate Restriction Period*" means, with respect to any series of the Series 2004-1 Notes, the period of time from and including a Net Loan Rate Trigger Date to but excluding a Net Loan Rate Termination Date.

"*Net Loan Rate Termination Date*" means, for a series of Series 2004-1 Notes for which the Net Loan Rate Trigger Date has occurred, the 25th day of a month which immediately follows two consecutive months for which both (i) the daily weighted average of the Auction Rate for each series of Notes bearing interest based upon an auction mode in effect during the month for which the calculation is being made was equal to or less than a per annum rate equal to the sum of (A) the bond equivalent yield of 91-day United States Treasury Bills sold at the last auction prior to the 25th day of the month for which such calculation is being made plus (B) 1.0% and (ii) the most recently available Three-Month LIBOR as of the Reset Date for the CP Rate in the month for which such calculation is being made is less than the sum of (A) the CP Rate for the month for which such calculation is being made plus (B) 0.25%.

"*Net Loan Rate Trigger Date*" means, for a series of Series 2004-1 Notes, the 25th day of a month which immediately follows three consecutive months for which either (i) the daily weighted average of the Auction Rates for each series of Notes bearing interest based upon an auction mode in effect during the month for which such calculation is being made exceeded a per annum rate equal to the sum of (A) the bond equivalent yield of the 91-Day United States Treasury Bills sold at the last auction prior to the 25th day of the month for which such calculation is being made plus (B) 1.0%; or (ii) the most recently available Three-Month LIBOR as of the Reset Date for the CP Rate in the month for which calculation is being made is equal to or greater than the sum of (A) the CP Rate for the applicable month plus (B) 0.25%.

"*Ninety-One Day United States Treasury Bill Rate*" means the bond-equivalent yield on the 91-day United States Treasury Bills sold at the last auction thereof that immediately precedes the Auction Date, as determined by the Market Agent on the Auction Date.

"*Non-Payment Rate*" means for any determination date, a rate per annum equal to the lesser of (i) the sum of (A) One-Month LIBOR and (B) 150 basis points and (ii) the Maximum Interest Rate.

"*Note Fees*" means the fees, costs and expenses (excluding costs of issuance) of the Trustee, the Delaware Trustee and any Eligible Lender Trustee, Paying Agent, Authenticating Agent, Remarketing Agent, Tender Agent, Auction Agent, Market Agent, Broker-Dealer, Counsel, Note Registrar, Accountant and other consultants and professionals incurred by the Issuer in carrying out and administering its powers, duties and functions under (i) the Eligible Lender Trust Agreement, the Trust Agreement, the Guarantee Agreements, the Higher Education Act, or any requirement of the laws of the United States or any State, as such powers, duties and functions relate to Financed Student Loans, (ii) any Swap Agreement and any Credit Enhancement Facility (other than any amounts payable thereunder which constitute Other Indenture Obligations), (iii) any Remarketing Agreement, Tender Agent Agreement, Auction Agent Agreement, Market Agent Agreement or Broker-Dealer Agreement and (iv) the Indenture.

"*Noteholder*" means the Holder of any Note.

"*Notes*" means all notes, bonds or other obligations issued by the Issuer under the Indenture.

"*One-Month LIBOR*," "*Three-Month LIBOR*," "*Six-Month LIBOR*" or "*One-Year LIBOR*" means, the offered rate, as determined by the Auction Agent or Trustee, as applicable, of the Applicable LIBOR–Based Rate for United States dollar deposits which appears on Telerate Page 3750, as reported by Bloomberg Financial Markets Commodities News (or such other page as may replace Telerate Page 3750 for the purpose of displaying comparable rates) as of approximately 11:00 a.m., London time, on the LIBOR Determination Date; provided, that if on any calculation date, no rate appears on Telerate Page 3750 as specified above, the Auction Agent or Trustee, as applicable, shall determine the arithmetic mean of the offered quotations of four major banks in the London interbank market, for deposits in U.S. dollars for the respective periods specified above to the banks in the London interbank market as of approximately 11:00 a.m., London time, on such calculation date and in a principal amount of not less than $1,000,000 that is representative of a single transaction in such market and at such time, unless fewer than two such quotations are provided, in which case, the Applicable LIBOR-Based Rate shall be the arithmetic mean of the offered quotations that leading banks in New York City selected by the Auction Agent or Trustee, as applicable, are quoting on the relevant LIBOR Determination for loans in U.S. dollars to leading European banks in a principal amount of not less than $1,000,000 that is representative of a single transaction in such market at such time. All percentages resulting from such calculations shall be rounded upwards, if necessary, to the nearest one–hundredth of one percent.

"*Other Beneficiary*" means an Other Senior Beneficiary, an Other Subordinate Beneficiary or an Other Junior Subordinate Beneficiary.

"Other Junior Subordinate Beneficiary" means a person who is a Junior Subordinate Beneficiary other than as a result of ownership of Junior Subordinate Notes.

"*Other Junior Subordinate Obligations*" means the Issuer's obligations to pay any amounts under any Junior Subordinate Swap Agreements and any Junior Subordinate Credit Enhancement Facilities.

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

"*Other Senior Beneficiary*" means a person or entity who is a Senior Beneficiary other than as a result of ownership of Senior Notes.

"*Other Senior Obligations*" means the Issuer's obligations to pay any amounts under any Senior Swap Agreements and any Senior Credit Enhancement Facilities.

"*Other Subordinate Beneficiary*" means a person or entity who is a Subordinate Beneficiary other than as a result of ownership of Subordinate Notes.

"*Other Subordinate Obligations*" means the Issuer's obligations to pay any amounts under any Subordinate Swap Agreements and any Subordinate Credit Enhancement Facilities.

"*Outstanding,*" (i) when used with respect to any Note, shall have the construction given to such word in the Indenture, *i.e.*, a Note shall not be Outstanding under the Indenture if such Note is at the time not deemed to be Outstanding by reason of the operation and effect of the Indenture, and (ii) when used with respect to any Other Obligation, shall mean all Other Obligations which have become, or may in the future become, due and payable and which have not been paid or otherwise satisfied.

"*Participant*" means a member of, or participant in, the Securities Depository.

"*Payment Default*" means, with respect to a series of Series 2004-1 Notes, (i) a default in the due and punctual payment of any installment of interest on such series, or (ii) the circumstance that on any Auction Date, there are insufficient moneys in the Debt Service Fund to pay, or otherwise held by the Trustee under the Indenture and available to pay, the principal of and interest due on the Series 2004-1 Notes of such series on the Interest Payment Date immediately following such Auction Date.

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

"*Prepayment Date,*" when used with respect to any Note, all or any portion of the Principal Amount of which is to be prepaid prior to its Stated Maturity, means the date fixed for such prepayment by or pursuant to the Indenture.

"*Prepayment Price,*" when used with respect to any Note to be prepaid, means the price at which it is to be redeemed pursuant to the Indenture and the First Supplemental Indenture.

"*Potential Holder*" means any Person (including an Existing Holder) that is (i) a Broker-Dealer when dealing with the Auction Agent and (ii) a potential Beneficial Owner when dealing with a Broker-Dealer, who may be interested in acquiring Series 2004-1 Notes (or, in the case of an Existing Holder thereof, an additional Principal Amount of Series 2004-1 Notes).

"*Premium*" means, for each Eligible Loan acquired by the Issuer or the Eligible Lender Trustee on behalf of the Issuer from a Lender, an amount not to exceed the aggregate premium, set forth in the Cash Flows delivered to the Rating Agencies on the Closing Date for the Series 2004-1 Notes (which premium may be changed with a Rating Agency Confirmation).

"*Principal Amount,*" when used with respect to (i) a Note, means the original principal amount of such Note less all payments previously made to the Holder thereof in respect of principal and (ii) a Swap Agreement, shall have the meaning set forth in the Supplemental Indenture relating to the Series of Notes for which the Issuer entered into such Swap Agreement.

"*Principal Balance,*" when used with respect to a Student Loan, means the unpaid principal amount thereof (including, in the case of Student Loans, any unpaid capitalized interest thereon that is authorized to be capitalized under the Higher Education Act.

"*Rating Agency*" means (i) with respect to the Notes, any rating agency that shall have an outstanding rating on any of the Notes pursuant to request by the Issuer and (ii) with respect to Investment Securities, any rating agency that has an outstanding rating on the applicable Investment Security.

"*Rating Agency Confirmation*" means, with respect to any action, that each of the Rating Agencies shall have notified the Issuer and the Trustee in writing that such action will not result in a reduction, qualification or withdrawal of the then-current rating of any of the Notes.

"*Remaining Acquisition Amount*" with respect to any series of Notes means the excess, if any, of (i) the amount deposited into the Acquisition Fund on the date of issuance of such series of Notes over (ii) the sum of all amounts withdrawn from, or added to, the Acquisition Fund during the related Acquisition Period.

"*Reserve Fund*" means the Reserve Fund created and established pursuant to the Indenture and further described under the caption "Description of the Indenture–Funds and Accounts–Reserve Fund."

"*Reserve Fund Requirement*" means, with respect to all Notes, on each Monthly Calculation Date, an amount equal to (i) 0.75% of the aggregate Principal Amount of the Notes then Outstanding or (ii) such other amount specified as the Reserve Fund Requirement in a Supplemental Indenture; provided, however, that in no event shall the amount on deposit in the Reserve Fund be less than $500,000.

"*Revolving Period*" means, with respect to Series 2004-1 Notes, the period beginning on the date of issuance of any Series 2004-1 Notes under the Indenture and ending on January 1, 2005, or such later date as may be provided by Issuer Order, provided that the Rating Agency Confirmation shall have been obtained with respect to such Issuer Order.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the function of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee at the written direction of the Issuer.

"*Secretary of Education*" means the Secretary of the United States Department of Education (who succeeded to the functions of the Commissioner of Education pursuant to the Department of Education Organization Act), or any other officer, board, body, commission or agency succeeding to the functions thereof under the Higher Education Act.

"*Securities Act*" means the Securities Act of 1933, as amended.

"*Securities Depository*" means DTC or, if (i) the then-existing Securities Depository resigns from its functions as depository of the Series 2004-1 Notes or (ii) the Issuer discontinues use of the Securities Depository pursuant to the Indenture, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Series 2004-1 Notes and which is selected by the Issuer with the consent of the Trustee.

"*Senior Asset Percentage*" means, as of the date of determination, the percentage resulting by dividing the (i) the Aggregate Value less the sum of (A) all accrued interest on Outstanding Senior Notes, (B) all accrued Issuer Swap Payments with respect to Senior Swap Agreements, and (C) all accrued fees with respect to Senior Credit Enhancement Facilities and (D) all accrued fees and expenses to be paid out of the Administration Fund, by (ii) aggregate Principal Amount of Outstanding Senior Notes.

"*Senior Asset Requirement*" means at any time, any requirement set forth as such in a Supplemental Indenture providing for the issuance of one or more series of Notes any of which are then Outstanding. Currently, the "Senior Asset Requirement" means that as of the date of determination, the Senior Asset Percentage is at least equal to 105% and the Subordinate Asset Percentage is at least equal to 100.5%.

"*Senior Beneficiaries*" means (i) the Holders of any Outstanding Senior Notes, and (ii) any Other Senior Beneficiary holding any Other Senior Obligation that is Outstanding.

"*Senior Credit Enhancement Facility*" means a Credit Enhancement Facility designated as a Senior Credit Enhancement Facility in the Supplemental Indenture pursuant to which such Credit Enhancement Facility is furnished by the Issuer.

"*Senior Credit Facility Provider*" means any person or entity who provides a Senior Credit Enhancement Facility.

"*Senior Notes*" means any Notes designated in a Supplemental Indenture as Senior Notes, which are secured under the Indenture on a basis senior to any Subordinate Obligations and any Junior Subordinate Obligations (as such seniority as described in the Indenture), and on a parity with Other Senior Obligations.

"*Senior Obligations*" means, collectively, the Senior Notes and any Other Senior Obligations.

"*Senior Swap Agreement*" means a Swap Agreement designated as a Senior Swap Agreement in the Supplemental Indenture pursuant to which such Swap Agreement is furnished by the Issuer.

"*Senior Swap Counterparty*" means any person or entity who provides a Senior Swap Agreement.

"Series Auction Date" means (i) with respect to the Series 2004-1A-1 Senior Notes, Series 2004-1A-3 Senior Notes, the Series 2004-1A-5 Senior Notes and the Series 2004-1B-1 Subordinate Notes, Monday; (ii) with respect to the Series 2004-1A-2 Senior Notes and the Series 2004-1A-4 Senior Notes, Tuesday; and (iii) with respect to all other Series 2004-1 Senior Notes and Series 2004-1 Subordinate Notes, as provided by an Issuer Order.

"*Servicer*" means Great Lakes Educational Loan Services, Inc., ACS Education Services, Inc. and, subject to obtaining a Rating Agency Confirmation, any other organization with which the Issuer has (or the Issuer and the Eligible Lender Trustee have) entered into a Servicing Agreement; in any case, so long as such party acts as servicer of the Financed Student Loans.

"*Servicing Agreement*" means the Student Loan Servicing Agreement, dated January 1, 2004, between the Issuer and Great Lakes Educational Loan Services, Inc., the Student Loan Servicing Agreement, dated January 1, 2004, between the Issuer and ACS Education Services, Inc. and any other agreement between the Issuer and a Servicer (or among the Issuer, the Eligible Lender Trustee and a Servicer), under which such Servicer agrees to act as the Issuer's agent in connection with the administration and collection of Financed Student Loans in accordance with the Indenture.

"*Servicing Fees*" means any fees payable by the Issuer to (i) a Servicer in respect of Financed Student Loans pursuant to the provisions of a Servicing Agreement and (ii) a collection agent in respect of Financed Student Loans in default.

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

"*Student Loan*" means a loan under the Higher Education Act to an Eligible Borrower for education at an Eligible Institution (or a loan to consolidate the same).

"Student Loan Purchase Agreement" means (a) the Loan Purchase Agreement, dated as of January 1, 2004, between the Issuer and the Depositor in the form attached to the Indenture, as such form may be amended and supplemented with a Rating Agency Confirmation, (b) the Loan Purchase Agreement, dated as of January 1, 2004, between the Issuer and Consolidation Loan Funding, LLC in the form attached to the Indenture, as such form may be amended and supplemented with a Rating Agency Confirmation, and (c) any other student loan purchase agreement in the form attached to the Indenture, as such form may be amended and supplemented with a Rating Agency Confirmation, with a seller of Eligible Loans which has been approved by the Rating Agencies.

"Student Loan Repurchase Agreement" means the Student Loan Repurchase Agreement, dated as of January 1, 2004, between the Issuer and SLCC, as amended and supplemented pursuant to the terms thereof.

"*Subordinate Asset Percentage*" means, as of the date of determination, the percentage resulting by dividing (i) the Aggregate Value less the sum of (A) all accrued interest on Outstanding Senior Notes and Outstanding Subordinate Notes, (B) all accrued Issuer Swap Payments (other than with respect to Junior Subordinate Swap Agreements), (C) all accrued fees with respect to Credit Enhancement Facilities (other than with respect to Junior Subordinate Credit Enhancement Facilities), and (D) all accrued fees and expenses to be paid out of the Administration Fund by (ii) the aggregate Principal Amount of Outstanding Senior Notes and Outstanding Subordinate Notes.

"*Subordinate Asset Requirement*" means, at any time, any requirement set forth as such in a Supplemental Indenture providing for the issuance of one or more series of Notes any of which are then Outstanding.

"*Subordinate Beneficiaries*" means (i) the Holders of any Outstanding Subordinate Notes, and (ii) any Other Subordinate Beneficiary holding any Other Subordinate Obligation then Outstanding.

"*Subordinate Credit Enhancement Facility*" means a Credit Enhancement Facility designated as a Subordinate Credit Enhancement Facility in the Supplemental Indenture pursuant to which such Credit Enhancement Facility is furnished by the Issuer.

"*Subordinate Credit Facility Provider*" means any person or entity who provides a Subordinate Credit Enhancement Facility.

"*Subordinate Notes*" means any Notes designated in a Supplemental Indenture as Subordinate Notes, which are secured under the Indenture on a basis subordinate to any Senior Obligations, on a basis senior to any Junior Subordinate Obligations and on parity with Other Subordinate Obligations.

"*Subordinate Obligations*" means, collectively, the Subordinate Notes and the Other Subordinate Obligations.

"*Subordinate Swap Agreement*" means a Swap Agreement designated as a Subordinate Swap Agreement in the Supplemental Indenture pursuant to which such Swap Agreement is furnished by the Issuer.

"*Subordinate Swap Counterparty*" means any person or entity who provides a Subordinate Swap Agreement.

"*Supplemental Indenture*" means any amendment of or supplement to the Indenture made in accordance with the provisions thereof.

"Surplus Fund" means the Surplus Fund created and established pursuant to the Indenture and further described under the caption "Description of the Indenture–Funds and Accounts–Surplus Fund."

"*Swap Agreement*" means an interest rate or other hedge agreement between the Issuer and a Swap Counterparty as supplemented or amended from time to time.

"*Swap Counterparty*" means any person or entity with whom the Issuer shall, from time to time, enter into a Swap Agreement.

"Swap Counterparty Guaranty" means a guarantee in favor of the Issuer given in connection with the execution and delivery of a Swap Agreement under the Indenture.

"Taxes" shall mean an amount reasonably estimated by the Issuer Administrator which shall be equal to the hypothetical taxes which would be incurred by the Issuer as a direct consequence of the Indenture, the Notes or the Financed Student Loans if the Issuer were a taxpaying entity with a tax rate of 35%, which percentage can be changed with a Rating Agency Confirmation, and shall not be based upon the actual taxes owed by any owners of the Issuer or the Depositor.

"*Tender Date*" means, with respect to any Note, a date on which such Note is required to be tendered for purchase by or on behalf of the Issuer, or has been tendered for purchase by or on behalf of the Issuer pursuant to a right given the Holder or Beneficial Owner of such Note, in accordance with the provisions in the Supplemental Indenture providing for the issuance thereof.

"*Trust Estate*" means the Trust Estate as described in the Granting Clauses of the Indenture.

"*Trustee*" means The Bank of New York, as trustee under the Indenture, and any successor or assign in that capacity, and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

"*Unsubsidized Stafford Loan*" means a Student Loan made pursuant to Section 428H of the Higher Education Act.

"*Value*" means, on any calculation date when required under the Indenture, the value of the Trust Estate calculated by the Issuer Administrator with respect to clauses (i) and (vi) below and the Trustee with respect to clauses (ii) through (v) below, in accordance with the following:

(i) with respect to any Financed Eligible Loan, the Principal Balance thereof, plus accrued interest and Special Allowance Payments thereon (or with respect to a Financed Student Loan which is no longer an Eligible Loan, zero);

(ii) with respect to any funds of the Issuer on deposit in any commercial bank or as to any banker's acceptance or repurchase agreement or investment agreement, the amount thereof plus accrued interest thereon;

(iii) with respect to any investment securities of an investment company, the bid price, or the net asset value if there is no bid price, of the shares as reported by the investment company;

(iv) as to other investments, (A) the bid price published by a nationally recognized pricing service, or (B) if the bid and asked prices thereof are published on a regular basis by Bloomberg Financial Markets Commodities News (or, if not there, then in *The Wall Street Journal*), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination plus accrued interest thereon;

(v) as to investments the bid prices of which are not published by a nationally recognized pricing service and the bid and asked prices of which are not published on a regular basis by Bloomberg Financial Markets Commodities News (or, if not there, then in *The Wall Street Journal*) the lower of the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Issuer in its absolute discretion) at the time making a market in such investments, plus accrued interest thereon; and

(vi) any accrued but unpaid Counterparty Swap Payment, unless the Swap Counterparty is in default of its obligations under the Swap Agreement.

"Variable Rate Notes" means Notes whose interest rate is not fixed but varies on a periodic basis as specified in the Supplemental Indenture providing for the issuance thereof.

THE TRUSTEE AND THE ELIGIBLE LENDER TRUSTEE

The Bank of New York, a New York State banking corporation organized under the laws of the State of New York, serves as the Trustee under the Indenture. The office of the Trustee for purposes of administering the Trust Estate and its other obligations under the Indenture is located at 10161 Centurion Parkway, 2nd Floor, Jacksonville, Florida 32256, Attention: Corporate Trust Manager.

The Higher Education Act provides that only "eligible lenders" (defined to include banks and certain other entities) may hold title to student loans made under the FFEL Program. Because the Issuer does not qualify as an "eligible lender," The Bank of New York, in its capacity as Eligible Lender Trustee, will hold title to all Financed Student Loans in trust on behalf of Issuer. The Eligible Lender Trustee will agree under the Eligible Lender Trust Agreement to maintain its status as an "eligible lender" under the Higher Education Act. In addition, the Eligible Lender Trustee on behalf of Issuer will enter into a Guarantee Agreement with each of the Guarantee Agencies that have guaranteed Financed Student Loans. Failure of the Financed Student Loans to be owned by an eligible lender would result in the loss of guarantee payments, Interest Subsidy Payments and Special Allowance Payments with respect thereto. See "Description of the FFEL Program" and "Risk Factors-Offset by guarantee agencies or the Department of Education could reduce the amounts available for payment of the Series 2004-1 Notes."

THE DELAWARE TRUSTEE

The Bank of New York (Delaware) serves as the Delaware Trustee pursuant to the Trust Agreement.

The Delaware Trustee shall at all times be a Person satisfying the provisions of the Delaware statutory trust statute; authorized to exercise corporate trust powers; having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authorities; and having (or having a parent that has) a rating of at least BBB from S&P and Baa2 from Moody's. If such Person shall publish reports of condition at least annually pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of the Trust Agreement, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Delaware Trustee shall cease to be eligible in accordance with the provisions of the Trust Agreement, the Delaware Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement.

The Delaware Trustee may at any time resign and be discharged by giving written notice thereof to the Issuer Administrator. Upon receiving such notice of resignation, the Issuer Administrator shall promptly appoint a successor Delaware Trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Delaware Trustee and one copy to the successor Delaware Trustee. If no successor Delaware Trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Delaware Trustee, at the expense of the Issuer Administrator, may petition any court of competent jurisdiction for the appointment of a successor Delaware Trustee.

If at any time the Delaware Trustee shall cease to be eligible in accordance with the provisions of the Trust Agreement and shall fail to resign after written request therefor by the Issuer Administrator, or if at any time the Delaware Trustee shall be legally unable to act, or shall be adjudged bankrupt or insolvent, or a receiver of the Delaware Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Delaware Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer Administrator may remove the Delaware Trustee. If the Issuer Administrator shall remove the Delaware Trustee under the authority of the immediately preceding sentence, the Issuer Administrator shall promptly appoint a successor Delaware Trustee by written instrument, in duplicate, one copy of which instrument shall be delivered to the outgoing Delaware Trustee so removed and one copy to the successor Delaware Trustee, and shall pay all fees owned to the outgoing Delaware Trustee in its individual capacity.

Any resignation or removal of the Delaware Trustee and appointment of a successor Delaware Trustee pursuant to any of the provisions of the Trust Agreement shall not become effective until acceptance of appointment by the successor Delaware Trustee pursuant to the Trust Agreement and, in the case of removal, payment of all fees and expenses owed to the outgoing Delaware Trustee in its individual capacity.

The Delaware Trustee has not participated in the preparation of this Offering Memorandum and shall incur no personal liability in connection herewith.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of Series 2004-1 Notes for the investors described below and is based on the advice of Kutak Rock LLP, as tax counsel to the Issuer. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, foreign investors. In addition, this summary is generally limited to investors who will hold the Series 2004-1 Notes as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"). Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the Series 2004-1 Notes. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Characterization of the Trust Estate

Based upon certain assumptions and certain representations of the Issuer, Kutak Rock LLP will render its opinion to the Issuer to the effect that the Series 2004-1 Notes will be treated as debt, rather than as an interest in the Financed Eligible Loans or the Issuer, and the Issuer will not be characterized as an association or publicly traded partnership taxable as a corporation, each for federal income tax purposes. Unlike a ruling from the Service, such opinion is not binding on the courts or the Service. Therefore, it is possible that the Service could assert that, for purposes of the Code, the transaction contemplated by this Offering Memorandum constitutes a sale of the Financed Eligible Loans (or an interest therein) to the Holders or that the relationship which will result from this transaction is that of a partnership, or an association taxable as a corporation. Alternatively, the Service could assert that the Series 2004-1 Notes represent an equity interest in the Issuer.

If, instead of treating the transaction as creating secured debt in the form of the Series 2004-1 Notes issued by the Issuer, the transaction were treated as creating a partnership among the Holders, the Servicers and the Issuer which has purchased the underlying Financed Eligible Loans, the resulting partnership would not be subject to federal income tax. Rather, the Issuer, the Servicers and each Holder would be taxed individually on their respective distributive shares of the partnership's income, gain, loss, deductions and credits. The amount and timing of items of income and deduction of the Holder could differ if the Notes were held to constitute partnership interests, rather than indebtedness. If, alternatively, it were determined that the Series 2004-1 Notes represented an equity interest in an entity characterized as an association or publicly traded partnership taxable as a corporation, payments to the Holders generally would be treated as dividends for tax purposes to the extent of the Issuer's accumulated and current earnings and profits.

Characterization of the Notes as indebtedness

The Issuer and the Holders express in the Indenture their intent that, for federal income tax purposes, the Series 2004-1 Notes will be indebtedness of the Issuer secured by the Financed Eligible Loans. The Issuer and the Registered Owners, by accepting the Series 2004-1 Notes, have agreed to treat the Series 2004-1 Notes as indebtedness of the Issuer for federal income tax purposes. The Issuer intends to treat this transaction as a financing reflecting the Series 2004-1 Notes as its indebtedness for tax and financial accounting purposes.

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

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

Taxation of interest income of Holders

Payments of interest with regard to the Series 2004-1 Notes will be includible as ordinary income when received or accrued by the Holders in accordance with their respective methods of tax accounting and applicable provisions of the Code. In particular, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Original issue discount is the stated redemption price at maturity of a debt instrument over its issue price. The stated redemption price at maturity includes all payments with respect to an instrument other than interest unconditionally payable at a fixed rate or a qualified variable rate at fixed intervals of one year or less. There can be no assurance that the Service will not assert that interest payable with respect to the Subordinate Notes does not constitute qualified stated interest.

Payments of interest received with respect to the Series 2004-1 Notes may also constitute "investment income" for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential Holders or the beneficial owners should consult their own tax advisors concerning the application of the original issue discount provisions to the Series 2004-1 Notes and the treatment of interest payments with regard to the Series 2004-1 Notes.

A purchaser who in the secondary market buys a Series 2004-1 Note at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified de minimis amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the Series 2004-1 Notes which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of these provisions of the Code indicate that the same prepayment assumption used to calculate original issue discount should be utilized. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series 2004-1 Notes.

The annual statement regularly furnished to Holders for federal income tax purposes will include information regarding the accrual of payments of principal and interest with respect to the Series 2004-1 Notes. As noted above, the Issuer believes, based on the advice of counsel, that it will retain ownership of the Financed Eligible Loans for federal income tax purposes. In the event the Indenture is deemed to create a pass-through entity as the owner of the Financed Eligible Loans for federal income tax purposes instead of the Issuer (assuming such entity is not, as a result, taxed as an association), the Holders of the Series 2004-1 Notes could be required to accrue payments of interest more rapidly than otherwise would be required.

Backup withholding

Certain purchasers may be subject to backup withholding at a designated rate with respect to interest paid with respect to the Series 2004-1 Notes if the purchasers, upon issuance, fail to supply the trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the Series 2004-1 Notes and the amount of tax withheld thereon.

Limitation on the deductibility of certain expenses

Under Section 67 of the Code, an individual may deduct certain miscellaneous itemized deductions only to the extent that the sum of such deductions for the taxable year exceed 2% of his or her adjusted gross income. If contrary to expectation, the entity created under the Indenture were treated as the owner of the Financed Eligible Loans (and not as an association taxable as a corporation), then the Issuer believes that a substantial portion of the expenses to be generated by the Trust Estate could be subject to the foregoing limitations. As a result, each potential Holder should consult his or her personal tax advisor concerning the application of these limitations to an investment in the Series 2004-1 Notes.

Tax-exempt investors

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. If, contrary to expectations, the Series 2004-1 Notes were considered equity for tax purposes and if one or more other series of Notes were considered debt for tax purposes, the Series 2004-1 Notes treated as equity likely would be subject to acquisition indebtedness and likely would generate unrelated business taxable income. However, as noted above, counsel has advised the Issuer that the Series 2004-1 Notes will be characterized as debt for federal income tax purposes. Therefore, except to the extent any Holder incurs acquisition indebtedness with respect to a Series 2004-1 Note, interest paid or accrued with respect to such Series 2004-1 Note may be excluded by each tax-exempt Holder from the calculation of unrelated business taxable income. Each potential tax-exempt Holder is urged to consult its own tax advisor regarding the application of these provisions.

Sale or exchange of Series 2004-1 Notes

If a Holder sells a Series 2004-1 Note, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the holder's basis in such Series 2004-1 Note. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for assets held for more than twelve months is 15%. However, if a Series 2004-1 Note was acquired subsequent to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income.

If the terms of a Series 2004-1 Note were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential Holder of a Series 2004-1 Note should consult its own tax advisor concerning the circumstances in which the Series 2004-1 Notes would be deemed reissued and the likely effects, if any, of such reissuance.

State, Local and Foreign Tax Consequences

The Issuer makes no representations regarding the tax consequences of purchase, ownership or disposition of the Series 2004-1 Notes under the tax laws of any state, locality or foreign jurisdiction. Investors considering an investment in the Series 2004-1 Notes should consult their own tax advisors regarding such tax consequences.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA ("ERISA Plans"). Section 4975 of the Code imposes substantially similar prohibited transaction restrictions on certain employee benefit plans, including tax-qualified retirement plans described in Section 401(a) of the Code ("Qualified Retirement Plans") and on individual retirement accounts and annuities described in Sections 408 (a) and (b) of the Code ("IRAs," collectively, with Qualified Retirement Plans, "Tax-Favored Plans"). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has

been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Non-ERISA Plans"), are not subject to the requirements set forth in ERISA or the prohibited transaction restrictions under Section 4975 of the Code. Accordingly, the assets of such Non-ERISA Plans may be invested in the Series 2004-1 Notes without regard to the ERISA or Code considerations described below, provided that such investment is not otherwise subject to the provisions of other applicable federal and state law ("Similar Laws"). Any governmental plan or church plan that is qualified under Section 401(a) and exempt from taxation under Section 501(a) of the Code is, nevertheless, subject to the prohibited transaction rules set forth in Section 503 of the Code.

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

The investment in a security by a Plan may, in certain circumstances, be deemed to include an investment in the assets of the entity issuing such security, such as the Issuer. Certain transactions involving the purchase, holding or transfer of Series 2004-1 Notes may be deemed to constitute prohibited transactions if assets of the Issuer are deemed to be assets of a Plan. These concepts are discussed in greater detail below.

Plan Assets Regulation

The DOL has promulgated a regulation set forth at 29 C.F.R. § 2510.3-101 (the "Plan Assets Regulation") concerning whether or not the assets of an ERISA Plan would be deemed to include an interest in the underlying assets of an entity (such as the Issuer) for purposes of the general fiduciary responsibility provisions of ERISA and for the prohibited transaction provisions of ERISA and Section 4975 of the Code, when a Plan acquires an "equity interest" (such as a Series 2004-1 Note) in such entity. Depending upon a number of factors set forth in the Plan Assets Regulation, "plan assets" may be deemed to include either a Plan's interest in the assets of an entity (such as the Issuer) in which it holds an equity interest or merely to include its interest in the instrument evidencing such equity interest (such as a Series 2004-1 Note). For purposes of this section, the terms "plan assets" ("Plan Assets") and the "assets of a Plan" have the meaning specified in the Plan Asset Regulation and include an undivided interest in the underlying interest of an entity which holds Plan Assets by reason of a Plan's investment therein (a "Plan Asset Entity").

Under the Plan Assets Regulation, the assets of the Issuer would be treated as Plan Assets if a Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features.

If the Series 2004-1 Notes are treated as having substantial equity features, a Plan or a Plan Asset Entity that purchases Series 2004-1 Notes could be treated as having acquired a direct interest in the Issuer. In that event, the purchase, holding, transfer or resale of the Series 2004-1 Notes could result in a transaction that is prohibited under ERISA or the Code.

The Plan Assets Regulation provides an exemption from "plan asset" treatment for securities issued by an entity if such securities are debt securities under applicable state law with no "substantial equity features." While not free from doubt, on the basis of the Series 2004-1 Notes as described herein, it appears that the Series 2004-1 Notes should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation.

In the event that the Series 2004-1 Notes cannot be treated as indebtedness for purposes of ERISA, under an exception to the Plan Assets Regulation, the assets of a Plan will not include an interest in the assets of an entity, the equity interests of which are acquired by the Plan, if at no time do Plans in the aggregate own 25% or more of the value of any class of equity interests in such entity, as calculated under the Plan Assets Regulation. Because the availability of this exception depends upon the identity of the Noteholders at any time, there can be no assurance that the Series 2004-1 Notes will qualify for this exception and that the Issuer's assets will not constitute a Plan Asset subject to ERISA's fiduciary obligations and responsibilities. Therefore, neither a Plan nor a Plan Asset Entity should acquire or hold Series 2004-1 Notes in reliance upon the availability of any exception under the Plan Assets Regulation.

Prohibited Transactions

The acquisition or holding of Series 2004-1 Notes by or on behalf of a Plan could give rise to a prohibited transaction if the Issuer or any of its respective affiliates is or becomes a Party in Interest or Disqualified Person with respect to such Plan, or in the event that a Series 2004-1 Note is purchased in the secondary market by a Plan from a Party in Interest or Disqualified Person with respect to such Plan. There can be no assurance that the Issuer or any of its respective affiliates will not be or become a Party in Interest or a Disqualified Person with respect to a Plan that acquires Series 2004-1 Notes. Any such prohibited transaction could be treated as exempt under ERISA and the Code if the Certificates were acquired pursuant to and in accordance with one or more statutory exemptions, individual exemptions or "class exemptions" issued by the DOL. Such class exemptions include, for example, Prohibited Transaction Class Exemption ("PTCE") 75-1 (an exemption for certain transactions involving employee benefit plans and broker dealers, reporting dealers and banks), PTCE 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving an insurance company's general account) and PTCE 96-23 (an exemption for certain transactions determined by a qualifying in-house asset manager) or pursuant to an individual prohibited transaction exemption issued by the DOL.

Purchaser's/Transferee's Representations and Warranties

Each purchaser and each transferee of a Series 2004-1 Note shall be deemed to represent and warrant that (1)(a) it is not a Plan and is not acquiring the Series 2004-1 Note directly or indirectly for, or on behalf of, a Plan or with Plan Assets, Plan Asset Entity or any entity whose underlying assets are deemed to be plan assets of such Plan or (b) the acquisition and holding of the Series 2004-1 Notes by or on behalf of, or with Plan Assets of, any Plan, Plan Asset Entity or any entity whose underlying assets are deemed to be Plan Assets of such Plan is permissible under applicable law, will not result in any non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Law, and will not subject the Issuer to any obligation not affirmatively undertaken in writing thereby and (2) if either the acquisition and holding of the Series 2004-1 Notes is no longer a nonexempt prohibited transaction or the student loans underlying the Series 2004-1 Notes are subsequently deemed to be Plan Assets, it will promptly dispose of the Series 2004-1 Notes.

Consultation with Counsel

Any Plan fiduciary or other investor of Plan Assets considering whether to acquire or hold Series 2004-1 Notes on behalf of or with Plan Assets of any Plan or Plan Asset Entity, and any insurance company that proposes to acquire or hold Series 2004-1 Notes, should consult with its counsel with respect to the potential applicability of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code with respect to the proposed investment and the availability of any prohibited transaction exemption. A fiduciary with respect to a Non-ERISA Plan which is a Qualified Retirement Plan or a Tax Favored Plan that proposes to acquire or hold Series 2004-1 Notes should consult with counsel with respect to the applicable federal, state and local laws.

INVESTOR SUITABILITY

The Series 2004-1 Notes may be purchased only by investors who are institutional or individual "accredited investors" as defined in Rule 501(a) of Regulation D promulgated under the Securities Act ("Accredited Investors") or by "qualified institutional buyers" ("Qualified Institutional Buyer" or "QIB"), as defined in Rule 144A promulgated under the Securities Act ("Rule 144A"), hereto. In addition, the Series 2004-1 Notes are subject to certain restrictions on transfer. See "Notice to Investors: Transfer Restrictions" herein. The Issuer will have the right, in its sole and absolute discretion, to reject a subscription for Series 2004-1 Notes in whole or in part, or to allot less than the principal amount of Series 2004-1 Notes for which subscriptions are received for any reason. See "Plan of Distribution."

THE FOREGOING SUITABILITY STANDARDS ARE MINIMUM REQUIREMENTS FOR PROSPECTIVE PURCHASERS OF THE SERIES 2004-1 NOTES. THE SATISFACTION OF SUCH STANDARDS DOES NOT NECESSARILY MEAN THAT THE SERIES 2004-1 NOTES ARE A SUITABLE INVESTMENT FOR A PROSPECTIVE INVESTOR OR THAT ITS SUBSCRIPTION WILL BE ACCEPTED IN WHOLE OR IN PART BY THE ISSUER. ACCORDINGLY, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT WITH ITS OWN TAX AND FINANCIAL ADVISORS TO DETERMINE WHETHER AN INVESTMENT IN THE SERIES 2004-1 NOTES IS APPROPRIATE IN LIGHT OF ITS INDIVIDUAL TAX AND FINANCIAL SITUATION. SEE "RISK FACTORS" AND "FEDERAL INCOME TAX CONSEQUENCES."

No Beneficial Ownership Interest in a Series 2004-1 Note may be transferred, unless the proposed transferee shall have delivered to the Issuer and the Trustee either (i) evidence satisfactory to them that such Series 2004-1 Note has been registered under the Securities Act and has been registered or qualified under all applicable state securities laws to the reasonable satisfaction of the Issuer or (ii) an express agreement substantially in the form of either of the Investment Letters as follows by the proposed transferee to be bound by and to abide by the transfer restrictions and the restrictions noted in the Investment Letter; provided that compliance with the provisions of subparagraphs (i) and (ii) of this paragraph shall not be required if the proposed transferee is listed in the latest available S&P Rule 144A list of Qualified Institutional Buyers or other industry recognized subscriber services listing Qualified Institutional Buyers.

FORM OF INVESTMENT LETTER FOR ACCREDITED INVESTORS

Higher Education Funding I

The Bank of New York, as Trustee

UBS Financial Services Inc.

Re: Higher Education Funding I, Auction Rate Student Loan Asset-Backed Notes, Series 2004-1

Ladies and Gentlemen:

The undersigned (the “Purchaser”) intends to purchase certain of the above referenced Notes (the “Notes”) issued by Higher Education Funding I (the “Issuer”) pursuant to the Indenture of Trust, dated as of January 1, 2004 between the Issuer and The Bank of New York, as Eligible Lender Trustee and Indenture Trustee (the “Trustee”), and a First Supplemental Indenture, dated as of January 1, 2004, between the Issuer and the Trustee (collectively, the “Indenture”). Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Indenture.

THIS LETTER, OR A FACSIMILE COPY HEREOF, WILL BE DELIVERED TO THE ABOVE ADDRESSEES NO LATER THAN THE DATE OF PURCHASE.

In connection with the purchase, the undersigned, as an authorized officer or agent of the Purchaser and on behalf of the Purchaser hereby agrees to the following terms and conditions and makes the representations and warranties stated herein with the express understanding that the truth and accuracy of the representations and warranties will be relied upon by the Issuer, the Trustee, and UBS Financial Services Inc. (the “Initial Purchaser”):

1. If other than an individual, the Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction of its creation and is authorized to purchase and invest in the Notes, and the person executing this investment letter on behalf of such Purchaser is duly authorized to do so on the Purchaser’s behalf.

2. The Purchaser acknowledges that it is familiar with Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and certifies that it is described in one or more of the categories set forth in Annex A attached hereto and is an "Accredited Investor" as that term is defined in Rule 501(a) of Regulation D.

3. The Purchaser is acquiring the Notes for its own account or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, or for investment purposes and not with a view toward selling or transferring the Notes or any portion thereof in connection with any distribution thereof, in whole or in part, subject to any requirement of law that the disposition of the Purchaser’s property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant any applicable exemption from registration available under the Securities Act.

4. Neither the undersigned nor anyone acting on its behalf has (a) offered, pledged, sold, disposed of or otherwise transferred the Notes, any interest in the Notes or any other similar security to any Person in any manner, (b) solicited any offer to buy or accept a pledge, disposition or other transfer of the Notes, any interest in the Notes or any other similar security from any Person in any manner, (c) otherwise approached or negotiated with respect to the Notes, any interest in the Notes or any other similar security with any Person in any manner, (d) made any general solicitation by means of general advertising or in any other manner, or (e) taken any other action, that (in the case of any of the acts described in clauses (a) through (d) above) would constitute a distribution of the Notes under the Securities Act, would render the disposition of the Notes a violation of Section 5 of the Securities Act or any state securities law or would require registration or qualification of the Notes pursuant thereto. The undersigned will not act, nor has it authorized or will it authorize any Person to act, in any manner set forth in the foregoing sentence with respect to the Notes, any security issued in exchange therefor or in lieu thereof or any interest in the foregoing

(but without prejudice to its right at all times to sell or otherwise dispose of the Notes in accordance with the requirements of the Indenture and this Investment Letter).

5. The Purchaser understands that it may not sell or otherwise transfer Notes, any security issued in exchange therefor or in lieu thereof or any interest in the foregoing except in compliance with the provisions of the Indenture. The Purchaser understands that (a) the Notes have not been and will not be registered under the Securities Act or registered or qualified under any applicable state securities laws and are being sold in reliance on exemptions from the registration requirements of the Securities Act and any such laws for nonpublic offerings, (b) neither the Issuer nor the Initial Purchaser is obligated so to register or qualify the Notes and (c) neither the Notes held by the Purchaser nor any security issued in exchange therefor or in lieu thereof may be resold or transferred unless they are (i) registered pursuant to the Securities Act and registered or qualified pursuant to any applicable state securities laws or (ii) sold or transferred in transactions that are exempt from such registration and qualification requirements.

6. The Purchaser has received a copy of the Offering Memorandum, dated March 3, 2004 (the "Offering Memorandum") relating to the Notes, and recognizes that an investment in the Notes involves significant risks. The Purchaser understands that other than through the auction of the Notes as described in the Offering Memorandum, if any, there is no established market for the Purchaser's Notes and that none will develop and, accordingly, that the Purchaser must bear the economic risk of an investment in the Notes for an indefinite period of time.

7. The Purchaser acknowledges that none of the Issuer, the Trustee, the Initial Purchaser or any person representing the Issuer, the Trustee or the Initial Purchaser has made any representation to it with respect to the Issuer or the offering or sale of any of the Notes, other than the information contained in the Offering Memorandum, which has been delivered to it and upon which it is relying in making its investment decision to acquire Notes.

8. The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investments in the Notes. The undersigned understands that there may be restrictions on the ability of certain investors, including, without limitation, depository institutions, either to purchase the Notes or to purchase investments having characteristics similar to those of the Notes representing more than a specified percentage of the investor's assets. The Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision, and is able to bear the economic risks of such an investment for an indefinite period of time and can afford a complete loss of such investment.

9. The Purchaser has had the opportunity to ask questions of and receive answers from the Issuer concerning the purchase of the Notes and all matters relating thereto or any additional information deemed necessary to its decision to purchase the Notes. The Purchaser has reviewed and has made its decision to invest on its review of the Indenture and the Offering Memorandum and on certain other information it has obtained and that it deems relevant to its investment in the Notes. The Purchaser has made its own independent review of credit and related matters applicable to the Issuer, the purchase and holding of the Notes and otherwise to its investment in the Notes.

10. The Purchaser understands that none of the Issuer, the Trustee and the Initial Purchaser makes any representation as to the proper characterization of the Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes under applicable investment restrictions.

11. The Purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, to offer, sell or otherwise transfer such Notes only (i) in a transaction complying with Rule 144A under the Securities Act, to a person it reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A) purchasing for its own account or for the account of a "qualified institutional buyer" to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A; (ii) to a person it reasonably believes is an "Accredited Investor" (as defined in Rule 501(a) under the Securities Act) purchasing for investment purposes and not with a view toward selling or transferring the Notes or any portion thereof in connection with any distribution thereof, in whole or in part, or (iii) pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. If at some future time the Purchaser wishes to dispose of or exchange any of the Notes, the Purchaser will not do so unless before any such sale, transfer or other disposition the

Purchaser has furnished to the Trustee a Transferee Certificate substantially in the form of Exhibit H-1 or H-2 to the Indenture, as applicable, executed by the proposed transferee.

12. The Purchaser agrees that the Purchaser is bound by and will abide by the provisions of the Indenture, the restrictions noted on the face of the Notes and this Investment Letter. The Purchaser agrees that it will provide to each person to whom it transfers such Notes notice of the restrictions on transfer of the Notes. The Purchaser will comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Notes by the Purchaser.

13. The Purchaser acknowledges that any proposed assignee of a beneficial ownership interest in the Notes will be deemed under the Indenture to have made agreements and representations substantially similar to those set forth above. The Purchaser understands that each of the Purchaser's Notes will bear a legend restricting transfer of the Notes substantially to the effect set forth in the Offering Memorandum under "Notice to Investors: Transfer Restrictions."

14. The Purchaser understands that it is the Issuer's intention that the Notes be treated as debt of the Issuer for federal income tax purposes, and by its acceptance of its Note, agrees to so treat the Note and to take no action inconsistent therewith.

15. The interpretation of the provisions hereof shall be governed and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws.

16. The Purchaser hereby certifies to the Issuer, the Trustee and the Initial Purchaser that either (a) it is not an employee benefit or other plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") (each, a "Plan"), and it is not acquiring the Series 2004-1 Notes directly or indirectly for, or on behalf of, a Plan or any entity whose underlying assets are deemed to be "plan assets" (within the meaning of 29 CFR § 2510.3-101 (the "Plan Assets Regulation")) of such a Plan, or (b)(i) the acquisition and holding of the Series 2004-1 Notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or other similar, applicable federal and state laws and (ii) if the Series 2004-1 Notes are subsequently deemed to be "plan assets" (within the meaning of the Plan Assets Regulation), it will promptly dispose of the Series 2004-1 Notes.

17. The Purchaser will notify each of the addressees of this Investment Letter of any changes in the information and conclusions herein on or before the date of purchase. Until such notice is given, each purchase of Notes by the Purchaser will constitute a reaffirmation of the statements made in this Investment Letter as of the date of such purchase and the addressees of this Investment Letter will continue to rely on the statements and agreements made herein in connection with sales of Notes to the Purchaser made in reliance on Regulation D of the Securities Act.

18. If the Purchaser is acquiring any Notes as a fiduciary or agent for one or more investor accounts, the Purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make on behalf of such account the representations, confirmations, acknowledgments and agreements set forth in this investment letter.

19. If the Purchaser proposes that the Notes be registered in the name of a nominee, such nominee has completed the Nominee Acknowledgment below.

Very truly yours,

(NAME OF PURCHASER)

By
Name
Title
Date

Nominee Acknowledgment

The undersigned hereby acknowledges and agrees that as to the Note being registered in its name, the sole beneficial owner thereof is and shall be _____, the Purchaser identified above, for whom the undersigned is acting as nominee.

Very truly yours,

Print Name of Purchaser

By
Name
Title
Date

ANNEX A

An “Accredited Investor” means any of the following:

(a) A bank (as defined in Section 3(a)(2) of the Securities Act) or a savings and loan association or other institution (as defined in Section 3(a)(5)(A) of the Securities Act) whether acting in its individual or fiduciary capacity.

(b) A broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934.

(c) An insurance company (as defined in Section 2(13) of the Securities Act).

(d) An investment company registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”).

(e) A business development company (as defined in Section 2(a)(48) of the Investment Company Act).

(f) A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended.

(g) A plan established and maintained by a state, its political subdivision, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000.

(h) An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) whose investment decision to purchase the Notes is made by a plan fiduciary, as defined in Section 3(21) of ERISA, that is either a bank, a savings and loan association, an insurance company, or a registered investment advisor.

(i) An employee benefit plan within the meaning of Title I of ERISA with total assets in excess of $5,000,000.

(j) A self-directed employee benefit plan within the meaning of Title I of ERISA whose investment decisions are made solely by persons that are accredited investors as that term is defined in Regulation D as promulgated by the Securities and Exchange Commission.

(k) A private business development company (as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended).

(l) An organization described in Section 501(c)(3) of the Internal Revenue Code (tax exempt organization), corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Notes, having total assets in excess of $5,000,000.

(m) A director, executive officer, or general partner of the Issuer or of a general partner of the Issuer.

(n) A trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Notes, if the purchase of the Notes is directed by a person who either alone or with his purchaser representative(s), has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the Notes.

(o) A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds $1,000,000.

(p) A natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

(q) Any entity in which all of the equity owners are Accredited Investors.

FORM OF INVESTMENT LETTER FOR QUALIFIED INSTITUTIONAL BUYERS

_____ __, ____

Higher Education Funding I

The Bank of New York, as Trustee

UBS Financial Services Inc.

Re: Higher Education Funding I,
Auction Rate Student Loan Asset-Backed Notes, Series 2004-1

Ladies and Gentlemen:

The undersigned (the "Purchaser") intends to purchase certain of the above referenced Notes (the "Notes") issued by Higher Education Funding I (the "Issuer") pursuant to the Indenture of Trust, dated as of January 1, 2004 between the Issuer and The Bank of New York, as Eligible Lender Trustee and Indenture Trustee (the "Trustee"), and a First Supplemental Indenture, dated as of January 1, 2004, between the Issuer and the Trustee (collectively, the "Indenture"). Capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Indenture.

THIS LETTER, OR A FACSIMILE COPY HEREOF, WILL BE DELIVERED TO THE ABOVE ADDRESSEES NO LATER THAN THE DATE OF PURCHASE.

In connection with the purchase of the Notes, the undersigned, as an authorized officer or agent of the Purchaser and on behalf of the Purchaser hereby agrees to the following terms and conditions and makes the representations and warranties stated herein with the express understanding that the truth and accuracy of the representations and warranties will be relied upon by the Issuer, the Trustee, and UBS Financial Services Inc. (the "Initial Purchaser"):

1. The Purchaser is duly organized, validly existing and in good standing under the laws of the jurisdiction of its creation and is authorized to purchase and invest in the Notes. The person executing this investment letter on behalf of the Purchaser is duly authorized to do so on the Purchaser's behalf.

2. The person executing this investment letter on behalf of the Purchaser and making the certifications included herein is the chief financial officer, a person fulfilling an equivalent function, or other executive or authorized officer of the Purchaser or, if the Purchaser is a member of a "family of investment companies," the certification is submitted by an executive officer of the Purchaser's investment advisor.

3. The Purchaser acknowledges that it is familiar with Rule 144A ("Rule 144A") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and certifies that it is described in one or more of the categories set forth in Annex A attached hereto and is a "qualified institutional buyer" (a "QIB") as that term is defined in Rule 144A. The person executing this investment letter on behalf of the Purchaser further certifies as follows:

(a) The Purchaser owned and/or invested on a discretionary basis at least (i) $100,000,000 in "eligible securities" (as defined in Annex A attached hereto); or (ii) if the Purchaser is a dealer registered under Section 15 of the Securities Exchange Act of 1934 (the "Exchange Act"), at least $10,000,000 in "eligible securities," in each as of the end of the Purchaser's most recent fiscal year (such amounts being calculated in accordance with Rule 144A);

(b) If the amount specified in clause (a) above is less than $10,000,000, the Purchaser is a dealer registered pursuant to Section 15 of the Exchange Act acting in a riskless principal transaction on behalf of a QIB; and

(c) If the Purchaser decides to purchase Notes for the accounts of others, it will only purchase Notes for accounts that independently qualify as QIBs as defined in Rule 144A (unless the undersigned is an insurance company (as described in Annex A) and is purchasing for the account of one or more of its "separate accounts" (as defined in Annex A)).

4. The Purchaser is acquiring the Notes for its own account or for the account of a QIB, in each case for investment, or for investment purposes and not with a view toward selling or transferring the Notes or any portion thereof in connection with any distribution thereof, in whole or in part, subject to any requirement of law that the disposition of the Purchaser's property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant any applicable exemption from registration available under the Securities Act.

5. Neither the undersigned nor anyone acting on its behalf has (a) offered, pledged, sold, disposed of or otherwise transferred the Notes, any interest in the Notes or any other similar security to any Person in any manner, (b) solicited any offer to buy or accept a pledge, disposition or other transfer of the Notes, any interest in the Notes or any other similar security from any Person in any manner, (c) otherwise approached or negotiated with respect to the Notes, any interest in the Notes or any other similar security with any Person in any manner, (d) made any general solicitation by means of general advertising or in any other manner, or (e) taken any other action, that (in the case of any of the acts described in clauses (a) through (d) above) would constitute a distribution of the Notes under the Securities Act, would render the disposition of the Notes a violation of Section 5 of the Securities Act or any state securities law or would require registration or qualification of the Notes pursuant thereto. The undersigned will not act, nor has it authorized or will it authorize any Person to act, in any manner set forth in the foregoing sentence with respect to the Notes, any security issued in exchange therefor or in lieu thereof or any interest in the foregoing (but without prejudice to its right at all times to sell or otherwise dispose of the Notes in accordance with the requirements of the Indenture and this Investment Letter).

6. The Purchaser understands that the Notes have not been registered under the Securities Act or any state securities or "Blue Sky" laws and are being sold in reliance on exemptions from the registration requirements of the Securities Act and any such laws for nonpublic offerings. The Purchaser further understands that the Notes and any security issued in exchange therefore or in lieu thereof must be held indefinitely unless subsequently registered under the Securities Act and any applicable state securities or "Blue Sky" laws or unless exemptions from the registration requirements of the Securities Act and such laws are available.

7. The Purchaser has received a copy of the Offering Memorandum, dated March 3, 2004 (the "Offering Memorandum") relating to the Notes, and recognizes that an investment in the Notes involves significant risks. The Purchaser understands that other than through the auction of the Notes as described in the Offering Memorandum, if any, there is no established market for the Purchaser's Notes and that none will develop and, accordingly, that the Purchaser must bear the economic risk of an investment in the Notes for an indefinite period of time.

8. The Purchaser acknowledges that none of the Issuer, the Trustee, the Initial Purchaser or any person representing the Issuer, the Trustee or the Initial Purchaser has made any representation to it with respect to the Issuer or the offering or sale of any of the Notes, other than the information contained in the Offering Memorandum, which has been delivered to it and upon which it is relying in making its investment decision to acquire Notes.

9. The Purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investments in the Notes. The undersigned understands that there may be restrictions on the ability of certain investors, including, without limitation, depository institutions, either to purchase the Notes or to purchase investments having characteristics similar to those of the Notes representing more than a specified percentage of the investor's assets. The Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision, and is able to bear the economic risks of such an investment for an indefinite period of time and can afford a complete loss of such investment.

10. The Purchaser has had the opportunity to ask questions of and receive answers from the Issuer concerning the purchase of the Notes and all matters relating thereto or any additional information deemed necessary to its decision to purchase the Notes. The Purchaser has reviewed and has made its decision to invest on its review of the Indenture and the Offering Memorandum and on certain other information it has obtained and that it deems relevant to its investment in the Notes. The Purchaser has made its own independent review of credit and related matters applicable to the Issuer, the purchase and holding of the Notes and otherwise to its investment in the Notes.

11. The Purchaser understands that none of the Issuer, the Trustee or the Initial Purchaser makes any representation as to the proper characterization of the Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes for legal investment or other purposes, or as to the ability of particular investors to purchase the Notes under applicable investment restrictions.

12. The Purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, to offer, sell or otherwise transfer such Notes only (i) in a transaction complying with Rule 144A, to a person it reasonably believes is a QIB purchasing for its own account or for the account of a QIB to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A; (ii) to a person it reasonably believes is an "accredited investor" (as defined in Rule 501(a) under the Securities Act) ("Accredited Investor") purchasing for investment purposes and not with a view toward selling or transferring the Notes or any portion thereof in connection with any distribution thereof, in whole or in part, or (iii) pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. If at some future time the Purchaser wishes to dispose of or exchange any of the Notes, the Purchaser will not do so unless before any such sale, transfer or other disposition the Purchaser has furnished to the Trustee a Transferee Certificate substantially in the form of Exhibit H-1 or H-2 to the Indenture, as applicable, executed by the proposed transferee.

13. The Purchaser agrees that the Purchaser is bound by and will abide by the provisions of the Indenture, the restrictions noted on the face of the Notes and this Investment Letter. The Purchaser agrees that it will provide to each person to whom it transfers such Notes notice of the restrictions on transfer of the Notes. The Purchaser will comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Notes by the Purchaser.

14. The Purchaser acknowledges that any proposed assignee of a beneficial ownership interest in the Notes will be deemed under the Indenture to have made agreements and representations substantially similar to those set forth above. The Purchaser understands that each of the Purchaser's Notes will bear a legend restricting transfer of the Notes substantially to the effect set forth in the Offering Memorandum under "Notice to Investors: Transfer Restrictions."

15. The Purchaser understands that it is the Issuer's intention that the Notes be treated as debt of the Issuer for federal income tax purposes, and by its acceptance of its Note, agrees to so treat the Note and to take no action inconsistent therewith.

16. The interpretation of the provisions hereof shall be governed and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws.

17. The Purchaser hereby certifies to the Issuer, the Trustee and the Initial Purchaser that either (a) it is not an employee benefit or other plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") (each a "Plan"), and it is not acquiring the Series 2004-1 Notes directly or indirectly for, or on behalf of, a Plan or any entity whose underlying assets are deemed to be "plan assets" (within the meaning of 29 CFR § 2510.3-101 (the "Plan Assets Regulation")) of such a Plan, or (b)(i) the acquisition and holding of the Series 2004-1 Notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or other similar applicable federal and state laws and (ii) if the Series 2004-1 Notes are subsequently deemed to be "plan assets" (within the meaning of the Plan Assets Regulation), it will promptly dispose of the Series 2004-1 Notes.

18. The Purchaser understands that the offer and sale of the Notes to it is being made in reliance on Rule 144A and that applicable exemptions from the registration or qualification requirements under state securities

laws require that the Purchaser be a QIB under the applicable state securities law. The Purchaser will notify each of the addressees of this Investment Letter of any changes in the information and conclusions herein on or before the date of purchase. Until such notice is given, each purchase of Notes by the Purchaser will constitute a reaffirmation of the statements made in this Investment Letter as of the date of such purchase and the addressees of this Investment Letter will continue to rely on the statements and agreements made herein in connection with sales of Notes to the Purchaser made in reliance on Rule 144A.

19. If the Purchaser is acquiring any Notes as a fiduciary or agent for one or more investor accounts, the Purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make on behalf of such account the representations, confirmations, acknowledgments and agreements set forth in this investment letter.

20. If the Purchaser proposes that the Notes be registered in the name of a nominee, such nominee has completed the Nominee Acknowledgment below.

21. This Investment Letter will be deemed valid for the institution named on the signature page below. If there are additional institutions (e.g. subaccounts or mutual funds) to be designated as a QIB by this Certificate, the undersigned will provide a list of such institutions.

Very truly yours,

(NAME OF PURCHASER)

By
Name
Title
Date

Nominee Acknowledgment

The undersigned hereby acknowledges and agrees that as to the Note being registered in its name, the sole beneficial owner thereof is and shall be _____, the Purchaser identified above, for whom the undersigned is acting as nominee.

Very truly yours,

Print Name of Purchaser

By
Name
Title

Date

ANNEX A

1. Qualified Institutional Buyer ("QIB") means any of the following institutions:

(a) An institution referred to in any of clauses (i) through (xiii) below that in the aggregate owns or invests on a discretionary basis at least $100 million in "eligible securities"(defined in Section 2 below); provided, that such institution is buying for its own account or for the accounts of other QIBs.

(i) Insurance Company. An insurance company as defined in Section 2(13) of the Securities Act of 1933, as amended (the "Securities Act"). A purchase by an insurance company for one or more of its separate accounts (as defined in Section 2(a)(37) of the Investment Company Act of 1940, as amended (the "Investment Company Act")), which are neither registered under Section 8 of the Investment Company Act nor required to be so registered, is deemed to be a purchase for the account of the insurance company.

(ii) Investment Company. An investment company registered under the Investment Company Act.

(iii) Investment Adviser. An investment adviser registered under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act").

(iv) Corporation. A corporation (other than a bank as defined in Section 3(a)(2) of the Securities Act or a savings and loan association or other institution referenced in Section 3(a)(5)(A) of the Securities Act of a foreign bank or savings and loan association equivalent institution).

(v) Partnership; Business Trust. A partnership, Massachusetts or similar business trust.

(vi) Plan. A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees.

(vii) Employee Benefit Plan. An employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended.

(viii) Trust Fund. A trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in paragraph (vi) or (vii) above, except trust funds that include as participants individual retirement accounts or H.R. 10 plans.

(ix) 501(c)(3) Organization. Any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

(x) Business Development Company, Section 2(a)(48). A business development company as defined in Section 2(a)(48) of the Investment Company Act.

(xi) Business Development Company, Section 202(a)(22). A business development company as defined in Section 202(a)(22) of the Investment Advisers Act.

(xii) Small Business Investment Company. A small business investment company licensed by the U.S. Small Business Company Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended.

(xiii) Bank; Savings and Loan. A bank as defined in Section 3(a)(2) of the Securities Act, a savings and loan association or other institution as referenced in Section 3(a)(5)(A) of the Securities Act or a foreign bank or savings and loan association or equivalent institution that has

an audited net worth of at least $25 million in its latest annual financial statements, as of a date not more than 16 months preceding the date of sale in the case of a U.S. bank or savings and loan association, and not more than 18 months preceding such date of sale for a foreign bank or savings and loan association or equivalent institution.

(b) Dealer. A dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") acting for its own account or the accounts of other QIBs, that in the aggregate owns or invests on a discretionary basis at least $10 million of securities of issuers that are not affiliated with the dealer; provided, that securities constituting the whole or a part of an unsold allotment to or subscription by a dealer as a participant in a public offering shall not be deemed to be owned by such dealer.

(c) Dealer Acting in a Riskless Principal Transaction. A dealer registered pursuant to Section 15 of the Exchange Act, acting in a riskless principal transaction (as defined in Rule 144A) on behalf of a QIB.

(d) Investment Company, Part of a Family. An investment company registered under the Investment Company Act, acting for its own account or for the accounts of other QIBs, that is part of a family of investment companies (as defined in Rule 144A) which own in the aggregate at least $100 million in eligible securities.

(e) Entity, All of the Equity Owners of which Are QIBs. Any entity, all of the equity owners of which are QIBs, acting for its own account or the accounts of other QIBs.

2. Eligible Securities/Discretionary Basis. In determining the aggregate amount of securities owned or invested on a discretionary basis by an entity, the following instruments and interests shall be excluded: securities issued by issuers that are affiliated with the purchaser or, if the purchaser is an investment company seeking to qualify as a QIB pursuant to Section 1(d) above, are part of that purchasers "family of investment companies;" bank deposit notes and certificates of deposit; loan participations; repurchase agreements; securities owned but subject to a repurchase agreement; and currency, interest rate and commodity swaps.

The value of eligible securities must be calculated based on cost to the purchaser (or on the basis of market value if (a) the entity reports its securities holdings in its financial statements on the basis of their market value and (b) no current information with respect to the cost of those securities has been published).

In determining the aggregate amount of securities owned by an entity or invested by the entity on a discretionary basis, securities owned by subsidiaries of the entity that are consolidated with the entity in its financial statements prepared in accordance with generally accepted accounting principles may be included if the investments of such subsidiaries are managed under the direction of the entity, except that, unless the entity is a reporting company under Section 13 or 15(d) of the Exchange Act, securities owned by such subsidiaries may not be included if the entity itself is a majority-owned subsidiary that would be included in consolidated financial statements of another enterprise.

NOTICE TO INVESTORS:
TRANSFER RESTRICTIONS

Each purchaser of Series 2004-1 Notes from the Initial Purchaser, by its purchase of such Notes, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchaser as follows:

- It understands and acknowledges that the Series 2004-1 Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, that the Series 2004-1 Notes have not been registered under the Securities Act or any other applicable securities laws and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, pursuant to an exemption therefrom or in a transaction not subject thereto and in each case in compliance with the conditions for transfer set forth below.

- It is a Qualified Institutional Buyer ("QIB") or an Accredited Investor and is aware that any sale of the Series 2004-1 Notes to it will be made in reliance on Rule 144A with respect to a Qualified Institutional Buyer, and Rule 501(a) with respect to an Accredited Investor. Such acquisition will be for its own account or for the account of another QIB.

- It acknowledges that none of the Issuer or the Initial Purchaser or any person representing the Issuer or the Initial Purchaser has made any representation to it with respect to the Issuer or the offering or sale of any Series 2004-1 Notes, and upon which it is relying in making its investment decision with respect to the Series 2004-1 Notes other than the information contained herein, which has been delivered to it.

- If it is an Accredited Investor, it is purchasing the Series 2004-1 Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, and if it is a QIB, it is purchasing the Series 2004-1 Notes for its own account or for the account of a QIB, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Series 2004-1 Notes pursuant to Rule 144A or any other exemption from registration available under the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Series 2004-1 Notes and each subsequent holder of the Series 2004-1 Notes by its acceptance thereof will agree to offer, sell or otherwise transfer such Series 2004-1 Notes only (a) to the Issuer; or (b) to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB or (c) to a person it reasonably believes is an Accredited Investor that purchases for its own account, and, with respect to (b) to whom notice is given that the transfer is being made in reliance on Rule 144A, and with respect to (c), to whom notice is given that the transfer is being made in reliance on Rule 501(a). Each purchaser acknowledges that each Series 2004-1 Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR REGISTERED OR QUALIFIED UNDER ANY STATE SECURITIES OR BLUE SKY LAW OF ANY STATE. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) (A) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB"), PURCHASING FOR ITS OWN ACCOUNT OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (B) TO AN "ACCREDITED INVESTOR" (WITHIN THE MEANING OF RULE 501(a) UNDER THE SECURITIES ACT) PURCHASING FOR INVESTMENT AND NOT FOR DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, SUBJECT TO THE RECEIPT BY THE TRUSTEE OF SUCH EVIDENCE ACCEPTABLE TO THE TRUSTEE THAT SUCH REOFFER, RESALE, PLEDGE OR TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS, (2) PURSUANT TO ANOTHER EXEMPTION AVAILABLE UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (3) PURSUANT TO A VALID REGISTRATION STATEMENT.

- The purchaser of a Series 2004-1 Notes (A)(1) is not itself an employee benefit or other plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") (each, a "Plan"), and it is not acquiring the Series 2004-1 Notes with "plan assets" (within the meaning of 29 CFR § 2510.3-101 (the "Plan Assets Regulation")) of a Plan or an entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or (2) (i) is itself, or is acquiring the Series 2004-1 Notes with the assets of, an "investment fund" (within the meaning of Part V(b) of PTCE 84-14) managed by a "qualified professional asset manager" (within the meaning of Part V(a) of PTCE 84-14) which has made or properly authorized the decision for such fund to purchase the Series 2004-1 Notes, under circumstances

such that PTCE 84-14 is applicable to the purchase and holding of such 2001 Notes, (ii) is itself, or is acquiring Series 2004-1 Notes with the assets of, a Plan managed by an "in-house asset manager" (within the meaning of Part IV(a) of PTCE 96-23) which has made or properly authorized the decision for such Plan to purchase the Series 2004-1 Notes, under circumstances such that PTCE 96-23 is applicable to the purchase and holding of such Series 2004-1 Notes, (iii) is an insurance company pooled separate account purchasing Series 2004-1 Notes pursuant to Part I of PTCE 90-1 or a bank collective investment fund purchasing Series 2004-1 Notes pursuant to Part I of PTCE 91-38, and in either case, no Plan owns more than 10% of the assets of such account or collective fund (when aggregated with other Plans of the same employer (or its affiliates) or employee organization), or (iv) is an insurance company using the assets of its general account to purchase the Series 2004-1 Notes pursuant to Section I of PTCE 95-60, in which case the reserves and liabilities for the general account contracts held by or on behalf of any Plan, together with any other Plans maintained by the same employer (or its affiliates) or employee organization, do not exceed 10% of the total reserves and liabilities of the insurance company general account (exclusive of separate account liabilities), plus surplus as set forth in the National Association of Insurance Commissioners Annual Statement filed with the state of domicile of the insurer or (3) is a Plan or a Plan Asset Entity for which the acquisition and holding of the Series 2004-1 Notes will not result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or other similar, applicable federal and state laws and (B) agrees that, if either the acquisition and holding of the Series 2004-1 Notes is no longer a nonexempt prohibited transaction or the Student Loans underlying the Series 2004-1 Notes are subsequently deemed to be "plan assets" (within the meaning of the Plan Assets Regulation), the purchaser will promptly dispose of the Series 2004-1 Notes.

- It acknowledges that the Issuer, Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it by its purchase of Series 2004-1 Notes are no longer accurate, it will promptly notify the Initial Purchaser and the Issuer. If it is acquiring any Series 2004-1 Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

- The foregoing includes a summary of the restrictions contained in the Investment Letter to be signed by the purchaser and does not limit any representations made by the purchaser in such Investment Letter. The purchaser should review the Investment Letter for the complete terms thereof.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a Note Purchase Agreement (the "Note Purchase Agreement"), between the Issuer and UBS Financial Services Inc. (the "Initial Purchaser"), the Issuer has agreed to sell to the Initial Purchaser, and the Initial Purchaser has agreed to purchase from the Issuer, the Series 2004-1 Notes.

In the Note Purchase Agreement, the Initial Purchaser has agreed, subject to the terms and conditions set forth therein, to purchase all of the Series 2004-1 Notes offered hereby, if any Series 2004-1 Notes are purchased, for an aggregate price equal to $1,000,000,000. The Issuer has been advised by the Initial Purchaser that the Initial Purchaser proposes initially to offer the Series 2004-1 Notes at an offering price equal to 100% of the Series 2004-1 Notes being purchased. After the public offering, offering price may be changed.

The Note Purchase Agreement provides that the Issuer will indemnify the Initial Purchaser against certain liabilities, including liabilities under applicable securities laws, or contribute to payments the Initial Purchaser may be required to make in respect thereof.

LEGAL MATTERS

Certain legal matters relating to the Issuer and federal income tax matters will be passed upon by Kutak Rock LLP. Certain legal matters relating to the Issuer will be passed upon by Ford Marrin Esposito Witmeyer & Gleser, L.L.P. Certain legal matters will be passed upon for the Initial Purchaser by Krieg DeVault LLP.

RATINGS

It is a condition to the issuance and sale of the Series 2004-1 Senior Notes that they be rated "Aaa" by Moody's and "AAA" by S&P. It is a condition to the issuance of the Series 2004-1 Subordinate Notes that they be rated "A2" by Moody's and "A" by S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. The ratings of the Series 2004-1 Notes address the likelihood of the ultimate payment of principal of and interest on the Series 2004-1 Notes pursuant to their terms. The Rating Agencies do not evaluate, and the ratings on the Series 2004-1 Notes do not address, the likelihood of redemptions on the Series 2004-1 Notes or the likelihood of payment of any Carry-Over Amounts.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum and, if given or made, such information or representations must not be relied upon. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby, nor an offer of Notes in any state or jurisdiction in which, or to any person to whom, such offer would be unlawful. The delivery of this Offering Memorandum at any time does not imply that the information contained herein is correct as of any item subsequent to its date.

TABLE OF CONTENTS

$1,000,000,000

STUDENT LOAN ASSET-BACKED NOTES (Auction Rate Certificates—ARCs®)

Senior Series 2004-1A-1
Senior Series 2004-1A-2
Senior Series 2004-1A-3
Senior Series 2004-1A-4
Senior Series 2004-1A-5
Senior Series 2004-1A-6
Senior Series 2004-1A-7
Senior Series 2004-1A-8
Senior Series 2004-1A-9
Senior Series 2004-1A-10
Senior Series 2004-1A-11
Senior Series 2004-1A-12
Senior Series 2004-1A-13
Senior Series 2004-1A-14
Senior Series 2004-1A-15
Subordinate Series 2004-1B-1
Subordinate Series 2004-1B-2

OFFERING MEMORANDUM

UBS Financial Services Inc.

March 3, 2004